Prospectus

18th March 2010

This document comprises a prospectus (the "**Prospectus**") relating to EnQuest PLC (the "**Company**") prepared in accordance with the Prospectus Rules of the Financial Services Authority (the "**Prospectus Rules**" and the "**FSA**", respectively) made under section 73A of the Financial Services and Markets Act 2000, as amended (the "**FSMA**"). This document has been approved by the FSA and made available to the public in accordance with the Prospectus Rules.

Application will be made to the FSA for all of the Ordinary Shares, issued and to be issued, to be admitted to the Official List of the FSA (the "**Official List**") with a premium listing and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**London Admission**"). If the Offer for sale of Ordinary Shares as described in Part IX of this document proceeds, conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 30 March 2010. It is expected that London Admission will become effective and that unconditional dealings will commence in the Ordinary Shares on the London Stock Exchange at 8.00 a.m. (London time) on 6 April 2010. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings on the London Stock Exchange will be of no effect if London Admission does not occur and such dealings will be at the sole risk of the parties concerned.**

Application will also be made to NASDAQ OMX Stockholm AB for all of the Ordinary Shares, issued and to be issued, to be secondary listed on NASDAQ OMX Stockholm (the "**Stockholm Admission**"). The prospectus has been passported into Sweden pursuant to Chapter 2, Section 36 of the Swedish Financial Instruments Trading Act (Sw: lagen (1991:980) om handel med finansiella instrument). Conditional dealings in the Ordinary Shares are expected to commence on NASDAQ OMX Stockholm on 6 April 2010. It is expected that Stockholm Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on NASDAQ OMX Stockholm at 9.00 a.m. (Stockholm time) on 9 April 2010. **All dealings in the Ordinary Shares prior to the commencement of unconditional dealings on NASDAQ OMX Stockholm will be of no effect if Stockholm Admission does not occur and such dealings will be at the sole risk of the parties concerned. Further, Stockholm Admission may occur and dealings may become unconditional on NASDAQ OMX Stockholm without the Offer having completed.**

The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 8(2) of the Control of Borrowing (Jersey) Order 1958, to the circulation in Jersey of this prospectus. It must be clearly understood that, in giving such consent, the Jersey Financial Services Commission does not take any responsibility for the financial soundness of EnQuest or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law. Nothing in this prospectus or anything communicated to any investor by or on behalf of EnQuest is intended to constitute, or should be construed as, advice on the merits of an investment in the Ordinary Shares or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998.

The Company and its Directors (whose names appear on page 32 of this document) accept responsibility for the information contained in this document. To the best of the knowledge 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 contains no omission likely to affect its import.

Prospective investors should read the whole of this document and, in particular the section headed "Risk Factors", when considering an investment in the Ordinary Shares.

EnQuest PLC

(incorporated in England and Wales under the Companies Act 2006 with registered no. 7140891)

Offer of up to 48,130,326 Ordinary Shares at a maximum Offer Price of 118p per Ordinary Share

Admission to listing on the Official List and to trading on the main market of the London Stock Exchange and to secondary listing and trading on NASDAQ OMX Stockholm

Sponsor, Global Co-ordinator, Joint Lead Manager and Bookrunner

J.P. Morgan Cazenove

Joint Lead Manager for the Nordic region

Nordea Markets

Co-lead Managers

Oriel Securities Limited **RBC Capital Markets**

Expected issued Ordinary Share capital immediately following London Admission(1)

Number	*Issued and fully paid*	Amount
775,027,922	*Ordinary Shares of £0.05 each*	£38,751,396.10

(1) The number of Ordinary Shares in issue at the time of London Admission is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac between the date of this document and the completion of the Petrofac Demerger.

The Selling Shareholders may sell up to 48,130,326 Ordinary Shares in aggregate (assuming no exercise of the Over-allotment Option) under the Offer. The Company will not receive any of the proceeds of any sale of the Ordinary Shares, all of which will be received by the Selling Shareholders. The Ordinary Shares are being offered to certain institutional investors in the United Kingdom, Sweden and elsewhere outside the United States.

A number of factors will be considered in determining the Offer Price, the number of Ordinary Shares to be sold in the Offer and the basis of allocation, including the level and nature of demand for the Ordinary Shares during the book-building process, prevailing market conditions and the objective of establishing an orderly after-market in the Ordinary Shares. Unless required to do so by law or regulation, the Company does not envisage publishing any supplementary prospectus or a pricing statement, as the case may be, until announcement of the Offer Price. A pricing statement containing the Offer Price, the number of Ordinary Shares which are the subject of the Offer and any other outstanding information (the "**Pricing Statement**") is expected to be published on or around 30 March 2010.

This document does not constitute or form part of an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular and subject to certain exceptions, is not for distribution or publication in or into the United States, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares are being offered and sold outside the United States in offshore transactions within the meaning of and in accordance with the safeharbour from the registration requirements in Regulation S ("**Regulation S**") promulgated under the US Securities Act of 1933, as amended (the "**Securities Act**").

The Ordinary Shares have not been and will not be registered under the Securities Act with any securities regulatory authority or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of securities in the United States.

The Ordinary Shares have not been and will not be registered under the applicable securities laws of Canada, Australia, the Republic of South Africa or Japan and subject to certain exceptions, the Ordinary Shares may not be offered or sold in Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, any resident of Canada, Australia, the Republic of South Africa or Japan. There will be no public offer of securities in Canada, Australia, the Republic of South Africa or Japan.

Save as required by section 85 of the FSMA, neither the Ordinary Shares nor the Offer have been approved, disapproved or recommended by any governmental or regulatory authority of any country or jurisdiction, nor has any such governmental or regulatory authority passed upon or endorsed the merits of the Company or an investment in the Ordinary Shares.

The Ordinary Shares offered by this document have not been approved or disapproved by the US Securities and Exchange Commission (the "**SEC**"), any other federal or state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offer or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

J.P. Morgan Securities Ltd. (which conducts its UK investment banking activities as J.P. Morgan Cazenove), which is authorised and regulated in the United Kingdom by the FSA, is advising the Company and no one else (whether or not a recipient of this document) in connection with the London Admission and the Offer. J.P. Morgan Securities Ltd. will not regard any other person (whether or not a recipient of this document) as its client in relation to the London Admission or the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or the contents of this document, London Admission or any other transaction, arrangement or matter referred to in this document.

Nordea Bank AB (of which Nordea Markets is a part), which is authorised and regulated in Sweden by the Swedish Financial Supervisory Authority, is advising the Company and no one else (whether or not a recipient of this document) in connection with the Stockholm Admission and the Offer. Nordea Bank AB will not regard any other person (whether or not a recipient of this document) as its client in relation to the Stockholm Admission or the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or the contents of this document, Stockholm Admission or any other transaction, arrangement or matter referred to in this document.

RBC Capital Markets, which is authorised and regulated in the United Kingdom by the FSA, is advising the Company and no one else (whether or not a recipient of this document) in connection with the Offer. RBC Capital Markets will not regard any other person (whether or not a recipient of this document) as its client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or the contents of this document, London Admission or any other transaction, arrangement or matter referred to in this document.

Oriel Securities Limited, which is authorised and regulated in the United Kingdom by the FSA, is advising the Company and no one else (whether or not a recipient of this document) in connection with the Offer. Oriel Securities Limited will not regard any other person (whether or not a recipient of this document) as its client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Offer or the contents of this document, London Admission or any other transaction, arrangement or matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Managers (including J.P. Morgan Cazenove acting as Sponsor) by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Managers accept any responsibility whatsoever and make no representation or warranty express or implied, for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, the Admissions or the Offer. Each of the Managers accordingly disclaims to the fullest extent permitted by law all and any liability whether

arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The distribution of this document and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders or the Managers to permit a public offering of the Ordinary Shares or to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction (other than the United Kingdom and Sweden) where action for that purpose may be required. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this document, see the section headed "Important Information" in this document and paragraph 13 in Part IX of this document.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("RSA"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

18 March 2010

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SUMMARY INFORMATION

This summary should be read as an introduction to this document only. Any decision by a prospective investor to invest in the Ordinary Shares should be based on a consideration of this document as a whole and not solely on this summary information. Where a claim relating to the information contained in this document is brought before a court in a member state of the European Economic Area, a plaintiff investor may, under the national legislation of a European Economic Area state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Under the Prospectus Directive (Directive 2003/71/EEC), in each member state of the European Economic Area, civil liability attaches to the person(s) responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with all other parts of this document.

1. INFORMATION ON ENQUEST

Introduction

EnQuest is an independent oil and gas production and development company whose current activities are focused on the UKCS. The Group intends to deliver sustainable growth in shareholder value by focusing on exploiting its existing reserves, commercialising and developing discoveries, converting its significant contingent resources into reserves and pursuing selective acquisitions.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low-risk region. The UKCS continues to benefit from an extensive installed infrastructure base and skilled labour to develop, operate and manage assets. EnQuest's management has considerable experience of working in the UKCS region and is familiar with the regulatory authorities and competitive landscape.

With a portfolio of producing assets, development opportunities and appraisal and exploration opportunities, strong cash flow generation and an experienced management and staff that have a proven development and operating record, EnQuest believes that it is well positioned to increase its production and reserves and benefit from the opportunities that exist in the UKCS.

Asset Portfolio

The Group's asset portfolio comprises primarily producing assets and development opportunities, together with appraisal and exploration opportunities, all of which are located in the UKCS.

The Company was recently incorporated to acquire the UKCS assets and operations of Lundin and Petrofac. Pursuant to the terms of and subject to the conditions of the Acquisitions, the Company has acquired interests in the Heather, Broom, Thistle and Deveron fields and Peik, South West Heather and Scolty discoveries from Lundin and interests in the Don Southwest and West Don fields and the Elke discovery from Petrofac.

The Group's producing assets include interests in six producing fields: Broom, Heather, Thistle, Deveron, West Don and Don Southwest. The Group has interests in 16 production licences covering 26 blocks or part blocks on the UKCS, of which 15 licences are operated by the Group. Certain of the licences held by the Group have been acquired pursuant to successful applications and awards in UK licensing rounds, farm-in arrangements and acquisitions. The Group's licence interests also provide it with an inventory of potential developments, discoveries and prospects, which are largely located close to the Group's interests in existing infrastructure.

Summary of the Group's Reserves, Resources and Production

The Group's average daily working interest production for the year ended 2009 was approximately 13,620 bopd. Gaffney, Cline & Associates (**"GCA"**) has certified that, as at 1 January 2010, the Group's assets had total net proved plus probable oil and NGL reserves of 80.5 MMBbl. As at 1 January 2010, GCA has also certified net oil and gas best estimate (2C) contingent resources for individual assets. The aggregate of the oil 2C contingent resources on an unrisked basis is 67.5 MMBbl, and of the gas 2C contingent resources is 30.6 Bcf.* In addition, the Group has identified five exploration opportunities with prospective resources.

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* GCA warns that there may be a significant risk that accumulations containing contingent resources will not achieve commercial production and that it is inappropriate to aggregate contingent resources.

2. INDUSTRY AND MARKET OVERVIEW

The demand for oil and the price of oil has shown unprecedented volatility since September 2008.

By autumn 2007, worldwide demand had grown to 87 million barrels of oil per day, an all time peak, followed by a fall to 83 million barrels per day in the spring of 2009, reflecting the sharp decline in output of the world's economies.

The 2007–2008 acceleration in demand growth, along with market expectations that such growth was likely to continue, led to market concerns about supply. This in turn caused oil prices to increase substantially, with prices of Brent Blend rising from an annual average of US$38.37 per barrel in 2004 to US$97.95 per barrel in 2008, peaking US$145.86 per barrel on 3 July 2008, before the financial crisis. During the financial crisis the price for Brent Blend fell sharply to a low of US$33.79 per barrel on 24 December 2008. In 2009, the price increased again due to unchanged long-term fundamentals despite the ongoing economic uncertainties and reached US$77.50 on 31 December 2009. Perceived increasing instability in key regions, resource nationalism in some major producing countries, economic difficulties and other factors continue to create an uncertain background for oil and gas prices, which have historically been highly volatile and cyclical.

The UK remains a substantial producer of oil and gas, with production of approximately 2.5 mmboepd in 2009.

3. STRATEGY

EnQuest aims to become one of the UK's leading independent oil and gas production and development companies. The Group will operate a production biased portfolio with exposure predominantly to the significant and low-risk hydrocarbon basin of the UKCS. The Group's management intends to deliver sustainable growth in shareholder value by focusing on exploiting its existing reserves, commercialising and developing discoveries, converting its significant contingent resources into reserves and pursuing selective acquisitions.

EnQuest intends to achieve its strategy through:

- having geographic focus;
- pro-actively operating its assets;
- maximising production, reserves and cash flow generation from the Group's existing assets;
- using the Group's operational, execution, subsurface and integration skills;
- becoming a development partner of choice in the UKCS; and
- delivering balanced growth.

4. KEY STRENGTHS

EnQuest believes that it benefits from the following key strengths:

- operational and technical expertise;
- operatorship and high equity interest;
- strong balance sheet; and
- cash generation from existing operations.

The Directors believe that the combination of the Group's technical skills, scale of operations and financial strength will position the Group to deliver on its strategy and take advantage of the production and development opportunities in the UKCS.

5. CURRENT TRADING AND PROSPECTS

The permanent pipeline export route from the Don fields via the nearby Thistle platform was commissioned on 5 March 2010 and oil export to the Sullom Voe Terminal has commenced. On the Don Southwest field, the side-track of the Area 22 production well (DR2z) has been successfully completed and production has commenced at expected rates. The John Shaw semi-submersible drilling rig has been released, permitting access to the Don Southwest field for a dive-support vessel to complete water

injection on Don Southwest which was also successfully achieved. The resumption of drilling rig operations on the Thistle field in February 2010 is a significant step in the re-development of the Thistle platform.

The Group remains on target to produce approximately 18,000 bopd in 2010. The Directors are confident of the Group's prospects for the financial year ending 31 December 2010.

6. REASONS FOR THE OFFER AND ADMISSIONS

The Directors believe that the Admissions will offer the Company a number of benefits, including:

- enhancing the profile of the Group's business and status with existing and potential partners;
- creating a public market for the Ordinary Shares and increasing strategic and financial flexibility for the Group; and
- strengthening the Company's ability to attract and retain key employees.

If the Offer proceeds, it will also provide an opportunity for the Selling Shareholders to realise part of their investment in the Group.

7. SUMMARY FINANCIAL INFORMATION

The table below sets out selected financial and operating information of each of, the LNS Group and the PEDL Group as at and for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007, respectively. This information has been extracted without material adjustment from Section B in Part VI of this document which includes the historical financial information on the LNS Group and Section B in Part VII of this document which includes the historical financial information on the PEDL Group, and has been prepared on the basis described therein, except for the EBITDA information which have each been calculated as set forth in the section headed "Important Information" in this document.

The LNS Group

Income data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenue from sale of oil and gas	234,017	348,781	376,542
Cost of sales	(193,146)	(231,421)	(249,644)
Gross profit	**40,871**	**117,360**	**126,898**
Exploration and evaluation expenses	(6,149)	(20,642)	(25,535)
General, administrative and depreciation expenses	(135)	(69)	(417)
Other income/expenses	(17,953)	27,953	(2,280)
Profit from operations before tax and finance income/(costs)	**16,634**	**124,602**	**98,666**
Finance income	827	9,167	7,205
Finance costs	(6,444)	(10,337)	(10,379)
Profit before tax	**11,017**	**123,432**	**95,492**
Taxation	(3,025)	(59,058)	(43,292)
Profit for the year attributable to Lundin North Sea BV Group shareholders	**7,992**	**64,374**	**52,200**
EBITDA	**189,088**	**208,823**	**75,203**

Cash flow data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash inflow from operating activities	55,439	144,746	218,208
Net cash outflow to investing activities	(66,125)	(185,452)	(207,352)
Net cash inflow/outflow from financing activities	14,072	40,091	(22,842)
Net increase/(decrease) in cash and cash equivalents	**3,386**	**(615)**	**(11,986)**
Net foreign exchange difference on cash and cash equivalents	981	(140)	117
Cash and cash equivalents at beginning of the year	3,526	4,281	16,150
Cash and cash equivalents at the end of the year	**7,893**	**3,526**	**4,281**

Balance sheet data

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	US$'000	*US$'000*	*US$'000*
Non current assets	611,798	628,977	614,629
Current assets	45,524	53,297	51,307
Total assets	**657,322**	**682,274**	**665,936**
Equity	160,200	134,086	162,834
Non current liabilities	461,681	466,828	396,237
Current liabilities	35,441	81,360	106,865
Total equity and liabilities	**657,322**	**682,274**	**665,936**

The PEDL Group

Income data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenue from sale of oil and gas	82,319	—	—
Other revenue—manpower services	2,652	2,727	3,307
Cost of sales	(66,425)	(2,045)	(2,480)
Gross profit	**18,546**	**682**	**827**
Evaluation costs	—	(9,821)	—
General and administration expenses	(11,292)	(10,237)	(7,108)
Other income/(expenses)	571	(252)	—
Foreign exchange gain/(loss)	166	(762)	6
Negative goodwill	—	6,618	—
Profit/(loss) from operations before tax and finance income/(costs)	**7,991**	**(13,772)**	**(6,275)**
Finance income	1,002	146	21
Finance costs	(8,726)	—	—
Profit/(loss) before tax	**267**	**(13,626)**	**(6,254)**
Income tax	12,387	6,826	6,524
Profit/(loss) for the year attributable to Petrofac Energy Developments Limited shareholders	**12,654**	**(6,800)**	**270**
EBITDA	**49,575**	**10,234**	**(6,236)**

Cash flow data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash inflow from operating activities	15,586	53,672	3,485
Net cash outflow from investing activities	(207,153)	(247,215)	(34,611)
Net cash inflow from financing activities	192,511	200,653	43,220
Net increase in cash and cash equivalents	**944**	**7,110**	**12,094**
Net foreign exchange difference on cash & cash equivalents	—	(4,776)	(109)
Cash and cash equivalents at beginning of the year	15,145	12,811	826
Cash and cash equivalents at the end of the year	**16,089**	**15,145**	**12,811**

Balance sheet data

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	US$'000	*US$'000*	*US$'000*
Non-current assets	428,134	184,119	52,182
Current assets	96,370	80,976	17,770
Total assets	**524,504**	**265,095**	**69,952**
Equity	7,437	(8,637)	(7,121)
Non-current liabilities	55,359	203,644	59,807
Current liabilities	461,708	70,088	17,266
Total equity and liabilities	**524,504**	**265,095**	**69,952**

Note:

(1) EBITDA is calculated by taking profit for the year attributable to Shareholders and adding back financial income and expense, corporation and petroleum taxes, gains or losses on sale of assets, negative goodwill and depletion, depreciation and write off of intangible oil and gas assets. EBITDA is not a measure of financial performance under IFRS or US GAAP.

8. SUMMARY OF THE OFFER

It is intended that certain of the Selling Shareholders may sell down a portion of their shareholding in EnQuest immediately upon London Admission, and all or certain of the Selling Shareholders may sell down a further portion of their shareholding in EnQuest immediately upon Stockholm Admission, under the terms of the Offer.

The Selling Shareholders may sell up to 48,130,326 Ordinary Shares in aggregate (assuming the Over-allotment Option is not exercised) under the Offer, representing approximately 6.2 per cent. of the issued share capital of the Company on London Admission. The Selling Shareholders will receive gross proceeds of £57 million (approximately £55 million net of expenses) from the sale of Ordinary Shares (based on an Offer of a maximum number of 48,130,326 Ordinary Shares at a maximum Offer Price of 118p per Ordinary Share and assuming that the Over-allotment Option is not exercised). Further Ordinary Shares (representing up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer) may be made available under the Offer by certain Selling Shareholders pursuant to the Over-allotment Option.

The Offer is being made by means of an offer of Ordinary Shares to qualified investors, including to certain institutional investors in the United Kingdom, Sweden, other EEA jurisdictions and elsewhere outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S under the Securities Act.

All Ordinary Shares will be sold at the Offer Price. The Offer Price will be determined by the Global Co-ordinator in consultation with the Company and the Selling Shareholders and is expected to be announced on or around 30 March 2010. The Offer Price will be set at a price of up to 118p per Ordinary Share.

The Selling Shareholders reserve the right not to proceed with the Offer in the event that they are not satisfied with the proposed Offer Price achieved in the book building process. Any decision not to proceed with the Offer (together with any other outstanding information) will be set out in a pricing statement or other announcement on a Regulatory Information Service, expected to be published on or around 30 March 2010. In such circumstances, the Company intends to continue with its applications for the Admissions so far as is practicable in accordance with the expected timetable of principal events set out on page 35 of this document.

The Offer is underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement. Completion of the Offer will be subject, *inter alia*, to the determination of the Offer Price and each of the Company's, the Selling Shareholders' and the Managers' decisions to proceed with the Offer. It will also be subject to the satisfaction of certain conditions contained in the Underwriting Agreement, including London Admission occurring and becoming effective by 8.00 a.m. (London time) on 6 April 2010 or such later date as may be determined in accordance with the Underwriting Agreement, and to the Underwriting Agreement not having been terminated in accordance with its terms, prior to London Admission. In respect of Ordinary Shares in the Offer being delivered to investors through the VPC system at Stockholm Admission, completion of that portion of the Offer is subject to additional conditions contained in the Underwriting Agreement, including Stockholm Admission occurring and becoming effective by no later than 9.00 a.m. (Stockholm time) on 9 April 2010, or such later date as may be determined in accordance with the Underwriting Agreement.

Application will be made to the FSA for all of the Ordinary Shares to be listed on the Official List for a premium listing and application will be made to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities and to NASDAQ OMX Stockholm AB for a secondary listing.

If the Offer proceeds, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 30 March 2010. It is expected that dealings in the Ordinary Shares will commence on a conditional basis on NASDAQ OMX Stockholm at 9.00 a.m. (Stockholm time) on 6 April 2010. The expected dates for settlement of such dealings are 6 April 2010 in respect of dealings on London Stock Exchange and 9 April 2010 in respect of dealings on NASDAQ OMX Stockholm. These dates and times may change.

9. LOCK UP ARRANGEMENTS

Each of the Company, the Selling Shareholders and the Directors have agreed to certain lock-up arrangements in respect of their holdings of the Ordinary Shares. If the Offer does not proceed, the Selling Shareholders will be subject to certain orderly market arrangements for a period of six months following London Admission, rather than the lock-up arrangements.

10. RISK FACTORS

Risks related to the oil and gas industry

- A material decline in oil and gas prices may adversely affect the Group's results of operations and financial condition.
- The Group's reserves information represents estimates that may turn out to be incorrect or inaccurate.
- The Group may not be able to develop commercially its contingent and prospective resources.
- Production, development and exploration activities are dependent on the availability of capital infrastructure and third party contractors.
- The Group's success depends on its ability to appraise, develop and explore oil and gas reserves that are economically recoverable.
- The Group may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects.
- Appraisal and exploration projects do not necessarily result in a profit on the investment or the recovery of costs.

- The Group's offshore operations are subject to a number of risks and hazards that may result in material losses in excess of insurance proceeds.
- The Group's business is subject to government regulation with which it may be difficult to comply and which may change.
- The Group's operations expose it to significant compliance costs and liabilities in respect of HSE matters.
- Future legislation may require further reductions of greenhouse gas emissions and discharges of oil in produced waters.
- The Group operates in a competitive industry.
- The Group's tax liability could increase substantially as a result of changes in, or new interpretations of, tax laws in the United Kingdom.
- Macroeconomic risks could result in an adverse impact on the Group's financial condition.

Risks relating to the Group

- Much of the Group's equipment is old and significant expenditure is required to maintain operability and operations integrity.
- The use of improved recovery methods creates uncertainties that could adversely affect the Group's results of operations and financial condition.
- The Group relies on a single contractual counterparty in relation to the sale of its oil production volumes.
- The Group's production is concentrated in a small number of offshore fields with high equity interests.
- The Group's interest in the Thistle and Deveron fields is subject to a right of re-transfer to Britoil and Conoco.
- The Group holds interests in a number of licences which are in their initial terms.
- The Group may be unable to acquire, retain, convert or renew the licences, permits and other regulatory approvals necessary for its operations.
- The Group may experience unexpected shutdowns at its facilities.
- The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal.
- The Group cannot accurately predict its future decommissioning liabilities.
- The Group's success is dependent upon its ability to attract and retain key personnel.
- The Group may not be able to identify or take advantage of sufficient suitable acquisition opportunities.
- Being a newly incorporated entity, the Company's controls and reporting systems have yet to be fully tested in a live environment.
- The Group may be unable to successfully protect its competitive position through the establishment and enforcement of intellectual property or to defend successfully against the enforcement of third party intellectual property and other rights.
- Workers at fields on the UKCS may be entitled to additional compensation as a result of the Working Time Regulations.
- Future litigation could adversely affect the Group's business, results of operations or financial condition.
- The Company is a newly-formed entity that will receive certain services from the Remaining Lundin Group and the Remaining Petrofac Group for a transitional period following completion of the Acquisitions.
- The Remaining Lundin Group and the Remaining Petrofac Group have provided guarantees and/or indemnities to third parties in respect of the Group's obligations.

- The Group currently depends on Petrofac Facilities Management to provide facilities management services.
- A default and/or acceleration of repayment of debt under the Facility Agreement may have a material adverse effect on the Group's business, prospects, results of operations and financial condition.
- The Group may not be able to generate sufficient cash flows or finance its activities in the longer term if it is unable to raise additional capital.
- The Group may experience losses and will face other risks as a result of hedging a portion of its production.
- Exchange rate fluctuations and devaluations could have a material adverse effect on the Group's results of operations.
- The holding company structure means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries.
- Participation by the Company in a distribution of a subsidiary's assets will generally be subject to prior claims of creditors.

Risks relating to the Proposals

- Certain conditions precedent must be satisfied before the Acquisitions can complete and Admissions can occur.
- If the Acquisitions complete and the Demergers become effective but London Admission does not occur, Lundin and the shareholders of Petrofac will receive unlisted Ordinary Shares.
- At the time of London Admission but prior to Stockholm Admission, the existing shareholders of Petrofac will hold the Ordinary Shares in conjunction with Lundin as a 55 per cent. Shareholder in EnQuest.
- The Group's success depends on its ability to successfully integrate the businesses of LNS and PEDL following the Acquisitions.
- The Acquisitions may fail to realise anticipated benefits.
- The Group may be subject to unforeseen liabilities and risks arising from the Acquisitions.

Risks relating to the Ordinary Shares

- There has been no public market for the Ordinary Shares prior to London Admission.
- Ordinary Shares of US shareholders of Petrofac and Lundin may be sold on their behalf; any such sales could adversely affect the market price of the Ordinary Shares.
- Future sales of Ordinary Shares after the Admissions and the Offer could adversely affect the market price of Ordinary Shares.
- The price of the Ordinary Shares may be volatile.
- Non-UK tax resident Shareholders could be liable to UK tax on disposal of the Ordinary Shares, if the Ordinary Shares are not listed.

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to making any investment in the Company, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all the information contained in this document, including in particular, the risk factors described below. The Company's business, future prospects, financial condition and results of operations could be materially and adversely affected by any of these risks. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones facing the Group. Additional risks and uncertainties relating to the Group that are not currently known to the Company, or that the Company believes to be immaterial, may also have an adverse effect on the Group's business, future prospects, financial condition and results of operations. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

RISKS RELATED TO THE OIL AND GAS INDUSTRY

A material decline in oil and gas prices may adversely affect the Group's results of operations and financial condition

Both oil and gas prices can be volatile and subject to fluctuation. Any material decline in oil prices could result in a reduction of the Group's net production revenue. Historically, oil prices have fluctuated widely for many reasons, including global and regional supply and demand, and expectations regarding future supply and demand for oil and petroleum products; geopolitical uncertainty; access to pipelines, tanker ships and other means of transporting oil, gas and petroleum products; price, availability and government subsidies of alternative fuels; price and availability of new technologies; the ability of the members of OPEC and other oil-producing nations to set and maintain specified levels of production and prices; political, economic and military developments in oil producing regions, particularly the Middle East; domestic and foreign governmental regulations and actions, including export restrictions, taxes, repatriations and nationalisations; global and regional economic conditions; and weather conditions and natural disasters.

Oil prices have changed significantly over the last few years. According to Bloomberg the spot price of European Brent Blend increased from approximately US$60.28 per barrel on 29 December 2006 to a historic peak of US$145.86 per barrel on 3 July 2008 and fell to a low of US$33.79 per barrel on 24 December 2008 following the global financial crisis in 2008. In 2009, the oil price for European Brent Blend increased again and marked US$77.50 per barrel on 31 December 2009. Year average prices in 2008 and 2009 were US$97.95 and US$62.26 per barrel respectively. However, in the past the oil price has been significantly lower. According to BP Statistical Review of World Energy (June 2009) the average price for Brent Blend crude in 1999 and 2000 was US$17.97 and US$28.50 respectively.

It is impossible to predict accurately future oil and gas price movements. Accordingly, oil and gas prices may not remain at their current levels. The economics of producing from some of the Group's wells may change as a result of lower prices, which could result in a reduction in the volumes of the Group's reserves if some are no longer economically viable to develop. The Group might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Group's net production revenue adversely affecting its acquisition, development and exploration activities and financial condition.

Under IFRS, the net capitalised cost of oil and gas properties may not exceed their recoverable amount which is based, in part, upon estimated future net cash flows from oil and gas reserves. If the net capitalised costs exceed this limit, the Group must charge the amount of the excess against earnings. If oil or gas prices were to decline, the Group's net capitalised cost of oil and gas properties may approach or exceed their recoverable amount, resulting in a charge against earnings. While any write downs would not directly affect cash flows, the charges to earnings could be viewed unfavourably in the market and could limit the Group's ability to borrow funds or comply with covenants contained in current or future credit agreements or other debt instruments, which could result in the delay or postponement of the Group's production and development activities. This could have a material adverse effect on the Group's results of operation and financial condition.

The Group's reserves information represents estimates that may turn out to be incorrect or inaccurate

The process of estimating oil and gas reserves and the cash flows that may be derived from them is very complex. The reserves and associated cash flow information relating to the Group set out in this document represent estimates only. In general, estimates of the quantity and value of economically recoverable oil and gas reserves and the possible future net cash flows are based upon a number of variable factors and assumptions, such as historic production rates, ultimate reserves recovery, interpretation of geological and geophysical data, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, continuity of current fiscal policies and regulatory regimes, future oil and gas prices, operating costs, development and production costs and workover and remedial costs, all of which may vary from actual results. Estimates are also to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, estimates of the economically recoverable oil and gas reserves attributable to a particular group of properties, the classification of such reserves based on risk of recovery and estimates of expected future net revenues prepared by different engineers, or by the same engineers at different times, may vary. As a result, the estimates of the Group's reserves may require substantial upward or downward revisions if subsequent drilling, testing and production reveal differences. Any downward adjustment could indicate lower future production and thus adversely affect the Group's financial condition, future prospects and market value. Furthermore, a decline in the Group's reserves may affect its ability to raise or access sufficient capital in the longer term for its future operations.

Estimates of proved, probable and possible reserves that may be developed and produced in the future are often not based on actual production history but on volumetric calculations and analogies to similar types of reserves. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based on production history and production practices may result in variations in the estimated reserves and these variations could be material.

In this document, the standards applied by the SPE are applied with respect to estimates of the Group's reserves. Under the SPE standards, probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. Probable reserves are more difficult to determine than proved reserves and involve a greater risk that they may not be actually recovered.

The Group may not be able to develop commercially its contingent and prospective resources

The standards applied by the SPE are applied to the Group's contingent and prospective resources. Under SPE standards, contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. The resources may not be considered commercially recoverable by the Group for a variety of reasons, including the high costs involved in recovering the contingent resources, the price of oil at the time, the availability of the Group's resources and other development plans that the Group may have. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. The Group's estimates of its contingent and prospective resources are uncertain and can change with time and there can be no guarantee that the Group will be able to develop these resources commercially.

Production, development and exploration activities are dependent on the availability of capital infrastructure and third party contractors

The Group's oil and gas production and development activities are dependent on the availability of drilling equipment and offshore services, including third party services in the North Sea. The Group contracts or leases services and equipment from third party providers and suppliers. Such equipment and services may be scarce and may not be readily available at the times and places required. Even where the Group has secured rigs under a contract, the rigs will usually only be available for use after the current user has finished its drilling programme. If there are delays in the completion of the user's drilling programme, the Group could be delayed in procuring contracted rigs. Under the terms of its licences, the Group may have a commitment to drill within a certain time frame. The Group, therefore, risks losing licences if it is delayed in obtaining rigs and thus meeting its drilling commitments. Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect the Group's production, development and exploration operations, which could have a material adverse effect on its business, financial condition or results of operations.

The scarcity of third party services and equipment as well as any increases in their costs, together with the failure of a third party provider or supplier to perform its contractual obligations, or an inability to achieve a commercially viable contract with a third party provider or supplier could delay, restrict or lower the profitability and viability of the Group's activities. This could have a material adverse impact on the Group's business, the results of operations or financial condition.

The Group's success depends on its ability to appraise, develop and explore oil and gas reserves that are economically recoverable

The Group's long-term commercial success depends on its ability to appraise, develop, explore and commercially produce oil and gas reserves. The Group must continually locate and develop or acquire new reserves to replace its existing reserves that are being depleted by production. Future increases in the Group's reserves will depend not only on its ability to appraise, develop and explore its existing assets but also on its ability to select and acquire suitable additional assets either through awards at licensing rounds or through acquisitions. There are many reasons why the Group may not be able to find or acquire oil and gas reserves or develop them for commercially viable production. For example, the Group may be unable to negotiate commercially reasonable terms for its acquisition, appraisal, development or production activities. Factors such as adverse weather conditions, natural disasters, equipment or services shortages, procurement delays or difficulties arising from the political, environmental and other conditions in the areas where the reserves are located or through which the Group's products are transported may increase costs and make it uneconomical to develop potential reserves. Without successful exploration or acquisition activities, the Group's reserves, production and revenues will decline. There is no assurance that the Group will discover, acquire or develop further commercial quantities of oil and gas.

The Group may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects

As part of the Group's operations, the Group may undertake exploration projects. These projects require the co-ordination of a number of activities including obtaining seismic data, carrying out subsea surveys, obtaining partner approvals and securing rig capacity for the necessary drilling. There are long lead times to arrange these activities and if the Group fails to successfully co-ordinate the timely delivery or completion, as the case may be, of any of these activities, it may miss out on exploration opportunities or may be required to make additional expenditure.

Appraisal and exploration projects do not necessarily result in a profit on the investment or the recovery of costs

Appraisal and exploration activities are capital intensive and inherently uncertain in their outcome. The Group's future oil and gas appraisal and exploration projects may involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity, or adverse geological conditions. For additional risks in conducting appraisal and development activities, please see the risk factor "*The Group's offshore operations are subject to a number of risks and hazards that may result in material losses in excess of insurance proceeds*" below. While diligent well supervision and effective maintenance operations can contribute to maximising production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and may adversely affect the Group's revenues and cash flows.

The Group's offshore operations are subject to a number of risks and hazards that may result in material losses in excess of insurance proceeds

Oil and gas development, production and exploration operations are inherently risky and hazardous. Risks typically associated with these operations include unexpected formations or pressures, premature decline of reservoirs and the intrusion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Group's financial position, results of operations and prospects. Hazards typically associated with offshore oil and gas production, development and exploration operations include fires, explosions, blowouts, marine perils, including severe storms and

other adverse weather conditions, vessel collisions, gas leaks and oil spills, each of which could result in substantial damage to oil and gas wells, production facilities, other property and the environment or in personal injury. Oil and gas installations are also known to be likely objects, and even targets, of military operations and terrorism.

Although the Group obtains insurance prior to drilling in accordance with industry standards to cover certain of these risks and hazards, insurance is subject to limitations on liability and, as a result, may not be sufficient to cover all of the Group's losses. In addition, the risks or hazards associated with the Group's offshore operations may not in all circumstances be insurable or, in certain circumstances, the Group may elect not to obtain insurance to deal with specific events due to the high premiums associated with such insurance or for other reasons. The Group does not currently have business interruption insurance in place and, therefore, it will suffer losses as a result of a shut-in or cessation in production. The occurrence of a significant event against which the Group is not fully insured, or the insolvency of the insurer of such event, could have a material adverse effect on the Group's financial position, results of operations and prospects.

The Group's business is subject to government regulation with which it may be difficult to comply and which may change

The Group's oil and gas exploration and production operations are principally subject to the laws and regulations of the United Kingdom, including those relating to health and safety and the production, pricing and marketing of oil and gas. In addition, the Group will be subject to laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. In order to conduct its operations in compliance with these laws and regulations, the Group must obtain licences and permits from various government authorities. The grant, continuity and renewal of the necessary approvals, permits, licences and contracts, including the timing of obtaining such licences and the terms on which they are granted, are subject to the discretion of the relevant governmental and local authorities in the United Kingdom and cannot be assured. In addition, the Group may incur substantial costs in order to maintain compliance with these existing laws and regulations and additional costs if these laws are revised or if new laws affecting the Group's operations are passed.

The Group's operations expose it to significant compliance costs and liabilities in respect of HSE matters

The Group's operations and assets are affected by numerous international, European Union and national laws and regulations concerning HSE matters including, but not limited to, those relating to discharges of hazardous substances into the environment, the handling and disposal of waste and the health and safety of employees. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. The failure to comply with current HSE laws and regulations may result in regulatory action, the imposition of fines or the payment of compensation to third parties which each could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

Certain HSE laws provide for strict, joint and several liability without regard to negligence or fault for natural resource damages, health and safety, remediation and clean-up costs of spills and other releases of hazardous substances, and such laws may impose liability for personal injury or property damage as a result of exposure to hazardous substances. Further, such HSE laws and regulations may expose the Group to liability for the conduct of others or for acts that complied with all applicable HSE laws when they were performed. In addition, the enactment of new HSE laws or regulations or stricter enforcement or new interpretations of existing HSE laws or regulations could have a significant impact on the Group's operating or capital costs and require further expenditure to modify operations, upgrade employee and contractor accommodation as other infrastructure, install pollution control equipment, perform clean-up operations, curtail or cease certain operations, or pay fines or make other payments for pollution, discharges or other breaches of HSE requirements. There can be no assurances that the Group will be able to comply with such HSE laws in the future. The failure to comply with such HSE laws or regulations could result in substantial costs and/or liabilities to third parties or government entities which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Offshore Combustion Installations (Prevention and Control of Pollution) Regulations 2001 (the "**PPC**") have been implemented in the UK and apply to the Heather and Thistle platforms and the Northern Producer FPF. Permits under the PPC have been issued to the Group by the DECC in 2009. Applications for these PPC permits normally contain an energy efficiency survey. Energy efficiency surveys that the Group has conducted as part of the PPC application process have identified potential energy

efficiency measures and other upgrades to the installations that may be implemented by the Group, which have been built into the assets' life-of-field opportunity registers maintained by the Group, for future investment opportunities for improved performance. The costs associated with the PPC permit compliance and other measures to be undertaken are material for the Group.

All of these factors may lead to delayed or reduced production, development and exploration activity as well as to increased costs.

Future legislation may require further reductions of greenhouse gas emissions and discharges of oil in produced waters

The United Kingdom is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called "greenhouse gases".

Due to the requirements of the European Union's Emissions Trading Scheme (the "**EU ETS**"), Member States' governments have put forward national plans that set carbon dioxide emission reduction requirements for various industrial activities. For the current phase of the EU ETS (Phase II, running from 2008 to 2012), these activities include offshore oil and gas exploration and production facilities incorporating combustion plants (including flaring) with aggregate thermal ratings of greater than 20 megawatts (thermal input).

Currently the majority of allowances for emissions under Phase II EU ETS are allocated to individual installations free of charge based on forecast emissions. If the Group's verified emissions are less than its prescribed allocation, then it may sell its excess allocations by means of a market auction. However, if the Group's verified emissions from an installation exceed its allocated allowances, then it will have to purchase extra allowances to cover those excess emissions from the market.

Phase III of the EU ETS will run from 2013 to 2020. In Phase III an increasing level of an installation's allowances will have to be purchased at market auctions, as a result of Directive 2009/29/EC of the European Parliament and of the Council of 23 April 2009. Furthermore, the number of allowances available to installations will decrease and allocations will be managed centrally by the EU rather than by Member States. The costs of these allowances is built into the life-of-field cost forecasts.

Controls on the quantities of oil that can be discharged in process waters in the course of offshore operations have been implemented in the UK by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (the "**OPPC**"). Future compliance by the Heather and Thistle platforms and the Northern Producer FPF with the OPPC may require material expenditure by the Group if the Group is required to modify its operations.

The Group operates in a competitive industry

The oil and gas industry is competitive in all its phases. The Group's ability to increase reserves in the future will depend not only on its ability to exploit and develop its present assets but also on its ability to select and acquire suitable producing assets or prospects for appraisal or exploratory drilling. The Group competes with numerous other participants in the search for and the acquisition of oil and gas assets, and in the marketing of oil and gas. The Group's competitors include major international oil and gas companies that may have substantially greater financial and technical resources, staff and facilities than those of the Group. These companies have strong market power as a result of several factors, including the diversification and reduction of risk, including geological, price and currency risks; increased financial strength facilitating major capital expenditures; greater integration and the exploitation of economies of scale in technology and organisation; strong technical experience; increased infrastructure and reserves; and strong brand recognition. Due to this competitive environment, the Group may be unable to acquire attractive, suitable assets or prospects on terms that it considers acceptable. As a result, the Group's revenues may decline over time, thereby materially and adversely affecting its business, results of operations and financial condition.

The Group's tax liability could increase substantially as a result of changes in, or new interpretations of, tax laws in the United Kingdom

The Group is subject to taxation in the United Kingdom and is faced with increasingly complex tax laws. The amount of tax the Group pays could increase substantially as a result of changes in, or new interpretations of, these laws, which could have a material adverse effect on its liquidity and results of

operations. During periods of high profitability in the oil and gas industry, there are often calls for increased or windfall taxes on oil and gas revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future. In addition, taxing authorities could review and question the Group's tax returns leading to additional taxes and penalties which could be material. If there were deemed to be a major change in the nature or conduct of a trade of any Group company within three years either before or after the acquisition of that company by the Group, this could result in the disallowance of tax losses within that company which accrued before its acquisition by the Group. Decommissioning (where relevant) could also have a material tax impact.

Macroeconomic risks could result in an adverse impact on the Group's financial condition

One of the principal uncertainties for the Group at present is the extent to which the global economic slowdown currently being experienced may feed through into the Group's major operations, and the timing of that impact. The links between economic activities in different markets and sectors are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to address macroeconomic conditions.

RISKS RELATING TO THE GROUP

Risks relating to the Group and its business

Much of the Group's equipment is old and significant expenditure is required to maintain operability and operations integrity

The Group owns two steel-structured drilling and production platforms in the North Sea, Heather and Thistle, each of which is approximately 30 years old. The Group, as operator of the Don fields has also leased the Northern Producer FPF since 2008. The Group intends to incur significant planned capital expenditure of approximately US$76.8 million on its assets, of which approximately US$5 million is an annual contribution towards the maintenance of its leased FPF. Despite the significant planned operating and capital expenditure to ensure the commercial utilisation of the Group's assets for at least the next 15 years and in preparation for workover and infill drilling activity aimed at increasing production in its fields, there can be no guarantee that the assets will not suffer material damage in this period through, for example, wear and tear, natural disasters or industrial accidents, or will not require further significant capital investment for their improvement or maintenance in the future.

The use of improved recovery methods creates uncertainties that could adversely affect the Group's results of operations and financial condition

Some of the Group's oil and gas fields are relatively old and their production had, historically, been declining. In order to increase the production of oil and gas at each of the Group's fields, the Group is using improved recovery methods that involve the injection of water into formations to provide pressure support and sweep oil towards production wells and the injection of gas into production wells to facilitate lifting of oil and water. If the Group's improved recovery methods do not allow for the extraction of oil and gas in the manner or to the extent that the Group anticipates, its future results of operations and financial condition could be materially adversely affected.

The Group relies on a single contractual counterparty in relation to the sale of its oil production volumes

The Group has entered into agreements with Shell International Trading and Shipping Company Limited ("**Stasco**") in relation to the sale of its oil production volumes at the Sullom Voe Terminal. With Stasco being the sole potential purchaser of the Group's oil production output, the Group is therefore subject to the risk of delayed payment for delivered production volumes or counterparty default. The absence of competitors for the purchase of oil and gas produced by the Group may expose it to adverse pricing or other contractual terms. Such delays or defaults or adverse pricing or other contractual terms could adversely affect the Group's business, results of operations and cash flows.

The Group's production is concentrated in a small number of offshore fields with high equity interests

During 2009, the Group's aggregate daily production of approximately 13,620 bopd came from its six producing fields in the UKCS. Moreover, the Broom field accounted for approximately 33.5 per cent. of the Group's average daily production during this period. If mechanical problems, storms or other events curtail a substantial portion of the Group's production on the UKCS or if the actual reserves associated

with any one of the Group's producing fields on the UKCS are less than the Group's estimated reserves, the Group's results of operations and financial condition could be adversely affected. In addition, as a result of the Group's high equity interests (more than 50 per cent.) in five of its six producing fields, any decline in the Group's production volumes or reserve estimates would adversely affect the Group's results of operations and financial condition.

The Group's interest in the Thistle and Deveron fields is subject to a right of re-transfer to Britoil and Conoco

Under an ancillary agreement to the sale and purchase agreement under which the Group company Lundin Thistle acquired its interests in the Thistle and Deveron fields (the "**Intervening Period Agreement**"), Britoil and Conoco may, with 12 months' notice, require Lundin Thistle to re-transfer its interests in the Thistle and Deveron fields back to Britoil and Conoco. Furthermore, ownership of the field equipment transferred to Lundin Thistle in connection with the acquisition also reverts to Britoil and Conoco, even if the Group has replaced such items. If the Group's interests in the Thistle and Deveron fields are loss making for at least three months and losses exceed £1.5 million, the re-transfer may be effected without compensating the Group, otherwise compensation is based on estimated future cash flows. The Group's interests in the Thistle and Deveron fields are currently not loss-making, with a gross cumulative production of 431 MMBbl to the end of 2009 from these fields and the Group does not expect its interests in the Thistle and Deveron fields to be loss-making in the foreseeable future, with an intensive workover and infill drilling programme to target improved water injection sweep efficiency in these fields commencing this year. However, there can be no assurance that the Group will not be at risk of losing its interests in the Thistle and Deveron fields and this risk could be magnified in the event that oil production at those fields becomes uneconomic as a result of a substantial decrease in oil prices, an increase in production costs or otherwise. The loss of the Group's interests in the Thistle and Deveron fields, this would have a material adverse affect on the Group's business, results of operations and financial condition.

The Group holds interests in a number of licences which are in their initial terms

The Group holds interests in a number of licences which are in their initial terms. The early stages or exploration period of a licence are commonly the most risk prone. These phases of the term of a licence require high levels of relatively speculative capital expenditure without a commensurate degree of certainty of a return on that investment.

The Group may be unable to acquire, retain, convert or renew the licences, permits and other regulatory approvals necessary for its operations

The ability of the Group to develop and exploit oil and gas reserves depends on the Group's continued compliance with the obligations of its current production licences and the Group's ability to convert its exploration opportunities into production licences. The Group depends on licences whose grant and renewal is subject to the discretion of the relevant governmental authorities and cannot be assured.

It is also possible that the Group may be unable or unwilling to comply with the terms or requirements of the licences it holds, including the meeting of specified deadlines for prescribed tasks and other obligations set out in the work programmes attached to the licences, in circumstances that entitle the relevant authority to suspend or withdraw the terms of such licence. Non-compliance with these obligations may give rise to enforcement action by the relevant authorities, who may agree to waivers and extensions or may require remedial action but who are also entitled to revoke the licences in such circumstances.

Moreover, some of the production licences may expire before the end of what the Group estimates to be the productive life of its licensed fields. The Group intends to apply for extensions to such licences. There is no assurance that the Group will be able to secure extensions to the terms of its licences. Any premature termination, suspension or withdrawal of licences may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may experience unexpected shutdowns at its facilities

Mechanical problems, accidents, oil leaks or other events at the Group's Heather or Thistle platforms or the Northern Producer FPF or its pipelines or subsea infrastructure may cause an unexpected production shutdown at these platforms. As a result of the subsea tie-back from the Broom field to the Heather platform, any production shutdown at the Heather platform would also result in a production shutdown at the Broom field. In addition, with the pipeline export route installed in February 2010, production from

the Don fields will also be adversely affected by any major shutdowns and losses of power on the Thistle platform. Any unplanned production shutdown of the Group's facilities could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal

The Sullom Voe Terminal is an oil terminal located in the Shetland Islands which receives oil from the Brent and Ninian pipelines. The Sullom Voe Terminal is currently the only terminal used by the Group and is therefore the only onshore entry point for the Group's oil. If the Sullom Voe Terminal experiences mechanical problems, an explosion, adverse weather conditions, a terrorist attack or any other event that causes an interruption in operations or a shutdown, the Group's ability to transport its oil could be severely affected.

The Group cannot accurately predict its future decommissioning liabilities

The Group, through its licence interests, has in the past assumed certain obligations in respect of the decommissioning of its fields and related infrastructure and is expected to assume additional decommissioning liabilities in respect of its future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provision for and/or underwrite the liabilities relating to such decommissioning. The oil and gas industry currently has little experience of decommissioning petroleum infrastructure on the UKCS as few such structures have been removed in these regions. Although, the Group's accounts make a provision for such decommissioning costs, there can also be no assurances that the costs of decommissioning will not exceed the value of the long-term provision set aside to cover such decommissioning costs. It is, therefore, difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations and the Group may have to draw on funds from other sources to bear such costs. When its decommissioning liabilities crystallise, the Group will be jointly and severally liable for them with other former or current partners in the field. In the event that other partners default on their obligations, the Group will remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that the Group incurs may adversely affect its financial condition.

The Group's success is dependent upon its ability to attract and retain key personnel

The Group's success depends, to a large extent, on certain of its key personnel having expertise in the areas of exploration and development, operations, engineering, business development, oil and gas marketing, finance and accounting. The loss of the services of any key personnel could have a material adverse affect on the Group, particularly in light of the numerous integration challenges that face the Group following the Acquisitions. The Group does not maintain nor does it plan to obtain insurance against the loss of any of its key personnel. In addition, the competition for qualified personnel in the oil and gas industry is intense. There can be no assurance that the Group will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Group may not be able to identify or take advantage of sufficient suitable acquisition opportunities

The Group's business strategy is dependent to a partial extent on the ability of the Group to identify sufficient suitable acquisition opportunities, whether they are asset or corporate acquisitions. There can be no assurance that the Group will identify sufficient suitable acquisition opportunities or that the Group will be able to make such acquisitions on appropriate terms.

Although the Group believes that it is well placed to take advantage of potential acquisition opportunities, it may have to compete with a number of entities for these opportunities, which may have considerably greater financial, technical and marketing resources than are available to the Group. Some of these competitors may also have a lower cost of capital and access to funding sources that are not readily available to the Group, which may create competitive disadvantages for the Group with respect to acquisition opportunities.

Being a newly incorporated entity, the Company's controls and reporting systems have yet to be fully tested in a live environment

The Company has designed and implemented financial controls and reporting systems and procedures to support its governance, reporting and disclosure obligations as a publicly traded company, building on the

existing controls and procedures established and operational within the LNS Group and the PEDL Group. Whilst some of the financial controls and reporting systems and procedures of EnQuest have been tested on a historical basis as part of the LNS Group and the PEDL Group, they have yet to be fully tested in a live environment as part of EnQuest as a fully listed entity and there is no certainty that they will function as expected. Any failure in managing its financial controls, reporting systems or procedures could have a material adverse effect on the Company's business, financial condition and results of operations.

Notwithstanding the above, EnQuest believes that its financial systems and controls are sufficient to ensure compliance with the requirement of the Disclosure and Transparency Rules as a listed entity.

The Group may be unable to successfully protect its competitive position through the establishment and enforcement of intellectual property or to defend successfully against the enforcement of third party intellectual property and other rights

The Group may be unable to successfully protect its competitive position through the establishment and enforcement of intellectual property, and this may have a material adverse effect on its commercial success. In particular, there can be no assurance that the Group will be able to obtain and maintain intellectual property of sufficiently broad scope to provide commercially meaningful protection against third party competition. The Group's competitors may also design around the Group's intellectual property. Third parties may have, or acquire in future, intellectual property and other rights that restrict the Group's freedom to operate, or impose high additional costs for the Group in obtaining licences. There can be no assurance that any such licence will be available, whether on commercially acceptable terms or at all. The Group may also incur substantial costs in enforcing its intellectual property and other rights, and in bringing opposition or interference actions to seek to prevent third parties from obtaining intellectual property protection. The Group may incur substantial costs in defending against enforcement, and other such, actions by third parties. There can be no guarantee that any such actions will be successful for the Group.

Workers at fields on the UKCS may be entitled to additional compensation as a result of the Working Time Regulations

Workers on oil rigs and other offshore platforms on the UKCS often work 12 hour shifts seven days a week for two week periods before returning to shore for two to three weeks of no work. Often, their entitlement to four weeks' annual leave under the Working Time Regulations 1998 (the "**Working Time Regulations**") is currently stated to be included in their onshore rest period. There is a risk that the current practice of incorporating workers' four weeks' annual leave entitlement into their onshore rest periods is in breach of the Working Time Regulations. This industry-wide practice was challenged in the UK Employment Tribunal in 2007 by oil and gas offshore workers, backed by trade unions, claiming the practice to be unlawful. In 2009, the UK Employment Appeals Tribunal upheld the industry practice in favour of the industry. The case is the subject of an appeal before the Court of Session, which is due to be heard in June 2010, and it could potentially be appealed to the European Court of Justice. Accordingly any decision may not be felt by the industry for some years.

If the industry practice is ultimately held to be unlawful, affected workers of the Group may be able to claim compensation, even though they were not involved in the original case. Given the uncertainties surrounding these issues, the Group is not able to assess whether any of its current or former employees or contractors could potentially be in a position to assert a claim against the Group should an ultimate decision be favourable to the offshore workers.

Future litigation could adversely affect the Group's business, results of operations or financial condition

Damages claimed under any litigation are difficult to predict, and may be material. The outcome of such litigation may materially impact the Group's business, results of operations or financial condition. While the Group will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, adverse publicity surrounding such claims may have a material adverse effect on the Group's business, results of operations or financial condition.

Risks relating to the Group's relationship with the Remaining Lundin Group and the Remaining Petrofac Group

The Company is a newly-formed entity that will receive certain services from the Remaining Lundin Group and the Remaining Petrofac Group for a transitional period following completion of the Acquisitions

For a transitional period following completion of the Acquisitions, certain members of the Remaining Lundin Group and the Remaining Petrofac Group will provide the Company and the other members of the Group with certain services, including, *inter alia*, accounting, technical and commercial services, to enable the Group to integrate successfully the businesses of PEDL and LNS acquired by the Company, pursuant to the Acquisitions. The Company has contracted to receive these transitional services on the terms of the Transitional Services Agreement, further details of which are set out in paragraph 16.4 in Part XI of this document.

Prior to the end of this transitional period, the Company intends to obtain such services for the Group from other sources or provide them internally. There can be no assurance that the Company will obtain the provision of adequate, comparable services for the Group, to replace those to be provided under the Transitional Services Agreement, on commercially acceptable terms and/or within the timescale envisaged by the Transitional Services Agreement. The Remaining Lundin Group and/or the Remaining Petrofac Group may also not be willing to provide these services beyond the term of the Transitional Services Agreement. This could have a material adverse effect on the Group's operation, performance and financial condition.

The Remaining Lundin Group and the Remaining Petrofac Group have provided guarantees and/or indemnities to third parties in respect of the Group's obligations

Lundin has provided guarantees, indemnities and other forms of security to third parties in respect of obligations owed by Lundin Heather and Lundin Thistle pursuant to various instruments and agreements. Petrofac Energy Developments International Limited ("**PEDIL**") and in certain cases Petrofac has provided certain guarantees to third parties in respect of obligations owed by PEDL pursuant to various instruments and agreements. In particular, Lundin has provided letters of credit and/or parent company guarantees in respect of the decommissioning obligations of Lundin Thistle and Lundin Heather. As these instruments relate to obligations owed by the Group, the Company will indemnify Lundin under the Lundin SPA and a member of the Remaining Petrofac Group under the Petrofac SPA against any loss or damage suffered by Lundin or Petrofac (as applicable) arising out of or in connection with these instruments. Taken in aggregate, these indemnities constitute a material exposure of the Group to Lundin and Petrofac. If the Group has to make payments to any member of the Remaining Petrofac Group or Lundin under such indemnification arrangements, this could adversely affect the Group's business and financial condition.

The Group currently depends on Petrofac Facilities Management to provide facilities management services

Since 2005, the Group has had a strong continuing relationship with Petrofac Facilities Management ("**PFM**") which manages, as an independent contractor, the Group's production operations on the Heather and Thistle platforms and (as a sub-contractor of Sea Production Limited ("**SPL**")) on the Northern Production FPF, including providing onshore and offshore staff. The Group's current agreements with PFM relating to these facilities provide for a term that lasts for the life of the Heather or Thistle fields, as the case may be. The current arrangements for the Northern Producer FPF provide for the duty-holder service to be re-tendered from time to time. Should PFM or the Group terminate either agreement before the end of the life of either of the Heather or Thistle fields or should PFM cease to perform its obligations adequately, the Group's ability to continue its operations could be significantly affected as the Group's management would need to spend a significant amount of time and effort to identify another contractor to provide management services or to undertake the provision of the services by the Group itself.

Risks relating to the Group's financial condition

A default and/or acceleration of repayment of debt under the Facility Agreement may have a material adverse effect on the Group's business, prospects, results of operations and financial condition

The Facility Agreement contains numerous covenants, undertakings and warranties by the asset owning subsidiaries of the Company as borrowers and the Company and certain of its subsidiaries as guarantors (together, the "**Obligors**"). Such covenants include restrictions on disposal of any of the Group's oil and

gas assets save for certain permitted disposals, restrictions on amalgamations, mergers and demergers except in limited circumstances, maintenance of all material authorisations, licences and permissions required for the Group's operations, operation of the Group's assets in accordance with good oilfield practice and operation of the Group's business in line with the Group's strategy and the Group's indebtedness to EBITDA ratio being lower than an agreed threshold at all times. Warranties provided by the Obligors include warranties as to no winding-up or insolvency proceedings of any Obligor in any jurisdiction, the Group's oil and gas assets being free from encumbrances and charges (subject to agreed carve outs) and maintaining the validity of insurance policies in respect of the Group's assets.

The breach of any covenants or warranties, or non-performance of the obligations by one or more of the Obligors under the Facility Agreement if not cured or waived within specified periods would result in a default under the Facility Agreement and could result in the acceleration of debt repayment thereunder. The lenders could also exercise their security rights over the Group's assets or deny the Group access to any unused amounts under the Facility Agreement.

A default and/or acceleration of repayment of debt under the Facility Agreement may affect the Group's ability to obtain alternative financing in the longer term, either on a timely basis or on terms favourable to the Group, and the Group's ability to pursue its strategic business plans. This could have a material adverse effect on the Group's financial condition, results of operations and prospects. Given the Group's expected production forecasts and anticipated free cash flow generation, the Directors are of the opinion that a default and/or acceleration of repayment of debt under the Facility Agreement represents a longer-term risk.

The Group may not be able to generate sufficient cash flows or finance its activities in the longer term if it is unable to raise additional capital

The Group will be required to make substantial capital expenditure for the identification, acquisition, production, development and exploration of oil and gas reserves in the future. If the Group's revenues decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programmes which may adversely affect the Group's operations and prospects. There can be no guarantee that cash generated by operations or additional debt or equity financing, will be available or will be sufficient to meet the Group's funding requirements in the longer term to pursue its future strategic decisions or that if additional debt or equity financing is available, that it will be on terms acceptable to the Group. The Group's inability to access sufficient capital for its operations may have a material adverse effect on its financial condition, results of operations and prospects.

The Group may experience losses and will face other risks as a result of hedging a portion of its production

To offset the risk of revenue losses if commodity prices decline, the Group may enter into hedging transactions to receive fixed prices on its oil and gas production. In a typical hedging transaction, the Group has the right to receive from the hedge counterparty the excess of the fixed price specified in the hedge agreement over a floating price based on a market index, multiplied by the quantity of production hedged. Thus, the Group is protected if the market index is lower than the fixed price in the contract but misses out on potential profit where the market index is higher. If the floating price exceeds the fixed price, the Group is required to pay the counterparty this difference multiplied by the quantity hedged even if it has insufficient production to cover the quantities specified in the hedge agreement. Accordingly, any production shortfalls that result in the Group having significantly less production than it has hedged when the floating price exceeds the fixed price would result in the Group being required to make payments where it has had no offsetting sales of production. While the Group currently has not entered into any hedging transactions, there can be no assurance that the Group will not enter into hedging transactions in the future, or will be required to make large payments in connection with its hedging transactions in the future. If this were to happen, the remainder of the Group's business may be adversely affected. In addition, hedging agreements expose the Group to risk of financial loss in circumstances where the counterparty to a hedging contract defaults on its contractual obligations.

Exchange rate fluctuations and devaluations could have a material adverse effect on the Group's results of operations

Currency exchange rate fluctuations and currency devaluations could have a material adverse effect on the Group's results of operations from time to time. As the Group's reporting currency is the US dollar but it predominantly incurs operating expenses in pounds sterling, a depreciation of the US dollar against

sterling adversely affects the Group's reported results of operations. Although the Group may undertake limited hedging activities in an attempt to reduce certain currency fluctuation risks, these activities provide only limited protection against currency-related losses. In addition, in some circumstances hedging activities may require the Group to make cash outlays.

Risks relating to the Group's structure

The holding company structure means that the Company's ability to pay dividends is dependent on distributions received from its subsidiaries

Since the Company is a holding company, its operating results and financial condition are entirely dependent on the performance of members of the Group. Although there is no current intention to pay dividends, the Company's ability to pay dividends in the future will depend on the level of distributions, if any, received from the Company's subsidiaries. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of several factors, including restrictive covenants in loan agreements, foreign exchange limitations, the requirements of applicable law and regulatory, fiscal or other restrictions.

Participation by the Company in a distribution of a subsidiary's assets will generally be subject to prior claims of creditors

The Company holds all of its assets in its subsidiaries. The Company's rights to participate in a distribution of its subsidiaries' assets upon their liquidation, re-organisation or insolvency is generally subject to prior claims of the subsidiaries' creditors, including any trade creditors and preferred shareholders.

RISKS RELATING TO THE PROPOSALS

Certain conditions precedent must be satisfied before the Acquisitions can complete and Admissions can occur

London Admission is subject to a number of conditions precedent, including completion of the Acquisitions, which is also subject to the satisfaction (or waiver, where applicable) of a number of conditions precedent contained in each of the Lundin SPA and the Petrofac SPA, as well as successful completion of each of the individual steps of the Demergers. There is no guarantee that these (or other) conditions will be satisfied (or waived, if applicable) or that the steps to effect the Demergers will be completed, in which case the Acquisitions will not complete and the Admissions will not occur. The conditions to the Acquisitions and the steps to effect the Demergers are more fully described in paragraph 7 of Part I and paragraphs 16.2 and 16.3 of Part XI of this document.

If the Acquisitions complete and the Demergers become effective but London Admission does not occur, Lundin and the shareholders of Petrofac will receive unlisted Ordinary Shares

Neither of the Acquisitions nor the Demergers is conditional upon London Admission. Although applications have been made for London Admission, it is possible that the Acquisitions complete and the Demergers become effective but London Admission does not occur because the conditions precedent in the Underwriting Agreement are not satisfied (or waived, where applicable), or the Underwriting Agreement is otherwise terminated in accordance with its terms, prior to London Admission. Consequently, the shareholders of Petrofac who are entitled to receive Ordinary Shares in the Company pursuant to the Petrofac Reorganisation will hold approximately 45 per cent. of unlisted Ordinary Shares, with the remaining approximately 55 per cent. of unlisted Ordinary Shares held by Lundin. If the Ordinary Shares are not admitted to listing on the Official List with a premium listing, the Company will not be subject to the FSA Rules and the regulatory regime established thereunder or to monitoring by the FSA. In such circumstances, the Board would intend to make a fresh application to the FSA for a premium listing of all of the Ordinary Shares on the Official List as soon as practicable and this would require the publication of a supplementary prospectus by EnQuest and compliance with any other additional requirements under the FSA Rules. This could take a number of weeks to complete and the Ordinary Shares would remain unlisted during this period. In the interim, the market for Ordinary Shares may be illiquid. There is also no guarantee that the application for a premium listing would be successful.

If London Admission does not occur, it will not be possible for the Ordinary Shares to be admitted to NASDAQ OMX Stockholm for a secondary listing. Although an application will be made to NASDAQ

OMX Stockholm AB for secondary listing of the Ordinary Shares, it is possible that the Proposals complete and the London Admission occurs but Stockholm Admission does not occur.

At the time of London Admission but prior to Stockholm Admission, the existing shareholders of Petrofac will hold the Ordinary Shares in conjunction with Lundin as a 55 per cent. Shareholder in EnQuest

If the Petrofac Demerger occurs and the Lundin Demerger occurs, but Lundin does not distribute the Ordinary Shares to its shareholders pursuant to the Lundin Distribution (including because either London Admission or Stockholm Admission does not occur), and in any event for the period of time between London Admission and Stockholm Admission if the Petrofac Demerger and the Lundin Demerger have occurred, the existing shareholders of Petrofac will be minority shareholders in EnQuest which will be controlled by Lundin, as a 55 per cent. shareholder. Petrofac, Lundin and EnQuest have entered into the Relationship Agreement in order to manage Lundin's actions in the time period in which it is a 55 per cent. shareholder in EnQuest. On the basis of the arrangements in place between EnQuest, Lundin and Petrofac, including those concerning the Lundin Distribution and those contained in the Relationship Agreement, the Panel on Takeovers and Mergers in the United Kingdom has confirmed that the issue of Ordinary Shares to Lundin as consideration for the acquisition by EnQuest of LNS pursuant to the Lundin SPA will not trigger any obligations under the Takeover Code.

The Group's success depends on its ability to successfully integrate the businesses of LNS and PEDL following the Acquisitions

Prior to the Acquisitions, the businesses conducted by LNS and PEDL have operated separately, with the LNS entities focusing on production, development and exploration activities and the PEDL entities focusing on production and development activities. Part of the Group's strategy is for the two teams to work together, as one operation, in order to exploit each other's capabilities.

The Group may encounter numerous integration challenges in connection with the Acquisitions, including challenges which are not currently foreseeable. The integration of acquired businesses requires significant time and the Group's management and resources may be diverted away from its core business activities due to personnel being required to assist in the integration process. This integration process may take longer than expected, or difficulties relating to the integration, of which the Board is not yet aware, may arise. Potential problems may include, but would not be limited to, integration of management, integration of common financial reporting procedures and accounting policies, issues with minority shareholders, the risk that indemnities or warranties given by Lundin under the Lundin SPA and/or Petrofac under the Petrofac SPA be unenforceable or inadequate to cover potential liabilities and the assumption of disclosed or undisclosed liabilities, including in relation to tax and environmental matters relating to the acquired assets or businesses. This could adversely affect the implementation of the Group's plans, and the Group may not be successful in addressing risks or problems encountered in connection with the integration and failure to do so may adversely affect its business or financial condition.

The Acquisitions may fail to realise anticipated benefits

There can be no guarantee that the Group will realise any or all of the anticipated benefits of the Acquisitions, either in a timely manner or at all. In addition, there is a risk that synergy benefits may be materially lower than have been estimated. If that happens, and the Group incurs significant costs, this could have a material adverse impact on the business, results of operation and the financial condition of the Group.

The Group may be subject to unforeseen liabilities and risks arising from the Acquisitions

Where appropriate, the Company has undertaken due diligence in relation to the entities and assets purchased. However, there can be no assurance that the entities and assets acquired are not subject to third party rights and liabilities (including, among others, fixed or floating charges, hire purchase agreements and retention of title claims) of which the Group is unaware. Whilst warranty and other protection was obtained by the Group where practical and appropriate, there is no certainty that the Group would be able to enforce its contractual or other rights against the relevant sellers.

RISKS RELATING TO THE ORDINARY SHARES

There has been no public market for the Ordinary Shares prior to London Admission

Prior to the London Admission, there has been no public market for the Ordinary Shares. Although the Company has applied to the FSA for admission to the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active and liquid trading market will develop following the completion of the Proposals or on London Admission, or, if developed, can be sustained or that the price of Ordinary Shares will not decline below the Offer Price. The Managers are not obliged to make a market in the Ordinary Shares, and to the extent that they undertake any market-making activities, these activities may be terminated at any time without notice. The Company cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market or how liquid such a market might become. Investors may experience greater price volatility and less efficient execution of buy and sell orders and may not be able to resell the Ordinary Shares at or above the Offer Price (if the Offer proceeds), or at all. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be materially and adversely affected.

Ordinary Shares of US shareholders of Petrofac and Lundin may be sold on their behalf; any such sales could adversely affect the market price of the Ordinary Shares

Petrofac has estimated that, as at 4 March 2010, approximately ten per cent. of its shares were held (directly or indirectly) by persons located in the United States and Lundin has estimated that, as at the same date, approximately five to six per cent. of its shares were held (directly or indirectly) by persons located in the United States.

Under restrictions imposed by Petrofac and Lundin to facilitate compliance with US securities laws, such US shareholders may be unable to take delivery of the Ordinary Shares that are due to be allotted or distributed to them and such Ordinary Shares may need to be sold in the market on such US shareholders' behalf. These US shareholders would only be able to take delivery of the Ordinary Shares if they can demonstrate to Petrofac or Lundin, as the case may be, that they are "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act by providing certain confirmations that have been requested. The Company will sell the Ordinary Shares of any Petrofac shareholders that do not provide these confirmations and custodians, brokers, nominees and other intermediaries have been instructed to sell the Ordinary Shares of any of Lundin's US shareholders that do not provide these confirmations.

Although each of Petrofac and Lundin has estimated that a substantial majority of its US shareholders will be permitted to take delivery of the Ordinary Shares, there can be no assurance that such US shareholders will provide Petrofac or Lundin with the confirmations that Petrofac and Lundin have requested in order to make such deliveries or that there are not additional persons holding Petrofac or Lundin shares indirectly that are located in the United States of which Petrofac and Lundin are not aware. Each of the Company, Petrofac and Lundin have agreed to orderly market arrangements with the Global Co-ordinator in connection with sales of Ordinary Shares in the market on behalf of US shareholders of Lundin and Petrofac. However, if a significant number of Ordinary Shares are sold in the market on behalf of these US shareholders, there can be no assurance that such sales will not materially affect the market price of the Ordinary Shares.

Future sales of Ordinary Shares after the Admissions and the Offer could adversely affect the market price of Ordinary Shares

In connection with the Admissions and the Offer, the Selling Shareholders, the Company and the Directors have each agreed not to dispose of Ordinary Shares (or enter into certain other transactions with a substantially similar effect) for a period commencing on the date of London Admission and ending 12 months (in the case of the Company) or six months (in the case of the Directors and the Selling Shareholders) later without the prior written consent of the Global Co-ordinator except in the circumstances specified in the Underwriting Agreement, further details of which are set out in paragraph 15.1 in Part XI of this document. If the Offer does not proceed, the Selling Shareholders will be subject to certain orderly market arrangements for a period of six months following London Admission, instead of the lock-up arrangements. Shareholders not subject to the lock-up arrangements and the Shareholders who are otherwise subject to lock-up, following the expiry of the applicable lock-up period, or earlier in the event of a waiver of the provisions of the lock-up arrangements, may sell Ordinary Shares

in the public or private market, and the Company may undertake a public or private offering of Ordinary Shares in such circumstances.

The Company cannot predict what effect, if any, future sales of Ordinary Shares will have on the market price of the Ordinary Shares. If the existing Shareholders were to sell, or the Company were to issue and sell, a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be adversely affected. Sales by the existing Shareholders also could make it more difficult for the Company to sell equity securities in the future at a time and price that it deems appropriate. There can be no assurance that Selling Shareholders will not effect transactions upon the expiry of the applicable lock-up period or any earlier waiver of the provisions of the lock-up. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could materially affect the market price of the Ordinary Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

The price of the Ordinary Shares may be volatile

If the Offer proceeds, the Offer Price may not be indicative of the market price of the Ordinary Shares following the Admissions. The price of Ordinary Shares sold in an offer is frequently subject to relatively higher volatility for a period of time following the Admissions.

Following either or both of the Admissions, the price of the Ordinary Shares could be subject to significant price and volume fluctuations that may be unrelated to the operating performance of the Group. The market price of the Ordinary Shares may, in addition to being affected by the Company's actual or forecast operating results, fluctuate significantly as a result of factors beyond the Company's control, including the results of exploration, appraisal and development programmes and production operations; changes in securities analysts' recommendations or estimates of earnings or financial performance of the Company, its competitors or the industry, or the failure to meet expectations of securities analysts; fluctuations in the prices of oil, gas and other petroleum products, fluctuations in stock market prices and volumes; general market volatility; changes in laws, rules, regulations and taxes, applicable to the Group, its operations and operations in which the Group has interests; loss of key personnel and involvement in litigation.

In addition, stock markets have in the recent past experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Non-UK tax resident Shareholders could be liable to UK tax on disposal of the Ordinary Shares, if the Ordinary Shares are not listed

Since the Group owes the greater part of its value to UK oil and gas exploration and exploitation rights, the Ordinary Shares could fall within the charge to UK tax on capital gains in the event of any disposal or realisation of the Ordinary Shares. This could affect Shareholders, including those who are not UK tax resident or ordinarily tax resident, who would be liable to UK tax on any chargeable gain. However, an exemption from this charge applies where the Ordinary Shares are listed on a recognised stock exchange. For these purposes, both the London Stock Exchange and NASDAQ OMX Stockholm are recognised stock exchanges. However, should the Ordinary Shares not be listed (or cease to be listed) on a recognised stock exchange at the time of any future disposal, UK tax charges for non-resident Shareholders could arise.

IMPORTANT INFORMATION

Notice to Investors

Recipients of this document are authorised to use it solely for the purpose of considering an investment in the Ordinary Shares and may not reproduce or distribute this document, in whole or in part, and may not disclose any of the contents of this document or use any information herein for any purpose other than considering an investment in the Ordinary Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document.

Prospective investors should rely only on the information contained in this document and any supplementary prospectus produced to supplement the information contained in this document. Recipients of this document acknowledge that (i) they have not relied on the Managers or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document and that no person has been authorised to issue any advertisements or to give any information or to make any representations other than those contained in this document in connection with the Offer and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Selling Shareholders or the Managers.

No representation or warranty, express or implied, is made by any Manager or selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by any Manager or selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Section 87G of the FSMA and paragraph 3.4.1 of the Prospectus Rules, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the date of this document.

None of the Company, the Selling Shareholders nor the Managers are making any representation to any prospective investor regarding the legality of an investment by such prospective investor. Prior to making any decision as to whether to purchase the Ordinary Shares, prospective investors in the Ordinary Shares should read this document in full. In making an investment decision, the prospective investors in the Ordinary Shares must rely upon their own examination of the Group and the terms of this document, including the risks involved.

The contents of this document are not to be construed as legal, financial or tax advice. Prospective investors should inform themselves as to: (i) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of Ordinary Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer, repurchase or other disposal of Ordinary Shares which they may encounter; and (iii) the income or other taxation consequences which may apply in their own countries as a result of the purchase, holding, transfer, repurchase or other disposal of Ordinary Shares. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares.

In connection with the Offer, the Managers and any of their respective affiliates, acting as an investor for its or their own account(s), may take up Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by the Managers and any of their respective affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

In connection with the Offer, J.P. Morgan Cazenove as the Stabilising Manager or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other stabilisation transactions intended to enable it to satisfy any over-allotments or which stabilise, maintain or otherwise affect the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares or other securities in the Company, in each case at levels higher than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on the London Stock Exchange and any other

securities market, over-the-counter or otherwise. Such stabilising measures may only be undertaken during the period from commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and, if begun, may be ended at any time but must end no later than 30 calendar days thereafter.

There will be no obligation, however, on the Stabilising Manager or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price without prior notice save as required by law or regulation. Save as required by any legal or regulatory obligation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotment made pursuant to, and/or stabilisation transactions conducted pursuant to, the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilisation period, the Stabilising Manager has entered into the Over-allotment Option with certain of the Selling Shareholders pursuant to which the Stabilising Manager may, acting as agent or principal, purchase or procure purchasers for additional Ordinary Shares up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer (the "**Over-allotment Shares**") at the Offer Price. The Over-allotment Option is exercisable in whole or in part, only once upon notice by the Stabilising Manager, at any time on or before 30 calendar days after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares sold pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares being sold in the Offer, including for all dividends and other distributions declared, made or paid on the Ordinary Shares and will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

The distribution of this document and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholders, or the Managers to permit a public offering of the Ordinary Shares or to permit the possession or distribution of this document (or any other offering or publicly available materials relating to the Ordinary Shares) in any jurisdiction (other than the United Kingdom and Sweden) where action for that purpose may be required. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

The Ordinary Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Prospective investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Prior to making any decision as to whether to invest in Ordinary Shares, prospective investors should read this document in its entirety. In making an investment decision, prospective investors must rely upon their own examination, analysis and enquiries of the Company and the terms of this document, including the merits and risks involved.

Presentation of Information

Save as specified in this document or where the context requires otherwise, all of the information in this document is presented as if the Acquisitions have already taken place as at the date of publication of this document. The Acquisitions will be completed prior to London Admission.

Presentation of Financial and Other Information

This document includes the consolidated financial information of the PEDL Group and separately, the LNS Group, each as at and for the years ended 31 December 2009, 2008 and 2007.

The Company was incorporated on 29 January 2010 and has not prepared its own financial statements prior to then. The consolidated financial information of the LNS Group has been prepared by consolidating the financial statements of LNS and all its subsidiaries. The consolidated financial

information of the PEDL Group has been prepared by consolidating the financial statements of PEDL and all its subsidiaries. The Company will acquire the entire issued share capital of LNS and PEDL prior to London Admission. The financial information reflects the historical financial positions, results of operations and cash flows for all of the business activities that will be conducted within the Group as a result of the Acquisitions. The financial information does not take into account any of the Company's start-up costs, or costs incurred in connection with the Acquisitions. Further, the financial information does not take into account any of the general, administrative or other operating costs that are expected to be incurred by the Company itself on a non-consolidated basis in relation to its formation, the Acquisitions and (if it proceeds) the Offer. Finally, the financial information does not take into account the Company's share capital and financing structure. Accordingly, the financial information does not purport to show, and should not be taken as showing, what the Group's results of operations, financial position, balance sheet or cash flows would have been during the periods presented had the Group been in existence in the form that it will take following the Acquisitions. The Group will report its results of operations, balance sheet, cash flows and financial position on a consolidated basis following incorporation of the Company on 29 January 2010 and the Acquisitions.

The financial information in this document has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and has been prepared in a consistent manner for the three years ended 31 December 2009.

The audits of the consolidated financial information included in this document were conducted in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

Certain financial data have been rounded, and accordingly the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Certain Non-GAAP Measures

In this document references to "**EBITDA**" are to profit from operations before tax and finance income/(costs), excluding gains or losses on sale of assets, negative goodwill and depletion, depreciation and write off of intangible oil and gas assets. Accordingly, EBITDA can be extracted from the consolidated income statement of each of, the PEDL Group and the LNS Group, by taking profit for the year attributable to Shareholders and adding back financial income and expense, corporation and petroleum taxes, gains or losses on sale of assets, negative goodwill and depletion, depreciation and write off of intangible oil and gas assets.

Although EBITDA is not a measure of operating income, operating performance or liquidity under IFRS, the Company has presented this financial measure because it understands that EBITDA is used by some investors to determine a company's ability to service indebtedness and fund ongoing capital expenditure. EBITDA should not, however, be considered in isolation or as a substitute for profit from operations before tax and finance income/(costs), profit for the year attributable to Shareholders, cash flow from operations or other income statement or cash flow statement information as determined by IFRS, or as an indicator of the Group's operating performance or measure of profitability or liquidity.

In this document, references to "Operating Cash Flow" are to EBITDA less cash tax charges. Accordingly, Operating Cash Flow can be extracted from the consolidated income statement of each of, the PEDL Group and the LNS Group, by taking profit for the year attributable to Shareholders and adding back financial income and expense, deferred corporation and petroleum taxes, gains or losses on sale of assets, negative goodwill and depletion, depreciation and write-offs of intangible oil and gas assets. Operating Cash Flow is used by the Group's management as a measure to review the Group's performance, including the financial performance of the Group's assets without regard to the financing methods, capital structure or historical cost basis used in asset acquisitions, and the Group's ability to generate cash sufficient to support its operations, pay interest costs and support its indebtedness. The Group's management considers Operating Cash Flow to be a useful tool for managing the operations of the Group's business. Operating Cash Flow should not, however, be considered in isolation or as a substitute for profit from operations before tax and finance income/(costs), profit for the year attributable to Shareholders, cash flow from operating activities or other income statement or cash flow statement information as determined by IFRS, or as an indicator of the Group's operating performance or measure of profitability or liquidity.

Because all companies do not calculate EBITDA or Operating Cash Flow identically, the presentation of EBITDA and Operating Cash Flow may not be comparable to similarly entitled measures of other companies.

The following table reconciles the net result to EBITDA and Operating Cash Flow for the LNS Group and the PEDL Group for the periods presented:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
The LNS Group			
Profit for the year	7,992	64,374	52,200
Deferred income tax expense/(income)	1,331	53,956	40,391
Deferred petroleum revenue tax expense/(income)	(6,279)	2,767	2,657
Net Finance costs/(income)	5,617	1,170	3,174
Depletion	51,778	62,777	64,562
Depreciation	642	987	325
Exploration and evaluation expenses	6,149	20,642	25,535
Gain on sale of assets	—	(185)	—
Operating Cash Flow	**67,230**	**206,488**	**188,844**
Current income tax expense/(income)	7,973	2,335	244
EBITDA	**75,203**	**208,823**	**189,088**
The PEDL Group			
Profit/(loss) for the year	12,654	(6,800)	270
Deferred income tax expense/(income)	(8,065)	(5,668)	(7,559)
Net Finance costs/(income)	7,724	(146)	(21)
Depletion	41,158	—	—
Depreciation	426	83	39
Exploration and evaluation expenses	—	9,821	—
Negative goodwill	—	(6,618)	—
Loss on sale of assets	—	252	—
Operating Cash Flow	**53,897**	**(9,076)**	**(7,271)**
Current income tax expense/(income)	(4,322)	(1,158)	1,035
EBITDA	**49,575**	**(10,234)**	**(6,236)**

Currency and Exchange Rate Information

In this document, unless otherwise indicated, references to "**pounds sterling**", "**sterling**", "**pounds**", "**GBP**", "**pence**", "**p**" or "**£**" are to the lawful currency of the United Kingdom, references to "**€**", "**Euros**" or "**Euro**" are to the single currency of those relevant adopting member states of the European Union, references to "**Kroner**" and "**SEK**" are to the lawful currency of Sweden and references to "**US dollars**", "**USD**", "**$**" or "**US$**" are to the lawful currency of the United States.

The Offer Price will be stated in pounds sterling and SEK.

All Ordinary Shares to be sold under the Offer will be sold at the Offer Price, which will be paid for in pounds sterling (in respect of Ordinary Shares in the Offer being delivered at London Admission) or SEK (in respect of Ordinary Shares in the Offer being delivered at Stockholm Admission).

Unless otherwise indicated, the financial information contained in this document has been expressed in US dollars. The functional and reporting currency of the Group is US dollars, while the Group predominantly incurs operating expenses in pounds sterling. Solely for convenience, transactions not already measured in US dollars have been translated into US dollars in accordance with the relevant provisions of IAS21. On consolidation, the income statements of subsidiaries for which US dollars is not the functional currency are translated into US dollars at average rates of exchange. Balance sheet items are

translated into US dollars at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate indicated, at any other rate or at all.

Exchange rates of the US dollar against pounds sterling comprising the average monthly rate for income statements and the rate at balance sheet date for balance sheet information are those adopted in the historical financial information in Section B in Part VI and Section B in Part VII, respectively, of this document or otherwise reflect the prevailing rate on the date to which the relevant amount relates.

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 "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative, or other variations or comparable terminology or by a discussion of the Group's 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 Group's intentions, beliefs or current expectations concerning, among other things, its business, financial position, operating results, achievements, prospects, growth, strategies and the industry in which it operates.

Forward-looking statements include, without limitation, statements regarding:

- oil and gas reserves quantities;
- the amount and nature of capital expenditure;
- drilling of wells;
- the timing and amount of future production and operating costs;
- availability of equipment;
- business strategies and plans of management; and
- prospect development and property acquisitions.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances, that may or may not occur in the future. Prospective investors in the Ordinary Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and performance, and the development of the markets and the industry in which it operates may differ materially from those described in or suggested by, the forward-looking statements contained in this document. In addition, even if the Group's actual financial position, operating results and performance, and the development of the markets and the industry in which it operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors, including those discussed under the heading "Risk Factors" in this document, could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, thereby affecting the Group's financial position, operating results and performance.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Group's current view with respect to future events and prospective investors are urged to read the sections of this document headed "Risk Factors", "Operating and Financial Review" and "Information on EnQuest PLC" for a more complete discussion of the factors that could affect the Group's future performance. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur.

Consequently, neither the Company nor the Directors and Senior Managers nor the Selling Shareholders can give any assurances regarding the accuracy of the opinions set out in this document or the actual occurrence of the predicted developments, upon which the forward-looking statements are based.

Subject to the requirements of the Takeover Code, the Listing Rules, the Prospectus Rules and/or the Disclosure and Transparency Rules of the FSA, the Group undertakes no obligation to publicly update or publicly revise any forward-looking statement or publicly release the result of any revision to any forward-

looking statement, that may occur as a result of new information, any change in the Company's expectations, future events or circumstances that take place after the date of this document or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this document.

Market, Economic and Industry Data

Where third party information has been used in this document, the source of such information has been identified. Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Group's own estimates. The Group has obtained the market data and certain industry forecasts used in this document from internal surveys, reports and studies, as well as, publicly available information, market research and industry publications. Industry publications generally state that while the information they contain has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. All market, economic and industry data contained in this document has been accurately reproduced and, as far as the Group is aware and able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Competent Person's Report

This document contains information concerning the Group's oil and gas reserves extracted or derived from the report of Gaffney, Cline & Associates, an independent consultancy specialising in petroleum reservoir evaluation and economic analysis, dated as at the date hereof and set out in Part XII of this document (the "**CPR**").

The CPR has been produced by Gaffney, Cline & Associates, whose address appears on page 32 of this document. Gaffney, Cline & Associates is an independent international energy advisory group of 45 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis. The directors of Gaffney, Cline & Associates have no interest in any assets or share capital of the Company, or of Lundin, Petrofac or the Selling Shareholders or in the promotion of the Company.

The CPR was produced at the request of the Company and is included in this document, in the form and context in which it is included, with the consent of Gaffney, Cline & Associates.

Presentation of Reserves and Resources

This document and the CPR present information concerning the Group's reserves and resources extracted or derived from the CPR, which is set out in Part XII of this document. This document and the CPR present information concerning reserves using the 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System as the standard for classification and reporting. All reserves and resources information in this document is presented on the basis of SPE/WPC/AAPG/SPEE standards, unless otherwise indicated.

It should be noted that contingent and prospective resources by their nature are speculative. Contingent resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. There is a possibility that contingent resources may not be economically producible and that prospects and leads will not result in the discovery of economically recoverable resources, in which case they would not be commercially developed.

The information on reserves and resources in this document and the CPR is based on economic and other assumptions that may prove to be incorrect. Prospective investors should not place undue reliance on the forward-looking statements in this document or the CPR or on the ability of the CPR to predict actual reserves or resources. All contingent and prospective resources figures in this document should be read as being "best estimate" figures. The term "best estimate" is a generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the accumulation between the date of

the estimate and the time of abandonment. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely/mode, median/P50 or mean).

Prospective investors should read the CPR for more information on the Company's reserves and the reserves definitions the Company uses.

No Incorporation of Website Information

The contents of the websites of each of the Company (*www.enquest.co.uk*), Lundin (*www.lundin-petroleum.com*) or Petrofac (*www.petrofac.com*) (including any materials which are hyper-linked to such websites) do not form part of this document and prospective investors should not rely on them.

References to Defined Terms

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined and explained in the sections headed "Definitions" and "Glossary of Terms" in this document.

Notices to Lundin and Petrofac shareholders in the United States

This document is being made available in the United States only to Lundin and Petrofac shareholders that are "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") for information only in connection with the Demergers.

Each person receiving this document in the United States will be deemed to have:

(i) represented and warranted that it is a QIB and further, that, if it is acting as a fiduciary or agent for one or more investor accounts, (a) each such account is a QIB, (b) it has investment discretion with respect to each account, and (c) it has full power and authority to make these deemed representations, warranties, acknowledgements and agreements on behalf of each such account;

(ii) acknowledged that the Ordinary Shares have not been and will not be registered under the Securities Act or any state securities laws and are being offered in a transaction not involving any public offering in the United States, and thus are "restricted securities within the meaning of Rule 144 under the Securities Act; and

(iii) agreed not to offer, sell, pledge or otherwise transfer the Ordinary Shares except (a) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act; (b) to another QIB in accordance with Rule 144A under the Securities Act; or (c) in accordance with the exemption from registration provided by Rule 144 under the US securities Act (if available).

Each person receiving this document in the United States is hereby notified that the distribution of the Ordinary Shares to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the Offer, an offer or sale of any of the Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or in a transaction not subject to, registration under the Securities Act.

The Ordinary Shares offered by this document have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US federal or state regulatory authority, nor have any such authorities passed upon or endorsed the merits of the Offer or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Recipients of this document in the United States are hereby notified that this document has been furnished to them on a confidential basis and is not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use it solely for information in connection with the Demergers and may not disclose any of the contents of this document or use any information herein for any other purpose. The information contained in this document has been provided by the Company and other sources identified herein. This document does not constitute an offer to any person in the United States or to the public generally to subscribe for or otherwise acquire Ordinary

Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document. This agreement shall be relied upon by the Company, Lundin, Petrofac, the Selling Shareholders, the Underwriters and their respective affiliates and agents, as well as persons acting on their behalf.

The Company is incorporated and registered under the laws of England and Wales. The Directors and officers of the Company reside outside the United States. In addition, most of the assets of the Company and its Directors and officers are located outside the United States. It may not be possible, therefore, for investors to effect service of process within the United States upon the Company and its Directors and officers or to enforce in United States courts judgments against them obtained in those courts based upon the civil liability provisions of the federal securities laws of the United States. Furthermore, there is substantial doubt as to the enforceability in England and Wales, whether by original action or by seeking to enforce a judgment of a United States court, of claims based on the federal laws of the United States.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Dr. James Buckee, *Non-executive Chairman* Amjad Bseisu, *Chief Executive Officer* Jonathan Swinney, *Chief Financial Officer* Nigel Hares, *Chief Operating Officer* Helmut Langanger, *Non-executive Director* Jock Lennox, *Non-executive Director* Robin Pinchbeck, *Non-executive Director* Alexandre Schneiter, *Non-executive Director* *Each having the address of the registered office of the Company as their business address*
Company Secretary	Paul Waters
Registered Office and Head Office	Rex House 4-12 Regent Street London SW1Y 4PE
Sponsor, Global Co-ordinator, Joint Lead Manager and Bookrunner	J.P. Morgan Securities Ltd. 125 London Wall London EC2A 5AJ
Joint Lead Manager for the Nordic region	Nordea Bank AB Nordea Markets Smålandsgatan 17 SE-105 71 Stockholm
Co-lead Managers	Oriel Securities Limited 125 Wood Street London EC2V 7AN RBC Capital Markets 71 Queen Victoria Street London EC4V 4DE
Legal Advisers to the Company as to English and US law	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
Legal Advisers to the Company as to Swedish law	Ashurst Advokatbyrå AB Birger Jarlsgatan 6B Box 55564 102 04 Stockholm
Legal Advisers to the Sponsor, Global Co-ordinator, Bookrunner and Joint Lead Manager, Joint Lead Manager for the Nordic region and the Co-lead Managers as to English and US law	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS
Competent Person	Gaffney, Cline & Associates Ltd. Bentley Hall Blacknest, Alton Hampshire GU34 4PU United Kingdom

Auditors and Reporting Accountants to EnQuest PLC and Petrofac Energy Developments Limited	Ernst & Young LLP 1 More London Place London SE1 2AF
Reporting Accountants to Lundin North Sea BV	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Registrars and Receiving Agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

OFFER STATISTICS

Maximum Offer Price per Ordinary Share[(1)]	118p
Number of Ordinary Shares in issue[(2)]	775,027,922
Maximum number of Ordinary Shares being offered in the Offer[(3)]	48,130,326
Percentage of the Ordinary Share capital in the Offer[(2)(3)(4)]	up to 6.2%
Maximum number of Ordinary Shares subject to the Over-allotment Option[(5)]	7,219,548
Estimated net proceeds of the Offer receivable by the Selling Shareholders[(3)(6)]	£55 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders (assuming the Over-allotment Option is exercised in full)[(4)(6)]	£64 million
Market capitalisation of the Company at the maximum Offer Price[(2)(6)(7)]	£915 million
Estimated expenses of the Offer (if it proceeds) and Admissions payable by the Company	US$8.3 million

Notes:

(1) The Offer Price may be set at or below this price.

(2) The number of Ordinary Shares in issue as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company upon completion of the Proposals and at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac, between the date of this document and the completion of the Petrofac Demerger.

(3) Assuming no exercise of the Over-allotment Option.

(4) Assuming that the maximum number of Ordinary Shares are sold in the Offer.

(5) The maximum number of Ordinary Shares subject to the Over-allotment Option will be 15 per cent. of the total number of Ordinary Shares comprised in the Offer.

(6) Assuming a maximum Offer Price of 118 p per Ordinary Share. Net proceeds receivable by the Selling Shareholders are stated after deduction of underwriting commissions and other expenses (including VAT) of approximately £2 million (assuming no exercise of the Over-allotment Option). The Company will not receive any of the net proceeds from any sale of the Ordinary Shares in the Offer.

(7) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.

The Selling Shareholders reserve the right not to proceed with the Offer in the event that they are not satisfied with the proposed Offer Price achieved in the book building process. Any decision not to proceed with the Offer (together with any other outstanding information) will be set out in a pricing statement or other announcement on a Regulatory Information Service, expected to be published on or around 30 March 2010. If the Offer proceeds, it is expected that the Pricing Statement, expected to be published on or around 30 March 2010, will set out the Offer Price, the number of Ordinary Shares which are the subject of the Offer and any other outstanding information.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	2010
Publication of Prospectus	18 March
Publication of the Pricing Statement containing the Offer Price and the number of Ordinary Shares expected to be sold in the Offer(1)	30 March
Commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange(1)	8.00 a.m. on 30 March
London Admission and commencement of unconditional dealings in the Ordinary Shares on the London Stock Exchange	8.00 a.m. on 6 April
Ordinary Shares admitted to CREST(2)(3)	as soon as possible after 8.00 a.m. on 6 April
Commencement of conditional dealings in the Ordinary Shares on NASDAQ OMX Stockholm	9.00 a.m. (Stockholm time) on 6 April
Stockholm Admission and commencement of unconditional dealings in the Ordinary Shares on NASDAQ OMX Stockholm	9.00 a.m. (Stockholm time) on 9 April
Distribution of Ordinary Shares to shareholders of Lundin representing entitlements to one Ordinary Share for every one Lundin share held(5)(6)	as soon as possible after 10.00 a.m. (Stockholm time) on 9 April
Distribution of Ordinary Shares to be admitted on NASDAQ OMX Stockholm pursuant to the Offer(1)	as soon as possible after 10.00 a.m. (Stockholm time) on 9 April
Distribution of Ordinary Shares to shareholders of Lundin representing fractional entitlements(5)(6)	as soon as possible after 10.00 a.m. (Stockholm time) on 12 April
Despatch of definitive share certificates (where applicable)	by 19 April

Notes:

(1) On the assumption that there is an Offer.

(2) Or as soon as possible thereafter. No temporary documents of title will be issued.

(3) Save in respect of conditional dealings, settlement will be on T+3 basis.

(4) Settlement will be on T+3 basis, including in respect of conditional dealings.

(5) For every Lundin share held by the shareholders of Lundin at the record date, Lundin shareholders will be entitled to receive 1.3474 Ordinary Shares in two tranches. Pursuant to, and in accordance with the terms and conditions of the Lundin Distribution, Lundin will distribute to its shareholders 100 per cent. of the Ordinary Shares held by it in two tranches. The first tranche will entitle the Lundin shareholders to receive one Ordinary Share for every one Lundin share held as at the record date (being 8 April 2010) and the second tranche of Ordinary Shares will be delivered in respect of such number of Ordinary Shares to which the Lundin shareholders are entitled by virtue of their aggregate fractional entitlements to Ordinary Shares. The resulting number of Ordinary Shares to be delivered in the second tranche of the Lundin Distribution will be subject to a rounding down to the nearest whole number of Ordinary Shares. Fractions of Ordinary Shares are expected to be sold by Nordea Markets on NASDAQ OMX Stockholm after the Lundin Distribution and Stockholm Admission. The net proceeds of such sales will be delivered pro-rata to Lundin shareholders in accordance with their fractional entitlements.

(6) The expected timing of the distribution of Ordinary Shares in connection with the Lundin Distribution only refers to shareholdings that are directly registered with Euroclear Sweden.

Each of the times and dates in the timetable set out above is subject to change without further notice. Reference to a time of a day is to London time unless otherwise stated.

It should be noted that if either of the Admissions does not occur, all conditional dealings on the relevant stock exchange will be of no effect and any such dealings will be at the sole risk of the parties concerned. Further, Stockholm Admission may occur and dealings may become unconditional on NASDAQ OMX Stockholm without the Offer having completed.

PART I

INFORMATION ON ENQUEST PLC

1. OVERVIEW

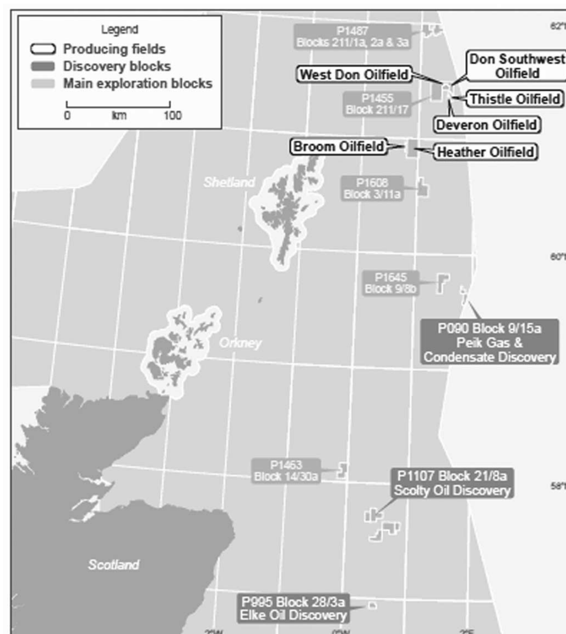
Introduction

EnQuest is an independent oil and gas production and development company whose current activities are focused on the UKCS. The Group intends to deliver sustainable growth in shareholder value by focusing on exploiting its existing reserves, commercialising and developing discoveries, converting its significant contingent resources into reserves and pursuing selective acquisitions.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low-risk region. The UKCS continues to benefit from an extensive installed infrastructure base and skilled labour to develop, operate and manage assets. EnQuest's management has considerable experience of working in the UKCS region and is familiar with the regulatory authorities and competitive landscape.

With a portfolio of producing assets, development opportunities and appraisal and exploration opportunities, strong cash flow generation and an experienced management and staff that have a proven development and operating record, EnQuest believes that it is well positioned to increase its production and reserves and benefit from the opportunities that exist in the UKCS.

Asset Portfolio



The Group's asset portfolio comprises primarily producing assets and development opportunities, together with appraisal and exploration opportunities, all of which are located in the UKCS.

The Company was recently incorporated to acquire the UKCS assets and operations of Lundin and Petrofac. Pursuant to the terms of and subject to the conditions of the Acquisitions, the Company has acquired interests in the Heather, Broom, Thistle and Deveron fields and Peik, South West Heather and Scolty discoveries from Lundin and interests in the Don Southwest and West Don fields and the Elke discovery from Petrofac.

The Group's producing assets include interests in six producing fields: Broom, Heather, Thistle, Deveron, West Don and Don Southwest. The Group has interests in 16 production licences covering 26 blocks or part blocks in the UKCS, of which 15 licences are operated by the Group. Gaffney, Cline & Associates ("**GCA**") has certified that, as at 1 January 2010, the Group's assets had total net proved plus probable oil and NGL reserves of 80.5 MMBbl. As at 1 January 2010, GCA has also certified net oil and gas best estimate (2C) contingent resources for individual assets. The aggregate of the oil 2C contingent resources on an unrisked basis is 67.5 MMBbl, and of the gas 2C contingent resources is 30.6 Bcf.*

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* GCA warns that there may be a significant risk that accumulations containing contingent resources will not achieve commercial production and that it is inappropriate to aggregate contingent resources.

Certain of the licences held by the Group have been acquired pursuant to successful applications and awards in UK licensing rounds, farm-in arrangements and acquisitions. The Group's licence interests also provide it with an inventory of potential developments, discoveries and prospects, which are predominantly located close to the Group's interests in existing infrastructure.

Summary of the Group's Reserves, Resources and Production

All estimates of reserves and resources presented in this document have been sourced from the CPR prepared by GCA, set out in Part XII of this document.

The Group's average daily working interest production for the year ended 2009 was approximately 13,620 bopd. GCA has certified that, as at 1 January 2010, the Group's assets had total net 2P oil and NGL reserves of 80.5 MMBbl. As at 1 January 2010, GCA has also certified net oil and gas 2C contingent resources for individual assets. The aggregate of the oil 2C contingent resources on an unrisked basis is 67.5 MMBbl, and of the gas 2C contingent resources is 30.6 Bcf.* In addition, the Group has identified five exploration opportunities with prospective resources, details of which are set out below.

The following tables set out the Group's reserves and resources information as at 1 January 2010, as certified by GCA and have been extracted from the CPR:

Summary of EnQuest's oil and NGL 2P reserves

	Oil and NGL reserves[2] in MMBbl		
Field[1]	**Proved (1P)**	**Proved plus probable (2P)**	**Proved plus probable plus possible (3P)**
Thistle	13.96	29.20	47.37
Deveron	1.53	2.35	5.12
Heather	4.51	20.54	48.29
Broom	5.09	10.76	16.53
West Don	2.37	3.76	5.25
Don Southwest	8.56	13.89	20.78
Total	**36.02**	**80.50**	**143.34**

Notes:

(1) There are no attributed gas reserves for any of these assets.

(2) The reserve figures represent reserves attributable to EnQuest based on its working interest in each of the fields set out above.

Summary of EnQuest's oil 2C contingent resources

	Net oil 2C contingent resources in MMBbl[1][3]		
Block	**Discovery**	**Reservoir**	**Contingent resources(2C) Best Estimate**
211/18a	Thistle	Brent	8.1
211/18a	Deveron	Brent	6.8
2/5	Heather	Brent	7.3
2/5	Heather	Triassic	9.3
2/4a & 2/5	Broom NW Terrace	Brent/Emerald	1.8
2/5	Broom N Terrace	Brent	4.0
2/5	Broom Area 15E	Brent	1.8
2/5	South West Heather	Emerald, Brent & Triassic	3.8
211/18a	Don Southwest Area 26	Brent	1.3
211/18a	Don Southwest Area 22W	Brent	3.6
9/15a	Peik[2]	M. Jurassic Hugin	1.5
21/8a	Scolty	Paleocene	3.2
28/3a	Elke[4]	Eocene	15.0

Notes:

(1) The resource figures represent oil 2C contingent resources attributable to EnQuest based on its working interest in each of the discoveries set out above. EnQuest's working interest of 17.66 per cent. in the Peik discovery is based on the Unitisation Agreement between the governments of Norway and UK, awaiting ratification.

(2) This does not include additional net unrisked gas 2C contingent resources of 30.6 Bcf attributable to Peik discovery.

(3) There may be a significant risk that accumulations containing contingent resources will not achieve commercial production.

(4) EnQuest is in discussions for a partial farm-out of this licence.

* GCA warns that there may be a significant risk that accumulations containing contingent resources will not achieve commercial production and that it is inappropriate to aggregate contingent resources.

Summary of EnQuest's oil best estimate prospective resources

Block	Net oil best estimate prospective resources in MMBbl[(1)(4)]			
	Prospect	Reservoir	Prospective resources	GCoS%[(3)]
211/17	Ariel East	Brent	3.4	30
3/11a	Mouse[(2)]	Eocene	17.5	25
2/5	South West Heather	Brent	5.0	19
211/18a	Don Southwest Area 26	Brent	9.2	30
211/18a	Don Southwest Area H	Jurassic/Triassic	6.5	25

Notes:

(1) The resource figures represent best estimate prospective resources attributable to EnQuest based on its working interest in each of the blocks set out above.

(2) EnQuest is planning a partial farm-out of this licence.

(3) The Geologic Chance of Success (GCoS) reported here represents an indicative estimate of the probability that the drilling of this prospect would result in a discovery which would warrant the re-categorisation of that volume as a contingent resource, and not the probability of achieving the Best Estimate. The GCoS value for a contingent resource is 100%. These GCoS percentage values have not been arithmetically applied within this assessment.

(4) The primary prospective resource volume reported here is the "best estimate" value.

Further details regarding the Group's reserves, resources and production are set out in the CPR in Part XII of this document and in paragraph 5 of this Part I.

2. STRATEGY

EnQuest aims to become one of the UK's leading independent oil and gas production and development companies. The Group will operate a production biased portfolio with exposure predominantly to the significant and low-risk hydrocarbon basin of the UKCS. The Group's management intends to deliver sustainable growth in shareholder value by focusing on exploiting its existing reserves, commercialising and developing discoveries, converting its significant contingent resources into reserves and pursuing selective acquisitions.

EnQuest intends to achieve its strategy through:

- having geographic focus;
- pro-actively operating its assets;
- maximising production, reserves and cash flow generation from the Group's existing assets;
- using the Group's operational, execution, subsurface and integration skills;
- becoming a development partner of choice in the UKCS; and
- delivering balanced growth.

Having geographic focus

All operations of the Company are currently in the UKCS, a significant hydrocarbon basin which the Directors believe continues to offer significant potential. The Company will focus on assets and portfolios with a production and development bias.

EnQuest will initially concentrate on UK North Sea oil assets with the aim to extract maximum value from its existing operations, taking advantage of existing infrastructure and assets to minimise production costs. The UKCS continues to benefit from an extensive installed infrastructure base and skilled labour to develop, operate and manage assets. EnQuest's management has considerable experience of working in the region and is familiar with the regulatory authorities and competitive landscape. The Group's geographic focus and regional experience will position it well to benefit from the available opportunities.

The UKCS has a large number of undeveloped discoveries and assets with potential for development. The Company believes it is well positioned to use its operating and technical skills to take advantage of these opportunities.

The relative scale of some of the UK North Sea assets owned by major oil companies and North American independent oil companies may result in these assets receiving less technical attention or investment than larger fields, leaving improved recovery and near field development opportunities unexploited. The Directors believe this represents an excellent opportunity for the Group to access assets with a significant amount of development potential.

In due course the Company may consider opportunities outside the UKCS with the intention of focusing on areas which present similar development opportunities.

Pro-actively operating its assets

The Directors believe that EnQuest's operational expertise, project development skills and commercial innovation will enable EnQuest to implement creative solutions in its asset portfolio such as those applied in the development of the Don fields. Prime examples from the development of the Don fields are the refurbishment of an existing production unit to accelerate development and implementing oil price and production related tariffs to incentivise and align the interests of suppliers with the Group.

The Group's management will focus the Group's resources on actively managing its asset portfolio to maximise potential from existing fields and future developments. Additional geological and geophysical analysis on the existing assets will further improve geological and reservoir understanding and may highlight new opportunities within the asset portfolio. The Company will focus on improving hydrocarbon recovery and implementing cost effective development solutions to extend field life and improve net back per barrel.

EnQuest has a large portfolio of identified inventory which it will pursue through an active drilling programme with 24 wells expected to be drilled in the next five years.

Maximising production, reserves and cash flow generation from the Group's existing assets

EnQuest intends to maximise production, reserves and cash flow from its existing assets and infrastructure through active asset management. The Directors believe that the Group's management's experience in all parts of the project development value chain will bring insight and experience to manage operational and development costs. Achieving lower operating cost will enable the Company to extend field life and delay decommissioning, allowing for higher production and consequently leading to higher ultimate recovery of resources.

The Directors believe that focusing on near-field appraisal could improve utilisation rates on existing infrastructure, reducing the production cost per barrel and further maximising the value of EnQuest's assets.

Using the Group's operational, execution, subsurface and integration skills

The Directors believe the Group is well positioned to create value from its assets, as EnQuest has the required skills in-house. EnQuest has proven operational and project execution expertise, as well as a strong technical team with a strong subsurface understanding that enables it to effectively monetise its assets. A prime example of this is the development of the Don fields which were brought on-stream within 11 months of receiving FDP approval. The Directors believe that the Group's ability to integrate its operational, execution and subsurface skills gives EnQuest greater access to wider development opportunities.

Becoming a development partner of choice in the UKCS

The Directors believe that the Group's operational, execution, subsurface and integration skills will position EnQuest as a strong technical and commercial partner in the UKCS. In addition, the Directors believe that EnQuest is a financially stable partner to develop discovered resources due to the cash flow generated by its existing assets as well as its committed debt facilities.

In addition, EnQuest will continue to improve the safety and reliability of its operations and ensure compliance with HSE regulations. EnQuest believes that high safety and environmental standards are important in maintaining its reputation and becoming a development partner of choice.

Delivering balanced growth

The Directors believe that the Group's existing assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low-risk near field opportunities rather than exploitation of high-risk exploration opportunities. The Directors are targeting production of approximately 5,000 boepd from converted 2C reserves by 2014. The Directors believe that, through a combination of increasing production from 2P reserves, converting 2C reserves to production and selective acquisitions, the Group will be able to achieve medium-term production growth of ten per cent. per annum. In the future, the Group will seek to grow by reinvesting cash generated through its

operations in acquisitions and pursuing a non-organic growth strategy for which the North Sea offers ample opportunities, such as:

- exploiting further asset development opportunities within the current portfolio, for example accessing possible reserves and contingent resources;
- undertaking farm-ins in discoveries and development projects;
- carrying out near field appraisal and exploration;
- making selective acquisitions, of both companies and assets; and
- acquiring exploration and appraisal acreage and participating in licensing rounds.

3. KEY STRENGTHS

EnQuest believes that it benefits from the following key strengths:

- operational and technical expertise;
- operatorship and high equity interest;
- strong balance sheet; and
- cash generation from existing operations.

The Directors believe that the combination of the Group's technical skills, its operational scale and financial strength will position the Group to deliver on its strategy and take advantage of the production and development opportunities in the UKCS.

Operational and technical expertise

The Directors believe that the Group's senior management team is among the most experienced and competent teams operating in the UKCS with a proven track record of identifying valuable assets and developing and producing oil and gas, using innovative and cost efficient solutions.

The Group's development and production capabilities have been successfully demonstrated with first oil from the Broom field achieved in 2004, first oil from West Don field achieved in April 2009, less than a year after the FDP approval, followed shortly afterwards by first oil from Don Southwest field in June 2009. Furthermore, over the past year, significant operational improvements have been demonstrated in the Group's six operated fields.

The Directors believe that EnQuest's management has demonstrated that it has differentiated project management and execution capabilities and that this has led to innovative, fast and cost efficient development of challenging hydrocarbon assets.

Additionally the Directors believe that the technical leadership position of EnQuest should allow the Company to continue to attract talent in a competitive market and be an employer of choice.

Operatorship and high equity interest

EnQuest is operator of all of its major fields and has an equity interest of over 50 per cent. in five out of six of its producing assets. This will allow the Group to have a significant influence over the field development, production and adjacent appraisal and exploration activities. In light of the Group's development and reservoir management capabilities, the Directors believe that the Group is well positioned to extract material value from its operated assets.

Strong balance sheet

The Group's assets have been acquired from Lundin and Petrofac on a debt free, cash free basis. The Directors believe that the Company is well funded to pursue its future growth aims, its intended development plans and acquisition opportunities and other funding requirements, from anticipated free cash flow generation and its access to a fully committed bank facility.

In addition, the Directors believe that the Company benefits from having limited decommissioning obligations. The Group aims to keep its decommissioning obligations to a minimum and will only take on further decommissioning obligations on a case by case basis, where it is felt appropriate.

Cash generation from existing operations

The Group anticipates that it will generate significant free cash flow in the near-term by successfully reaching peak production in the Don fields, and maximising production from its other existing assets. This

will enable the Group to actively pursue an investment programme to support medium-term cash flow generation by increasing recovery from existing assets and pursuing new developments.

4. HISTORY AND DEVELOPMENT OF THE GROUP

The Company was recently incorporated to acquire the UK assets and operations of Lundin and Petrofac. Pursuant to the terms of and subject to the conditions of the Acquisitions, the Company has acquired interests in the Heather, Broom, Thistle and Deveron fields and Peik, South West Heather and Scolty discoveries from Lundin and interests in the Don Southwest and West Don fields and the Elke discovery from Petrofac. The Company intends to pursue a strategy of integrating these operations and assets to benefit from the synergies offered by the complementary licence portfolios of Lundin and Petrofac with the geographic proximity and strong experienced teams that manage all of their assets.

Further details regarding the Proposals are set out in paragraph 7 of this Part I. A detailed description of the history and the development of the Group's principal assets is set out in paragraph 5 below.

5. THE GROUP'S OPERATIONS AND ASSETS

The Group's business covers the full range of upstream activities, with a portfolio of production assets, (including mature and early-stage production assets), and development opportunities (including potential near-term development opportunities in discoveries), together with appraisal and exploration opportunities.

History and Development of Assets

The Group's principal assets are its interests in the Heather, Broom, Thistle, Deveron, West Don and Don Southwest producing oilfields and development opportunities in the Peik, South West Heather, Scolty and Elke discoveries. The Group has working interests in 16 production licences covering 26 blocks or part blocks in the UKCS that have been acquired pursuant to successful applications and awards in UK licensing rounds, farm-in arrangements and acquisitions. Further details about the licences held by the Group are set out in paragraph headed *"Exploration Opportunities"* of this Part I.

A brief description of the history and development of each of the Group's principal assets is set out below.

Heather field

In 1997, Lundin Heather acquired a 31.25 per cent. interest in the Heather field from Unocal International Corporation, in addition to the 6.25 per cent. interest in the field that Lundin Heather already held. Pursuant to the Heather Field Arrangement Agreement, BGGB and Texaco Britain Limited assigned each of their 31.25 per cent. interests in petroleum produced from the Heather field to Lundin Heather, whilst each agreed to retain liability for 31.25 per cent. of the decommissioning liabilities for the then existing Heather facilities.

In 2004, Lundin acquired Lundin Britain, which resulted in Lundin acquiring a 100 per cent. beneficial interest in the Heather field, with BGGB and Texaco Britain Limited continuing to retain their decommissioning liabilities for the then existing Heather facilities.

In 2008, Texaco Britain Limited transferred its liabilities, obligations and rights in relation to the Heather field to CNS as part of the global merger of Texaco Britain Limited and CNS.

Broom field

In 2002, in order to progress the appraisal and potential development of the Broom field (at that point known as West Heather) Lundin Heather entered into a farm-in agreement with Challenger Minerals Inc. and Wintershall (E&P) Limited. Pursuant to this agreement Lundin Heather assigned 16 per cent. of its interest in the Broom field (then known as West Heather) to Challenger Minerals Inc., (which subsequently sold 8 per cent. of its interest to Dyas UK Limited) and 29 per cent. of its interest in the Broom field to Wintershall (E&P) Limited. This reduction of interest in the Broom field to 55 per cent. and the addition of new partners facilitated the appraisal and subsequent development of the Broom field, as it was renamed for the development, the development plan for which was approved in September 2003. The Broom field has been developed as a subsea tie-back to the Heather platform. First oil from the Broom field was produced in August 2004.

In 2004, Lundin, through its acquisition of Lundin Britain, acquired a 55 per cent. interest in the Broom field.

Thistle and Deveron fields

In 2003, Lundin Thistle acquired a 99 per cent. interest in the Thistle and Deveron fields and associated infrastructure interests from Britoil, ConocoPhillips and BP Exploration. As part of that transaction, the parties agreed that the acquired interest would be transferred back to Britoil, ConocoPhillips and BP Exploration at a future point in time. Subject to Lundin Thistle re-transferring the interests in the Thistle and Deveron fields, the existing decommissioning obligations for these fields remain with Britoil and ConocoPhillips, apart from the decommissioning costs associated with any additions made during Lundin Thistle's period of operation of these fields.

In 2004, Lundin, through its acquisition of Lundin Britain, acquired a 99 per cent. interest in the Thistle and Deveron fields. Since then, significant investment has been made in these fields and an extensive re-development programme was commenced in 2006 with a view to enhancing production and extending the life of the Thistle and Deveron fields.

West Don and Don Southwest fields

In February 2006, PEDL acquired a 40 per cent. interest in Block 211/18a (West Don) together with First Oil Expro Limited (holding a 30 per cent. interest) and Valiant North Sea Limited (holding a 30 per cent. interest) from Britoil and Conoco. This acreage contained the major part of the undeveloped West Don field with the remaining part of the field in block 211/13b awarded to Nippon Oil Exploration and Production U.K. Limited and Stratic Energy (UK) Limited in the 22nd UKCS licensing round. Subsequently in May 2007, PEDL acquired an additional 3.12 per cent. pursuant to an exchange agreement with Valiant North Sea Limited, thereby increasing its aggregate licence interest to 43.12 per cent. The field was unitised in August 2008 and PEDL's interest in the unitised field is 27.7 per cent.

In December 2006, PEDL acquired a 60 per cent. interest in Block 211/18a (Don Southwest) from Britoil and ConocoPhillips, with Valiant North Sea Limited, holding a 40 per cent. interest.

In December 2008, PEDL transferred five per cent. of its interest in Block 211/18a (Don Southwest) to its wholly-owned subsidiary PEDOL.

Peik discovery

In February 2007, Lundin Heather completed the acquisition of a 33.33 per cent. interest in Block 9/15a which includes the Peik discovery from Total E&P UK plc. The Peik discovery straddles the international boundary between Norway and the United Kingdom. Under the unitisation agreement to be entered into by the applicable UK and Norwegian licence holders, and subject to ratification by the UK and Norwegian governments, the Group is expected to have a 17.66 per cent. interest in the unitised Peik field.

Scolty discovery

The Group has an equity interest of 40 per cent. in licence P1107 on Block 21/8a, which comprises this discovery. Scolty was discovered by well 21/8-3 drilled in 2007.

South West Heather discovery

The Group has an equity interest of 55 per cent. in this discovery. South West Heather was discovered by well 2/5-10 drilled in 1979.

Elke discovery

In August 2004, PEDL acquired 100 per cent. of Block 28/3 from the Murphy Petroleum Limited group. Subsequently in December 2004, the entire area covering Block 28/3, apart from the Elke discovery area was relinquished.

Property and Operations Summary

The Group's operations are focused on production and development activities conducted entirely on the UKCS. The Group has working interests in 16 production licences covering 26 blocks or part blocks in the UKCS, of which 15 licences are operated by the Group. These production licences have been acquired pursuant to successful applications and awards in the licensing rounds, farm-in arrangements and acquisitions.

The major operated assets of the Group include two mature producing fields, Thistle and Heather, the Deveron field, the Broom subsea development which is tied back to the Heather platform and the West Don field and Don Southwest field, both of which are processed on the Northern Producer FPF. GCA has certified that, as at 1 January 2010, the total net 2P oil and NGL reserves and net 3P oil and NGL reserves

of the Group's producing assets were 80.50 MMBbl and 143.34 MMBbl, respectively. For the year ended 2009, the Group averaged net production of approximately 13,620 bopd.

As at 1 January 2010, GCA has also certified net oil and gas best estimate (2C) contingent resources for individual assets. The aggregate of the oil 2C contingent resources on an unrisked basis is 67.5 MMBbl, and of the gas 2C contingent resources is 30.6 Bcf.* In addition, the Group has identified five exploration opportunities with prospective resources. In addition, the Group has working interests in a number of exploration opportunities.

The Group has identified further development of its existing producing assets and exploitation of development opportunities as the key elements of its long-term strategy, which is aimed at increasing the Group's existing reserve base and maximising the overall production and cash generation levels of the Group.

Production Assets and Development Opportunities

A summary of the Group's production assets and development opportunities (including potential near-term development opportunities in discoveries) is set out in the table below.

Licence	Block/Sub-area	Field/Development opportunity	Group's Interest (in %)	Co-venturers	Start Date	Expiry Date
P090	9/15a Area a lower base cretaceous unconformity and Area b upper base cretaceous unconformity	Peik discovery	33.33	Centrica Resources Limited 66.67%	25 November 1965	25 November 2011
P236	Block 211/18a	Thistle field (part) Thistle workovers and infill drilling	99.00	Britoil Plc 1%	15 March 1972	15 March 2018
P236	Block 211/18a	Deveron field Deveron infill drilling	99.00	Britoil Plc 1%	15 March 1972	15 March 2018
P236	211/18a Don Southwest area	Don Southwest field (Stage 2 and Stage 3 development programme)	60.00(1)	Valiant North Sea Limited 40%	15 March 1972	15 March 2018
P236	211/18a West Don area	West Don field (Stage 2 development programme)	43.12 (unitised interest 27.7)	First Oil Expro Limited 30% Valiant North Sea Limited 26.88%(2)	15 March 1972	15 March 2018
P242	Block 2/5 Heather field area	Heather field Heather infill drilling	100.00(3)	—	15 March 1972	15 March 2018
P242	Block 2/5 Non-Heather field area	Broom field (part) Broom infill drilling South West Heather oil discovery Outwith Heather and Broom	55.00	Wintershall (E&P) Limited 29% Dyas UK Ltd. 8% Challenger Minerals (North Sea) Limited 8%	15 March 1972	15 March 2018
P475	Block 211/19a	Thistle field (part) Thistle infill drilling	99.00	Britoil Plc 1%	13 November 1984	8 June 2016
P902	Block 2/4a	Broom field (part) Broom infill drilling Outwith Broom area	55.00	Wintershall (E&P) Limited 29% Dyas UK Ltd. 8% Challenger Minerals (North Sea) Limited 8%	28 April 1995	28 April 2031
P995	Block 28/3a	Elke discovery	100.00	—	22 December 1998 to 22 December 2004 (initial term) 22 December 2004 (second term)	22 December 2016
P1107	Block 21/8a	Scolty discovery	40.00	Wintershall (E&P) Limited 50% Challenger Minerals (North Sea) Limited 10%	1 October 2003 to 30 September 2007 (initial term) 1 October 2007 (second term)	30 September 2011

Notes:

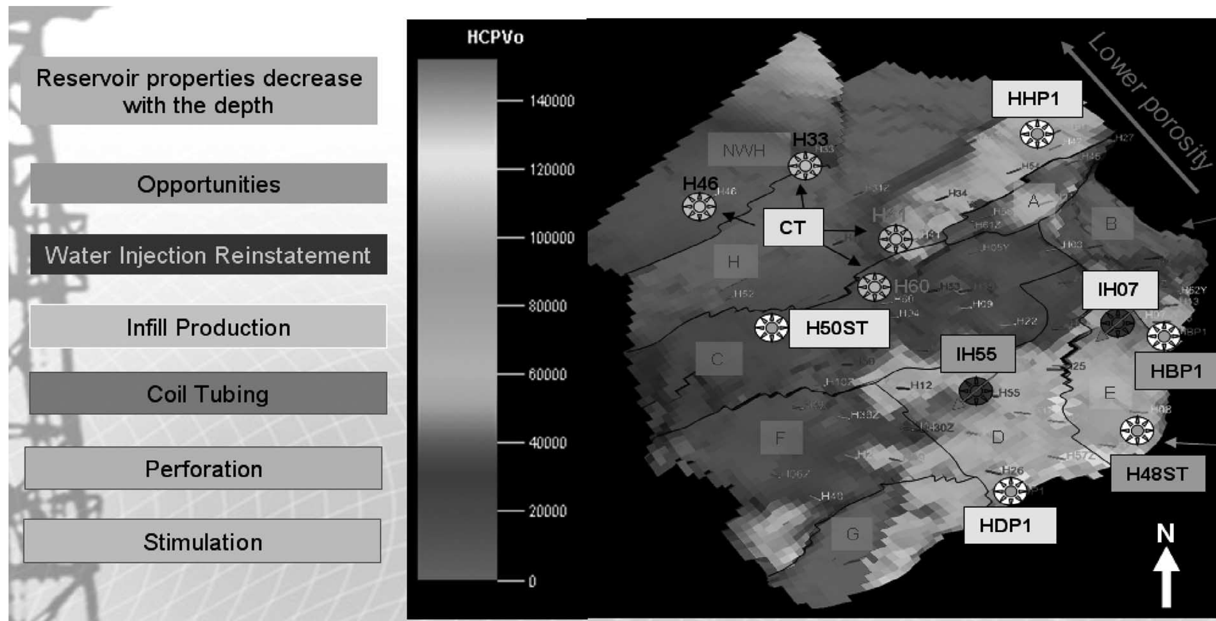
(1) 5 per cent. of the Group's 60 per cent. interest is held through its subsidiary Petrofac Energy Developments Oceania Limited.

(2) The West Don field has been unitised with licence P1200. The other co-venturers in the unitised area are Nippon Oil Exploration and Production U.K. Limited and Stratic Energy UK Limited.

(3) The Group holds an equity interest of 37.5 per cent. in the Heather field and has beneficial ownership of the remaining 62.5 per cent.

* GCA warns that there may be a significant risk that accumulations containing contingent resources will not achieve commercial production and that it is inappropriate to aggregate contingent resources.

Heather field



The Group is the beneficial owner of a 100 per cent. working interest in the Heather field. PFM manages the Group's production operations on the Heather platform, including the provision of onshore and offshore staff. Through the Group's contractual arrangements with CNS and BGGB, the Group's decommissioning obligations are limited to its 37.5 per cent. equity interest in the Heather field.

GCA estimates that, as at 1 January 2010 the Heather field had total net 2P oil and NGL reserves of 20.54 MMBbl.

The Heather field, discovered in 1973 by well 2/5-1, is located approximately 145 km northeast of the Shetland Islands in the UK sector of the northern North Sea. The field comprises a tilted fault block structure delineated by faults to the south and east. The field's reservoir occurs as shallow-marine and deltaic sandstones of the Middle Jurassic Brent Group, which average 125 to 370 feet in thickness. Reservoir sandstones are of variable character from narrow fluvial channels to sheet-like sand bodies. Mudstone interbeds adversely affect reservoir pressure communication. The reservoir is extensively faulted and porosity and permeability values are generally moderate. The reservoir contains black oil with an average gas/oil ratio of 650 scf/stb.

Development of the Heather field began in 1977 with a single steel platform and first oil production was achieved in October 1978. The produced gas was initially injected into the reservoir, but is now used for artificial lift and fuel gas requirements. The Heather platform imports fuel gas from the Western Leg Gas pipeline system as required. Water injection is used to maintain the field's pressure. Oil production from the Heather field is exported to the Ninian platform for delivery at the Sullom Voe Terminal. The Heather platform acts as the host for the nearby Broom field subsea development providing services to the Broom wells and processing the produced fluids.

Due to the complexities of the Heather reservoir and well integrity issues, water injection has been limited in recent years and life-of-field production performance has been significantly impacted. Since 2004, priority has been given to the Broom field with regard to water injection and gas lift, which has had a further impact on the performance of the Heather field.

Historically much of the production at the Heather field, has been from the higher permeability Etive and Upper Ness horizons. Reservoir studies and simulation modelling indicate that horizontal drilling in lower permeability units, especially the Rannoch, supported by better targeted and greater availability of water injection and gas lift facilities can recover incremental volumes. Water injection will be provided by sidetracks or workovers of existing wells. Further targets identified by simulation modelling exist at or near to the crest of the field and these will be accessed by short sidetracks of existing wells. New 3D seismic data acquired during 2006 has been interpreted to define future infill well locations and is being incorporated with other reservoir data and utilised in building a new detailed reservoir model that will allow more

accurate evaluation of the remaining potential in the lower permeability horizons and undeveloped attic oil traps.

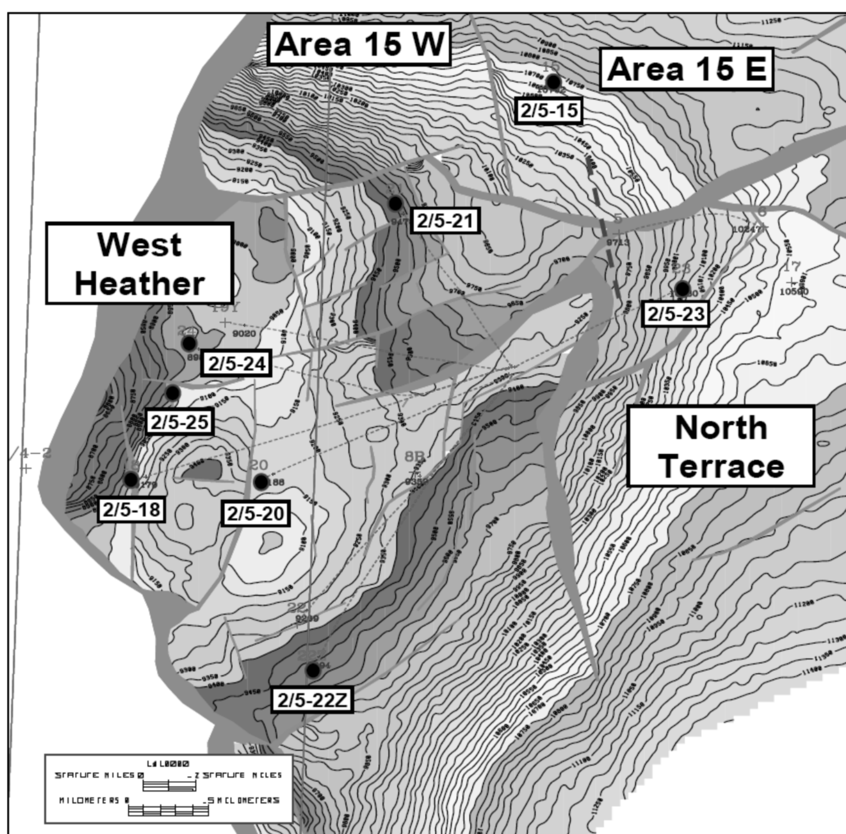
The ongoing reservoir work has identified contingent resources within the Brent reservoir and the Triassic reservoir. GCA estimates that, as at 1 January 2010, currently producing Brent reservoir has total net unrisked 2C contingent resources of 7.3 MMbbl and the undeveloped non-producing Triassic reservoir has total net unrisked 2C contingent resources of 9.3 MMbbl.

Eight sidetrack drilling and workover opportunities have been identified for the development programme for the Heather field due to commence in 2012. In addition, a number of water injection wells also require workover to restore integrity. This combined with an ongoing overall improvement in plant performance is expected to yield improvements in oil production from the Heather field.

During 2009, the Heather field produced an average of 1,850 bopd net sales. Cumulative gross production from the Heather field to the end of 2009 was 133 MMbbl of sales oil and NGL. The Heather field is expected to produce an average of approximately 1,930 bopd net sales in 2010.

The Group continues to seek to attract further third party business from subsea tie-backs. The Group operates and owns the South West Heather discovery together with near-field exploration opportunities. Potential third party tie-backs of other potential developments in the area are also being actively pursued, and the Directors believe that this will help offset operating costs and extend the life of the Heather field.

Broom field



The Group has a 55 per cent. working interest in the Broom field.

GCA estimates that, as at 1 January 2010, the Broom field had total net 2P oil and NGL reserves of 10.76 MMBbl.

The Broom field is located in the UK sector of the northern North Sea, approximately 7 km to the west of the Heather platform at the western edge of the North Viking Graben. The field comprises Middle and Upper Jurassic oil accumulations formerly known as West Heather, discovered by well 2/05-8b in 1977, and the North Terrace discovered by well 2/05-5 in 1976. The field was granted separate field status and government approval for development in 2003.

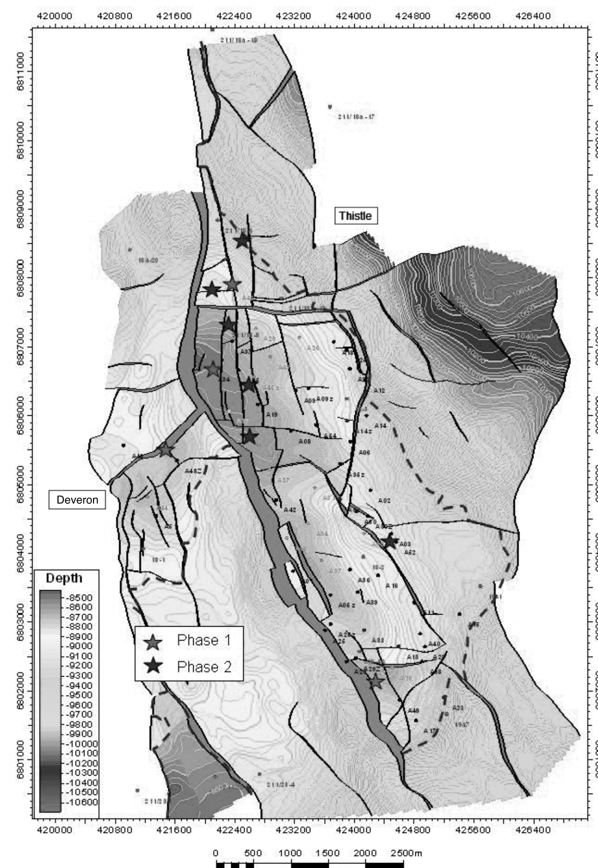
The Broom field has been developed as a subsea tie-back to the Heather platform, which provides gas-lift and water injection to enhance production. The Heather platform also processes and meters the produced fluids for onward shipment to the Ninian platform and ultimately to the Sullom Voe Terminal. First oil from the Broom field was produced in August 2004. The initial development targeted the West Heather accumulation with four producing wells and two water injection wells. The second phase of the development of the Broom field was completed in 2005 with the drilling of an infill well in the West Heather accumulation and a development well targeting the North Terrace accumulation. This was followed by the drilling of an infill well in the Broom field in early 2008 which came onstream in April 2008.

The Broom field is currently producing from three producing wells in the West Heather accumulation and one producing well in the North Terrace accumulation, with reservoir pressure support in the West Heather area provided by two water injector wells. In July 2009 the Broom field lost one of its two production flowlines due to accelerated corrosion failure of the line, resulting in lower production throughout 2009. A project is underway to replace the flow line and is expected to be completed by the third quarter of 2010.

New 3D seismic data acquired during 2006 is helping to improve imaging of the reservoir and definition of the optimum location for a well to be drilled in the Broom field in 2010. The new seismic and detailed reprocessing has uncovered further definition and incremental opportunities with the main West Heather component of the Broom field. Preliminary analysis of the 3D seismic data has identified total net unrisked oil 2C contingent resources of approximately 7.6 MMbbl in Area 15 East, North West Terrace and the North Terrace accumulations. Appraisal and potential development of the westernmost edge of the Broom field will take place by well NWT1, to be drilled in April 2010, with a fall back location into the main part of the Broom field. If the appraisal element is successful then this will open up further development opportunities for the Broom field.

During 2009, the Broom field produced an average of 4,565 bopd net sales. Cumulative gross production from the Broom field to the end of 2009 was 30.6 MMbbl of sales oil and NGL. The Broom field is expected to produce an average of approximately 3,652 bopd net sales in 2010.

Thistle field and Deveron field



The Group owns a 99 per cent. working interest in the Thistle and Deveron fields. PFM manages the Group's production on the Thistle platform, including the provision of onshore and offshore staff. Subject to Lundin Thistle re-transferring the field interest back to Britoil and Conoco, the decommissioning obligations for these fields reside with their former owners, apart from any additional decommissioning costs arising in the period after 1 May 2002 and associated exclusively with Lundin Thistle's operations in these fields. For such additional decommissioning costs, Lundin Thistle is liable for 99 per cent. and Britoil is liable for the remaining one per cent. of such costs.

GCA estimates that, as at 1 January 2010, the Thistle field had total net 2P oil and NGL reserves of 29.20 MMBbl and the Deveron field had total net 2P oil and NGL reserves of 2.35 MMBbl.

The Thistle oilfield is located in the UK sector of the northern North Sea. The Thistle field was discovered in 1973 by Well 211/18a-2, which encountered undersaturated oil in good quality Middle Jurassic Brent Group sandstones at around 9,000 feet TVDSS. The Deveron field is a separate smaller accumulation, lying 3 km to the west of the Thistle field.

The Thistle field is an eastward tilted fault block trap generally fault bounded but dip-closed to the east. Production and pressure data indicate that faults within the Thistle field form effective seals and divide the Thistle field into five separate fault blocks. The reservoir comprises the Tarbert, Ness, Etive and Rannoch Formations of the Middle Jurassic Brent Group. Reservoir characteristics are typical of the Brent Group deltaic sequence, with porosity and permeability being variable, depending upon the sedimentary and diagenetic history of individual sand units. Reservoir quality is generally good with moderate porosity and generally high permeability, except in the Rannoch Formation where a significant reduction in permeability occurs. The combined original oil in place for the Thistle field and the Deveron field is estimated to be 926 MMbbl.

A 60-slot, single steel jacket platform was installed at Thistle in 1976 and oil production began in February 1978. Oil from the Thistle field has been exported through the Brent System pipeline to Sullom Voe Terminal since 1978. Production from the Thistle field peaked in 1982 and has since been in decline. The Thistle field has been developed with 38 production wells and 14 water injection wells. The Deveron field has been developed by three wells drilled from the Thistle platform. The Deveron field commenced production in 1983 and has been in decline since 1987. Currently there are 17 producing wells and six injection wells on the Thistle field and one producing well on the Deveron field.

The last well drilled on the Thistle and Deveron fields was completed during 1990 and since then there has been little investment in the wells. Production performance has suffered through well failures and reduced water injection rates.

Since late 2005, a series of planned shutdowns, significant additional investment and work on the facilities and drilling infrastructure, completed in 2009, have been undertaken. As a result, production efficiency during 2009 showed a significant improvement, whilst water injection was higher than 2008 levels. A reservoir engineering review undertaken in 2009 has shown potential for recovery of reserves from the Thistle and Deveron fields, through further investment in the platform facilities and wells. A new 3D seismic data set, including an undershoot of the platform was acquired over the Thistle and Deveron fields in 2007. This has filled gaps in seismic coverage, particularly underneath the platform where there is thought to be significant opportunity. Interpretation of the data has better defined infill-well locations and identified total net unrisked oil 2C contingent resources of 8.1 MMBbl in the Thistle field and total net unrisked oil 2C contingent resources of 6.8 MMBbl in the Deveron field, as at 1 January 2010, as estimated by GCA.

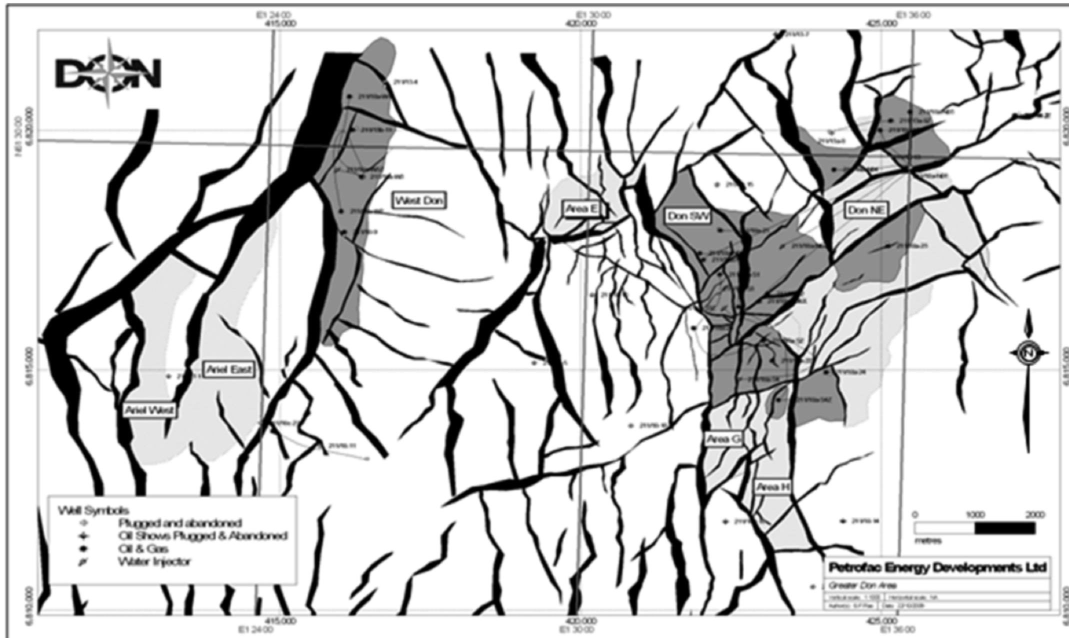
A programme of workovers and the drilling of new wells is planned for commencement in the second half of 2010 to access the reserve identified by the reservoir studies. The programme for Thistle and Deveron fields will further develop the fields by accessing attic oil, bypassed oil and areas of low recovery and to this end 12 sidetrack wells and workovers have been identified for implementation over the next five years. It is also planned to continue to improve platform production and water injection capability and install electric submersible pumps.

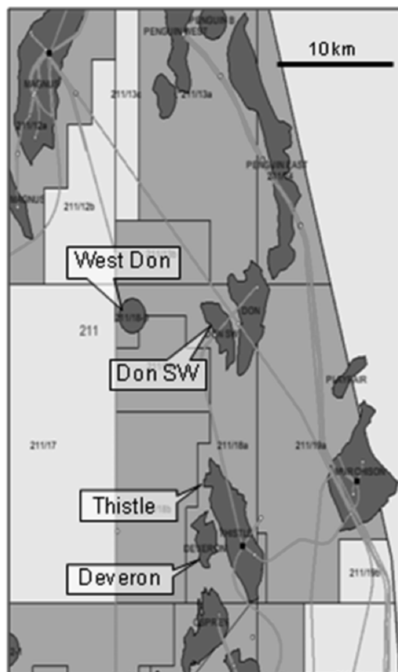
During 2009 the Thistle and Deveron fields produced a combined average of 3,860 bopd net sales. Cumulative gross production from the Thistle and Deveron fields to the end of 2009 was 431 MMBbl. The Thistle and Deveron fields are expected to produce a combined average of approximately 4,980 bopd net sales in 2010.

The Group has actively sought to attract third party tariff business to the Thistle platform, which the Directors believe will help to offset operating costs and further extend the life of the Thistle and Deveron

fields. Part of this strategy was securing the "Up and Over" business from the Don fields, whereby oil production export from the Northern Producer FPF merges with the Thistle and Deveron export oil streams on the Thistle platform before entering the Thistle to Dunlin spur line and into the Brent System pipeline for onward delivery to the Sullom Voe Terminal.

West Don field and Don Southwest field





The Group owns a 27.7 per cent. working interest in the unitised West Don field and a 60 per cent. working interest in the Don Southwest field. PFM (as a subcontractor to SPL) manages the Group's production operations on the Northern Producer FPF, including the provision of onshore and offshore staff.

GCA estimates that, as at 1 January 2010, the West Don field had total net 2P oil and NGL reserves of 3.76 MMBbl and the Don Southwest field had total net 2P oil and NGL reserves of 13.89 MMBbl.

During 2009, the West Don field produced an average of 1,432 bopd net sales and the Don Southwest field produced an average of 1,925 bopd net sales. Cumulative gross production to the end of 2009 from the West Don field and the Don Southwest field was 1.88 MMbbl and 1.17 MMbbl, respectively. The West Don field and the Don Southwest field are expected to produce an average of approximately 1,630 bopd net sales and approximately 5,800 bopd net sales, respectively in 2010.

The West Don and the Don Southwest fields are located approximately seven km apart in the northern North Sea approximately 150 km north east of the Shetlands and in the case of West Don, 17 km north west of the Thistle field in a water depth of approximately 560 feet and in the case of Don Southwest, 12 km from the Thistle field in a water depth of approximately 500 feet.

Oil was discovered in the West Don field in the sandstones of the Middle Jurassic Brent Group by Burmah Oil, by well 211/18-9 in 1975 and subsequently appraised by Shell/Esso with well 211/13-4 in 1976 and BP with the well 211/13b-11 in 1990. The West Don field is an oil field comprising 470 feet thick Brent sequence sandstones. The oil is held in an elongated easterly dipping fault bounded reservoir at a depth of approximately 10,500 feet with a gross oil column of up to 340 feet.

The northern part of the Don Southwest field (Area 5+6) falls within the previously designated Don field and was subsequently re-determined as being a separate field by DECC. The southern part of this field comprises a fault compartment tested by appraisal well 211/18a-22 (Area 22). The field is entirely within block 211/18a (Don Southwest Area).

Development option screening for the Don fields began in 2007 pursuant to an agreement between the Don Southwest and West Don field groups to jointly assess options to develop the fields. Later in 2007 the concept to utilise the Northern Producer as a production host for both fields was approved and the Northern Producer was contracted from SPL to act as production host for full field life.

Production from the first well on the West Don field commenced in April 2009 (less than one year after FDP approval) with production from the Don Southwest field re-commencing in late June 2009. Stage 1 of the development of the West Don field involved drilling two high angle producing wells supported by a single slant water injection well. Stage 1 of the development of the Don Southwest field involved drilling two producing wells and two water injection wells, pursuant to which a high angle producer injector pair was drilled in Area 22 and a slant producer injector pair was drilled in Area 5.

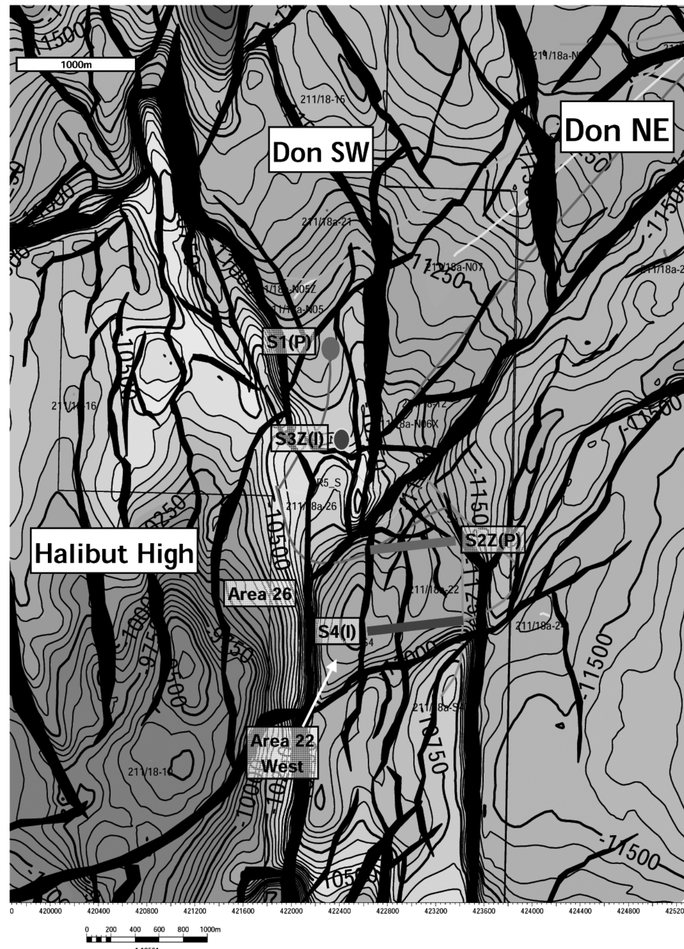
During 2010 it is anticipated that Stage 2 of the development of the West Don field will proceed where a further high angle producing well will be drilled to target the southern part of the field. Stage 2 of the development of the Don Southwest field will proceed in 2010 with a further slant producer injector pair to target reserves in the Horst structure of Area 5. Stage 3 of development of the Don Southwest field will consist of drilling of a further high angle production well and further slant injection well targeting the southern part of Area 6 in 2011. The Don Southwest field includes Area 26 and Area 22 West, having net unrisked oil 2C contingent resources of 1.3 MMBbl and 3.6 MMBbl, respectively, as at 1 January 2010, as certified by GCA.

Until February 2010, oil was exported to a tanker via the Single Anchor Leg (the "**SAL**") offloading system situated approximately five km from the Northern Producer FPF. The SAL was installed in order to achieve production from the fields at the earliest opportunity. With effect from February 2010, tanker loading was terminated allowing conversion of the export system to allow processed oil to be transported to the Sullom Voe Terminal through the Thistle platform and thereafter via the Dunlin to Cormorant pipeline and Brent pipeline to the Sullom Voe Terminal. This export route was commissioned on 5 March 2010. It is expected that surplus gas from the Northern Producer FPF will be delivered to the Thistle platform for use as fuel gas.

Production over the Northern Producer FPF in 2009 has been characterised by the start-up and commissioning operations of the production and injection wells as they became available to operate in conjunction with the completion of drilling and subsea tie-in operations. In 2010, with the establishment of transportation arrangements through the Thistle platform, it is expected that there will be stable production conditions (without need for tanker disconnections due to adverse weather).

The production from Don Southwest field is expected to increase to an average of 8,850 bopd net sales during 2011, primarily as a result of the proposed development plan.

Don SW Top Brent Depth/Structure Map



Discoveries

In addition to developing reserves and contingent resources in the Group's existing producing asset portfolio, the Group also intends to progress potential development of discoveries in its asset portfolio. A summary of the discoveries in the Group's asset portfolio is set out below.

Peik discovery (P090)

The Peik discovery is in Block 9/15a on the UK side. Lundin Heather acquired this undeveloped high pressure and high temperature ("**HPHT**") gas-condensate discovery from Total E&P UK plc in February 2007.

GCA estimates that, as at 1 January 2010, the Peik discovery had total net unrisked oil 2C contingent resources of 1.5 MMBbl and total net unrisked gas 2C contingent resources of 30.6 Bcf.

Peik was discovered in the Middle Jurassic Hugin sands by well 24/6-1 drilled in the southeast of the structure in 1985. The UK extension was confirmed by well 9/15-1, drilled in 1987. Both wells have been cored and tested. The hydrocarbon contacts and fluid compositions differ between the two wells, indicating that the field is compartmentalised by faulting.

The Group will have a 17.66 per cent. net interest in the Peik field based on the proposed Unitisation and Unit Operating Agreement (the "**UUOA**"), which rests with the UK and Norwegian governments for their ratification. Upon ratification, it is proposed to submit a FDP, subject to project sanction and gas sales agreement. The Group continues to review potential development scenarios with respect to the Peik field. The possible development of the Peik discovery is expected to comprise drilling of three wells, with first production proposed for late 2014.

Elke discovery (P995)

The Elke discovery is located approximately 165 km east of Aberdeen on the southwest margin of the North Sea Central Graben. The Elke discovery was discovered in 2002 by the well 28/3-1b.

GCA estimates that, as at 1 January 2010, the Elke discovery had total net unrisked oil 2C contingent resources of 15 MMBbl.

The reservoir is estimated to contain up to 100 MMBbl of oil originally in place. It is considered a heavy oil accumulation with in-situ oil gravity estimated at 14°-18° API with high viscosity. Well 28/2-1, drilled in a structurally higher location, also discovered heavy oil (14° API) with a shallower oil-water-contact, in the Tay sandstone reservoir immediately west of the Elke field (discovery called Narwhal).

The possible development of the Elke discovery is expected to comprise drilling of three high angle producing wells, supported by one water injection well.

South West Heather discovery (P242)

In addition to the Heather and Broom fields, the Group's licence in Block 2/5 contains the South West Heather oil discovery, located 12 km south-west of the Heather platform and eight km south of the Broom manifold. The Group has a 55 per cent. working interest in the South West Heather discovery where the ownership is the same as in the Broom field.

GCA estimates that, as at 1 January 2010, the South West Heather discovery had total net unrisked oil 2C contingent resources of 3.8 MMBbl and total net best estimate prospective resources of 5 MMBbl.

The field comprises Triassic and Middle/Upper Jurassic reservoirs that were tested by the discovery well, 2/5-10 in 1979 at 5,000 bopd and has three wells on it. Appraisal wells 2/5-11 and 2/5-16Z failed to encounter hydrocarbons.

Following the acquisition of new seismic data during 2006, further evaluation of this discovery is being carried out by the Group to determine whether this oil accumulation represents a viable tieback opportunity to the Broom/Heather infrastructure and an appraisal well may be drilled on it in 2011.

Scolty discovery (P1107)

This field was discovered by well 21/8-3 in the Paleocene Cromarty Sands in 2007 and is located approximately 30 km west of Forties field in the Central North Sea. The Group has a 40 per cent. working interest in the Scolty discovery.

GCA estimates that, as at 1 January 2010, the Scolty discovery had total net unrisked oil 2C contingent resources of 3.2 MMBbl.

Currently work is ongoing to determine and evaluate development options for the commercial development of this small oilfield.

Exploration Opportunities

A summary of the Group's current exploration interests in the UKCS is set out below:

Licence/ Interest	Block/ Sub-area	Group's Interest (in %)	Co-Venturers	Prospects and Commitments	Start Date	Expiry Date
P090	9/10b West and East	85.00	Dana Petroleum (BVUK) Limited 15%	Fallow discovery 9/10b-1 No outstanding commitments	25 November 1965	25 November 2011
P1109	21/14a	40	Wintershall (E&P) Limited 50% Challenger Minerals (North Sea) Limited 10%	No outstanding commitments	1 October 2003 to 30 September 2007 (initial term) 1 October 2007 (second term)	30 September 2011
P1109	21/15b	40	Wintershall (E&P) Limited 50% Challenger Minerals (North Sea) Limited 10%	No outstanding commitments	1 October 2003 to 30 September 2007 (initial term) 1 October 2007 (second term)	30 September 2011
P1269	211/18c	50	Valiant North Sea Limited 50%	No outstanding commitments	22 December 2005 to 22 December 2009 (initial term) 22 December 2009 (second term)	22 December 2013
P1413	21/7a	40.00	Wintershall (E&P) Limited 50% Challenger Minerals (North Sea) Limited 10%	No outstanding commitments	1 April 2007 (initial term)	31 March 2011
P1414	21/13b	40.00	Wintershall (E&P) Limited 50% Challenger Minerals (North Sea) Limited 10%	No outstanding commitments	1 April 2007 (initial term)	31 March 2011
P1455	211/17	50	Valiant North Sea Limited 50%	Prospects include Ariel. Commitments include one well to be drilled by April 2011 Drilling of Ariel well is planned as part of 2010 drilling campaign	1 April 2007	1 April 2011 (initial term)
P1463	14/30a	20.00[(1)]	Encore Petroleum Limited 40% Endeavour Energy UK Limited 20% Nautical Petroleum Plc 20%	Contingent well commitment	1 April 2007 (initial term)	31 March 2011
P1487	211/1a	60.00	Bayerngas North Sea Limited 40%	No outstanding commitments	1 April 2007 to 31 March 2009 (initial term) 1 April 2009 (second term)	31 March 2013
P1487	211/2a	60.00	Bayerngas North Sea Limited 40%	No outstanding commitments	1 April 2007 to 31 March 2009 (initial term) 1 April 2009 (second term)	31 March 2013
P1487	211/3a	60.00	Bayerngas North Sea Limited 40%	No outstanding commitments	1 April 2007 to 31 March 2009 (initial term) 1 April 2009 (second term)	31 March 2013
P1608	3/11a	100.00	—	Prospects include Mouse. Commitment for a firm well to be drilled to 1,500 metres or Top Heimdal formation	12 February 2009 (initial term)	11 February 2013
P1645	9/8b	60.00	Norwegian Energy Company UK Limited 40%	No outstanding commitments	12 February 2009 (initial term)	11 February 2013

Note:

(1) The Group is not an operator in respect of this licence.

6. BUSINESS ARRANGEMENTS

Drilling Commitments in 2010 and Rig Arrangements

During 2010 the Group intends to drill two further development wells on Don Southwest and the remaining development well on West Don using the John Shaw drilling rig. In addition, the Group's anticipated drilling programme of appraisal and exploration wells currently consists of the projects set out below. These projects are often subject to rig availability, governmental approvals, partner agreement and other factors which could cause the Group's actual drilling programme to be delayed or to vary from what is currently anticipated:

Property	Planned Commencement	Wells	Goal	Rig
Broom	April 2010	1	North West Terrace (spud)	JW McLean
Block 3/11a	2nd half of 2011	1	Exploration well	—
South West Heather (Block 2/5)	2nd half of 2011	1	Appraisal well	—
Ariel (P1455 (Block 211/17))	2nd half of 2011	1	Exploration well	John Shaw
Don Southwest Area 26 (P236)	2nd/3rd Quarter of 2010 or 2nd/3rd Quarter of 2011	1	Exploration well	John Shaw (contingent on rig priorities in 2010)
Don Southwest Area H (P236)	3rd/4th Quarter of 2010 or 2nd Quarter of 2011	1	Appraisal well	John Shaw (contingent continuation of 2010 rig contract)
Don Southwest Area E (P236)	2nd/3rd Quarter of 2010 or 2011	1	Exploration well	—

The Group has entered into a drilling contract with Transocean Offshore (U.K.) Limited ("**Transocean**") for the use of the semi-submersible drilling rig JW McLean on the UKCS, for the drilling of the Broom infill well, for a duration of 80 days commencing on or after 8 March 2010. The Group's gross commitment in respect of this contract is expected to amount to approximately US$15 million (its net commitment after partner recovery amounts to approximately US$8 million).

As part of the 2010 development drilling programme in the Don fields, the Group may utilise the contract with Transocean for the provision of the John Shaw semi-submersible drilling unit for drilling of the Ariel and Area 26 appraisal wells and (contingent on progress under the main development well programme) a second appraisal well on the Area H block located to the south of the Don Southwest field.

These existing agreements for drilling rigs are expected to allow the Group to fulfil its current drilling commitments in 2010 as an operator under its licenses to progress its exploration programme in the UKCS. As is always the case with planned rig utilisation, rigs may arrive late or become unavailable due to factors outside the Group's control. Failure to drill within a specified time period generally results in forfeiture of the licence unless an extension to the time period is granted. Further rigs will be committed as required for the programme beyond 2010.

Product Lifting and Distribution

With respect to the Heather, Broom, Thistle and Deveron fields, the Group owns various equity interests in subsea infrastructure and an onshore terminal facility. Petroleum from the Heather and Broom fields is transported through the Ninian Pipeline System to the Sullom Voe Terminal. The Group also has the capability to import fuel gas from the Western Leg pipeline to the Heather platform. Currently petroleum from the Thistle platform is transported to the Sullom Voe Terminal via the Dunlin to Cormorant pipeline and the Brent System pipeline. Prior to the first half of 2010, production from the Don fields was transported by offshore tankers via the SAL Loading System. With effect from the first half of 2010, petroleum from the Don fields will be transported to the Sullom Voe Terminal through the Thistle platform, secured by means of a series of transportation tariff arrangements. At this point, the export crude oil from the Don fields will co-mingle with the export oil from the Thistle fields for transportation to the Sullom Voe Terminal via the Dunlin to Cormorant pipeline and the Brent System pipeline. The Group also uses the Northern Leg Gas pipeline for the purchase of fuel gas for use on the Thistle platform. In addition to this, the Thistle platform receives a supply of gas from the Don fields as part of the transportation arrangements. The Group's natural gas liquids are separated from oil at the Sullom Voe Terminal.

The Group's participation in these pipelines and the Sullom Voe Terminal is regulated by various operating agreements. The costs of maintaining and operating these facilities is shared amongst the users thereof, including the Don fields, on a throughput related basis. The Group is party to a cross-user liability agreement which provides indemnities between the various groups of owners and between the individual owners for injury or damage caused by the performance or non-performance of their obligations in respect of the Sullom Voe Terminal, the Ninian Pipeline System, the Dunlin to Cormorant pipeline and the Brent System pipeline.

Sales and Customers

The Group's entitlement to oil (in terms of Brent Blend) and NGL is made available for sale at the Sullom Voe Terminal.

As it is a major traded oil, potential buyers of Brent Blend are major international oil and gas companies and oil and gas traders. In respect of oil production from the Thistle, Deveron, Heather and Broom fields, the Group's entitlement to Brent Blend at the Sullom Voe Terminal is currently sold to Stasco pursuant to an agreement dated 25 April 2007 (as amended with effect from 1 January 2010), with the current term expiring on 31 December 2011. The agreement with Stasco allows the Group to sell oil on a monthly forecast production basis with periodic reconciliation to actual entitlement. The purchase price is based on a fixed premium to the average Brent Blend price for the relevant month of entitlement. Stasco was the purchaser of all of the Group's oil production for the period from 2004 to 2009.

In respect of oil production from the Don fields, the Group's oil entitlement is sold to Stasco under a fixed term contract which is terminable on 31 December 2011 and is a one-year evergreen term agreement thereafter. The purchase price for petroleum from the Don fields to be sold at the Sullon Voe Terminal under this agreement is based on the average Brent Blend price applicable during the month of lifting with a premium to Brent Blend on a reducing basis according to the unexpired term of the contract. During the period in which petroleum from the Don fields is sold ex-ship from tankers (prior to the transportation tariff agreements becoming effective), the purchase price for petroleum from the Don fields takes into account the cost of shipping, the average Brent Blend prices and the number of shipments from the Don fields.

The Group's operations also produce some NGL derived from the Heather and Broom fields production. The entire NGL production available at the Sullom Voe Terminal is currently purchased by BP under a one-year evergreen term contract. The purchase price is based on the North Sea Index price published by Argus. It is expected that NGL production at the Sullom Voe Terminal will cease from August 2010 when the existing gas plant is decommissioned. The replacement gas facility will produce small quantities of raw (rich) gas which may be used as fuel gas, or sold to the Magnus Field under a separate sales agreement.

The Group's current agreements for the sale of its oil and liquid gas produced on the UKCS remain in force unless terminated by either party. The Group also receives tariff income from third party users of its offshore infrastructure through various existing contractual arrangements.

Suppliers and Third Party Contractors

The Group relies on the services of various contractors and advisers in the performance of its activities, including drilling and related operations.

In addition to its rig contracts described under the section "Drilling Commitments in 2010 and Rig Arrangements" and its arrangements relating to its use of subsea pipelines and the Sullom Voe Terminal described under the section "Product Lifting and Distribution", the Group's other major supply contracts are: three facilities management agreements with PFM and a further sub-contract with SPL, as the contractor of the Northern Producer FPF. Under facilities management agreements, PFM provides field operational services to the Group in respect of the Heather, Thistle, Broom and Don fields. Under these arrangements PFM maintains and manages operations, including acting as Duty Holder, providing the majority of the personnel through which these assets' day-to-day operations are conducted. PFM is incentivised under these contracts based on key performance indicators of the platforms with direct links to production forecast, water injection forecast, net operating cashflow and operating expenditure.

On the Don fields, SPL have a life-of-field contract to provide a managed floating production facility, the Northern Producer. The contract is a mixture of nominal day rate, variable per barrel tariff based on oil price and payment of all third party services (including the Duty Holder contract) at cost. SPL retains responsibility for the non-routine maintenance of the Northern Producer FPF.

The Group also has in place an agreement with KCA Deutag, an international drilling contractor. KCA Deutag provides rig management services covering maintenance and drilling operations on the Heather and Thistle platforms, under a long-term frame agreement. The annual value of these agreements varies dependent upon the level of drilling activity performed during the year.

Engineering & Construction services for the Heather, Broom and Thistle fields are secured through a contract with Production Services Network and commenced in November 2009. The annual value of this contract varies dependent upon the level of activity performed during the year.

Decommissioning Commitments

The Group, through its licence interests, has in the past assumed certain obligations in respect of the decommissioning of its fields and related infrastructure and may assume additional decommissioning liabilities in respect of future licence interests. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provision for and/or underwrite the liabilities relating to such decommissioning. However, the Group aims to keep its decommissioning obligations to a minimum and will only take on further decommissioning obligations on a case by case basis, where it is considered appropriate by the Group.

Under the Petroleum Act, the Secretary of State for Energy and Climate Change (the "**Secretary of State**") is authorised to serve notice on owners or operators of UKCS offshore installations, UKCS licence holders, parent companies or other associated companies requiring the production of a detailed decommissioning programme. The scope, timing and costs of the programme must be agreed with the Secretary of State. Once a decommissioning programme has been approved by the Secretary of State, the obligations contained within the programme become fixed (unless the Secretary of State issues a notice of withdrawal) and it becomes a joint and several duty of the persons who submitted it to ensure that it is carried out. Additionally as the DECC serves notice upon relevant parties promptly upon the commencement of production from a field, the original parties to the relevant joint operating agreement will remain liable under the decommissioning programme going forward. Consequently, where, over the life of a field, a number of parties acquire and divest all or part of their interests in respect of a particular field, complicated releases from, indemnities in respect of and assumptions of corresponding obligations are often put in place. In accordance with the UK's international obligations, there is a presumption that the decommissioning programme will provide for the re-use, recycling or final disposal of all installations on land. Only in exceptional cases will the DECC grant consent for the whole or part of any installation subject of a decommissioning programme to remain in situ.

With respect to its fields that are currently in production, the Group has entered into contractual arrangements whereby its decommissioning obligations are limited to the Group's equity interests in the Heather field (37.5 per cent.), the Broom field (55 per cent.), the West Don field (27.7 per cent.), the Don Southwest field (60 per cent.) and for the Thistle and Deveron fields the decommissioning obligations remain with the former owners (subject to the re-transfer of the field interests back to Britoil and Conoco), except in respect of additional decommissioning costs arising pursuant to the Thistle Decommissioning Liability Agreement (further details of which are set out in paragraph 16.6 of Part XI of this document). Such additional decommissioning costs include: the installation and/or modification of facilities as part of securing the transportation route for the tie-in of the Don fields to the Thistle platform (the "**Don Additional Facilities**") as well as any additional installation or equipment, for the period where the Thistle and Deveron fields are operated exclusively by Lundin Thistle and prior to their resale to Britoil and ConocoPhillips.

The oil and gas industry in the UK has little experience of decommissioning petroleum exploration and production facilities on the UKCS. Few such facilities on the UKCS have been removed. Consequently, it is difficult to accurately forecast the costs the Group will incur in satisfying its decommissioning obligations. The Group's decommissioning cost estimates as of 31 December 2009 are as follows:

(i) in respect of the Heather field facilities under the Decommissioning Security Agreement dated 15 September 1999, £128.8 million of which the Group's share is £48.3 million;

(ii) in respect of additional estimated decommissioning costs over and above those identified in (i) above which may become payable by the Group, £1.4 million (as a result of the addition of the Broom riser platform in 2004 and additional accommodation in 2005) of which the Group's share is £0.8 million;

(iii) in relation to the Ninian pipeline operating agreement, £51 million of which Lundin Heather's share is £1.5 million;

(iv) in respect of the Sullom Voe Terminal operating agreement, £84 million of which Lundin Heather's share is £0.8 million;

(v) in respect of the Broom field, £14.6 million in respect of which the Group's share is £8 million;

(vi) in respect of the Decommissioning Liability Agreement for the Thistle field, £249 million of which Britoil's share is £203.48 million and Conoco's share is £45.52 million; and

(vii) in respect of the West Don and the Don Southwest fields, £84.6 million of which the Group's share is £38.5 million. This includes allowances for the Group's liability for the additional facilities installed on the Thistle platform as part of the development of the Don fields.

Further details regarding the Group's decommissioning cost estimates including future well costs in the 2P reserves development programme are set out in the CPR in Part XII of this document.

7. THE PROPOSALS

The Acquisitions

Petrofac Acquisition

Pursuant to the Petrofac SPA, the Company intends to acquire, prior to London Admission, the entire issued share capital of PEDL, a wholly owned subsidiary of Petrofac, in consideration for the allotment and issue by EnQuest of 345,629,656 Ordinary Shares in the Company to shareholders of Petrofac who are registered as holders of shares in Petrofac at the time of the Petrofac Reorganisation, on the terms and subject to the conditions of the Petrofac SPA. Further details about the Petrofac SPA are set out in paragraph 16.3 of Part XI of this document.

Lundin Acquisition

Pursuant to the Lundin SPA, the Company intends to acquire, prior to London Admission, the entire issued share capital of LNS, a wholly owned indirect subsidiary of Lundin, in consideration for the issue of 422,436,246 Ordinary Shares in the Company to Lundin, on the terms and subject to the conditions of the Lundin SPA. Further details about the Lundin SPA are set out in paragraph 16.2 of Part XI of this document.

The Demergers

Petrofac Demerger

Upon completion of the acquisition by the Company of PEDL from Petrofac and the allotment and issue of Ordinary Shares in the Company as consideration to the shareholders of Petrofac in accordance with the terms of the Petrofac Reorganisation set out below, Petrofac will have effectively demerged PEDL into EnQuest.

Petrofac Reorganisation

In order to effect the Petrofac Demerger, the Petrofac Group will, before the Petrofac Acquisition is completed and before the Lundin Acquisition, undergo the Petrofac Reorganisation.

It is expected that the Petrofac Reorganisation will involve the sub-division of the entire share capital of Petrofac such that each ordinary share is sub-divided into new ordinary shares and B shares. Each shareholder of Petrofac will receive one such new ordinary share and one B share for every one ordinary share already held at the record time for the Petrofac Demerger (being 6.00 p.m. on 1 April 2010), to be determined in connection with the Petrofac Demerger. The Petrofac Demerger will be effected by a purchase and automatic cancellation of the B shares in accordance with Article 57(3) of the Companies (Jersey) Law 1991 and the articles of association of Petrofac. The purchase of the B shares will be satisfied by the transfer by Petrofac of its holding of the entire issued share capital of PEDL to EnQuest in consideration for the allotment and issue by EnQuest of Ordinary Shares, equivalent to approximately 45 per cent. of EnQuest's issued share capital post the Petrofac Demerger, to members of Petrofac who are registered as the holders of the B shares at the time of such repurchase. The transfer of PEDL to EnQuest is governed by the Petrofac SPA, further details of which are set out in paragraph 16.3 in Part XI of this document.

On 4 March 2010, Petrofac sent a circular to its shareholders explaining the rationale behind the Petrofac Demerger and the Petrofac Acquisition and seeking the relevant shareholder approvals to effect them.

Lundin Demerger

Upon completion of the acquisition by the Company of LNS from a subsidiary of Lundin and the issue of Ordinary Shares in the Company to Lundin as consideration, Lundin intends (conditional upon London Admission) to distribute the Ordinary Shares it receives from EnQuest as consideration among its shareholders in accordance with the terms of the Lundin Distribution set out below, thereby effectively demerging LNS into EnQuest.

Lundin Distribution

In order to effect the Lundin Demerger, Lundin intends to declare on or around 22 March 2010, a dividend in specie (conditional upon London Admission), to be distributed to shareholders of Lundin who are on the register on the record date as determined by the board of directors of Lundin. Pursuant to the terms of the Lundin SPA, it is intended that Lundin will procure the transfer of LNS to EnQuest, and Lundin will be issued Ordinary Shares in EnQuest, equivalent to approximately 55 per cent. of EnQuest' share capital post the Lundin Demerger. Lundin will then distribute the Ordinary Shares received as consideration to its shareholders who are on the register on the record date. The transfer of LNS to EnQuest is governed by the Lundin SPA, further details of which are set out in paragraph 16.2 in Part XI of this document.

In order to accomplish the Lundin Distribution, the board of directors of Lundin intends to pass a resolution declaring such dividend in specie and set 8 April 2010 as the record date for the distribution, in accordance with the requirements under Swedish law.

On 8 March 2010, Lundin released a circular to its shareholders explaining the rationale behind the Lundin Demerger and the Lundin Acquisition.

As a result of the Lundin Distribution, the shareholders of Lundin may be left with fractional entitlements to Ordinary Shares. For every Lundin share held by the shareholders of Lundin at the record date, Lundin shareholders will be entitled to receive 1.3474 Ordinary Shares. Pursuant to, and in accordance with the terms and conditions of the Lundin Distribution, Lundin will distribute to its shareholders 100 per cent. of the Ordinary Shares held by it. The mechanics of this distribution are set out below:

(a) the first tranche of Ordinary Shares will be delivered at the time of Stockholm Admission, entitling Lundin shareholders to receive one Ordinary Share for every one Lundin share held as at the record date (being 8 April 2010); and

(b) on 12 April 2010, the second tranche of Ordinary Shares will be delivered by Nordea Issuer Services (a part of Nordea Bank AB) in respect of such number of Ordinary Shares to which the Lundin shareholders are entitled by virtue of their aggregate fractional entitlements to Ordinary Shares.

The resulting number of Ordinary Shares to be delivered in the second tranche of the Lundin Distribution will be subject to a rounding down to the nearest whole number of Ordinary Shares. Fractions of Ordinary Shares will be distributed, however will not be delivered, to shareholders of Lundin pursuant to the Lundin Distribution. Such fractions are expected to be sold by Nordea Markets on NASDAQ OMX Stockholm after the Lundin Distribution and Stockholm Admission. The net proceeds of such sales will be delivered pro-rata to Lundin shareholders in accordance with their fractional entitlements.

The expected timing of the distribution of Ordinary Shares in connection with the Lundin Distribution only refers to shareholdings that are directly registered with Euroclear Sweden.

Upon completion of the Acquisitions and the Admissions, the shareholders of Petrofac on the register at 6.00 p.m. on 1 April 2010 will hold approximately 45 per cent., and the shareholders of Lundin on the register at 8 April 2010 will hold approximately 55 per cent., of the issued share capital of EnQuest.

It is intended that certain of the Selling Shareholders may sell down a portion of their shareholding in EnQuest immediately upon London Admission, and all or certain of the Selling Shareholders may sell down a further portion of their shareholding in EnQuest immediately upon Stockholm Admission, under the terms of the Offer. The Selling Shareholders reserve the right not to proceed with the Offer in the event that they are not satisfied with the proposed Offer Price achieved in the book building process. Any decision not to proceed with the Offer (together with any other outstanding information) will be set out in

a pricing statement or other announcement on a Regulatory Information Service, expected to be published on or around 30 March 2010. In such circumstances, the Company intends to continue with its applications for the Admissions so far as is practicable in accordance with the expected timetable of principal events set out on page 35 of this document.

Relationship with Remaining Lundin Group and Remaining Petrofac Group

For a transitional period following the Acquisitions, the Remaining Lundin Group and the Remaining Petrofac Group will provide certain services to the Company and to certain other members of the Group, pursuant to the Transitional Services Agreement entered into between the parties.

Under the TSA, Lundin Services BV will provide data migration services and software user support; and PSL, PFM and PEDIL will, between them, provide certain accounting, technical and commercial services to the Company, LNS, PEDL and certain of their subsidiaries (together, for purposes of this paragraph only, the "**Company Subsidiaries**"). These services will be provided to enable the Company and the Company Subsidiaries to continue to undertake their day-to-day operations, conduct their businesses and perform their various obligations, in materially the same manner as prior to London Admission (unless the Company agrees otherwise). More particularly, the services to be provided comprise, *inter alia*, data migration services, software user support, accounting and tax support, communications support, IT support and information management transition, sub-surface services, website management and data centre management and maintenance and document management. The TSA also provides for the Company to make desk space at its offices in London available to the Remaining Petrofac Group for a transitional period. Facilities management and functional support for the Company Subsidiaries will continue to be provided outside the TSA, on established terms agreed prior to the Acquisitions. Further details regarding the TSA are set out in paragraph 16.4 in Part XI of this document.

In addition, Lundin has provided guarantees, indemnities and other forms of security to third parties in respect of obligations owed by Lundin Heather and Lundin Thistle pursuant to various instruments and agreements. PEDIL and in certain cases Petrofac has provided certain guarantees to third parties in respect of obligations owed by PEDL pursuant to various instruments and agreements.

In particular, Lundin has provided letters of credit and/or parent company guarantees in respect of the decommissioning obligations of Lundin Thistle and Lundin Heather. As these instruments relate to obligations owed by the Group, the Company will indemnify Lundin under the Lundin SPA and PEDIL under the Petrofac SPA against any loss or damage suffered by Lundin or Petrofac (as applicable) arising out of or in connection with these instruments. Taken in aggregate, these indemnities may constitute a material exposure of the Group to Lundin and Petrofac.

Financing Arrangements

As at the date of this document, the Group has in place a committed debt facility of US$280 million. Further details regarding the Group's Credit Facility and Facility Agreement are set out in paragraph 4 of Part V of this document.

8. CURRENT TRADING AND PROSPECTS

The permanent pipeline export route from the Don fields via the nearby Thistle platform was commissioned on 5 March 2010 and oil export to the Sullom Voe Terminal has commenced. On the Don Southwest field, the side-track of the Area 22 production well (DR2z) has been successfully completed and production has commenced at expected rates. The John Shaw semi-submersible drilling rig has been released, permitting access to the Don Southwest field for a dive-support vessel to complete water injection on Don Southwest which was also successfully achieved. The resumption of drilling rig operations on the Thistle field in February 2010 is a significant step in the re-development of the Thistle platform.

The Group remains on target to produce approximately 18,000 bopd in 2010. The Directors are confident of the Group's prospects for the financial year ending 31 December 2010.

9. HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

The Group's operations generate hazardous and non-hazardous waste, effluent and atmospheric water and soil emissions that are typical of extractive industries. The Directors consider that the Group has in place the necessary HSE policy and compliance procedures to address these issues within the requirements of applicable law and regulation. The Group's HSE policy includes, amongst other things, compliance with

applicable laws and regulations, implementation of systems to identify and manage risks associated with its activities and ensuring that its employees and contractors are adequately trained in the HSE aspects of their jobs.

The Group has entered into a facilities management agreement with PFM for the Heather and Thistle platforms and similarly, although as a subcontractor to SPL, in respect of the Northern Producer FPF. Pursuant to the facilities management agreement, PFM maintains and manages operations at the Thistle and Heather platforms and the Northern Producer FPF. The Group and PFM have developed respective management systems for the Thistle, Heather and Northern Producer platforms. Accountability and responsibility for HSE matters are divided between PFM and the Group in the facilities management agreement and by way of an environmental management interface document.

The Group takes an active role in the monitoring and auditing of PFM's capability management of HSE matters. While PFM is responsible for the day to day operations at the Thistle and Heather platforms and on the Northern Producer FPF, and is the "Duty Holder" on each of these installations, the Group as operator and licence holder, holds a number of material environmental permits and licences required to operate the platforms, including under the Greenhouse Gas Emissions Trading Scheme Regulations 2005 and the OPPC. The operations at the Thistle, Heather and the Northern Producer platforms are routinely inspected by the regulatory authorities in order to confirm compliance with applicable HSE laws and regulations. These inspections have in the past resulted in PFM receiving health and safety improvement and prohibition notices. PFM currently has no outstanding health and safety improvement notices issued by the Health and Safety Executive. The Group has also received letters from the regulatory authorities requiring certain actions or improvements to be implemented at the Heather and Thistle platforms to ensure compliance with HSE laws and regulations. These notices and letters from regulatory authorities are not unusual in the context of the operation of offshore oil and gas installations and form part of the ongoing management of HSE matters at the Thistle and Heather platforms.

10. OPERATIONAL HAZARDS AND INSURANCE

Oil and gas production, development and exploration operations are inherently risky and hazardous. Risks typically associated with such operations include encountering unexpected formations or pressures, premature decline of reservoirs and the intrusion of water into producing formations. Hazards which are typically associated with oil and gas production, development and exploration operations include fires, explosions, blowouts, extreme weather conditions, collisions, gas leaks and oil spills.

The Group maintains insurance coverage for its oil and gas offshore exploration and production activities by putting in place appropriate operating insurance package policies.

The policies cover all risks of physical loss and damage in respect of offshore property and also include certain seepage and pollution contamination cover. The policies also cover third party liabilities arising from worldwide operations and cargo (including oil in store and oil gas related transits). The Group's insurance programme does not include the use of an own captive re-insurance company. All insurance is therefore arranged with third parties in the open market. This insurance coverage is subject to deductibles and limits of coverage and is supplemented by commercial reinsurance arrangements.

The Group does not carry full insurance covering all of its operating risks. Although the Group generally carries insurance against the physical destruction of or damage to its property, such as production equipment and other facilities, operators' extra expenses, third party liability and cargo, in amounts that it considers adequate, such insurance coverage is subject to exclusions for losses due to war risks and terrorist acts as well as to customary limitations of amounts and excess (franchise amounts). The Group does not maintain insurance to protect against loss of revenues caused by business interruptions.

11. INTELLECTUAL PROPERTY

A key part of the Group's exploration programme is the acquisition of seismic data and its subsequent analysis, both of which form part of the Group's trade secrets. The Group relies on the confidentiality provisions in its employment agreements to protect these trade secrets. The Group does not own any other material intellectual property rights.

12. COMPETITION

The Group operates in a highly competitive environment for acquiring assets, marketing oil and gas and securing trained personnel. The Group's competitors include other independent upstream oil and gas

exploration, development and production companies with either a North Sea or wider focus and large integrated multi-national oil and gas companies. The Group's competitors are also potential partners for the Group, and its current partners in production, development and exploration projects may also compete with the Group on other projects.

13. DIVIDEND POLICY

The Company does not currently intend to pay dividends to its Shareholders for the foreseeable future. Instead, it intends to invest any future earnings into the Group's business, including its ongoing production operations and development and exploration projects. In general, any future dividend will be subject to determination by the Board based on the Company's results of operations and financial condition, its future business prospects, any applicable legal or contractual restrictions and any other factors that the Board considers relevant, subject always to the requirements of the Companies Act.

PART II

DIRECTORS, SENIOR MANAGERS, EMPLOYEES AND CORPORATE GOVERNANCE

1. DIRECTORS AND SENIOR MANAGERS

Directors

The Board currently comprises three Executive Directors and five Non-executive Directors. The Directors and their respective functions in the Company are as follows:

Name	Position
Dr. James Buckee	Non-executive Chairman
Amjad Bseisu	Chief Executive Officer
Jonathan Swinney	Chief Financial Officer
Nigel Hares	Chief Operating Officer
Helmut Langanger	Non-executive Director
Jock Lennox	Non-executive Director
Robin Pinchbeck	Non-executive Director
Alexandre Schneiter	Non-executive Director

The business address of each of the Directors is Rex House, 4-12 Regent Street, London SW1Y 4PE.

The management expertise and experience of each of the Directors is set out below and further information concerning the Directors, including their current and past directorships and other related information, is set out in paragraphs 7, 8 and 9 of Part XI of this document:

Dr. James Buckee, Non-executive Chairman

Dr. Buckee received his BSc Honours in Physics from the University of Western Australia. In 1970, Dr. Buckee obtained a PhD in Astrophysics at Oxford University. From 1971 to 1977, Dr. Buckee held various petroleum engineering positions with Shell International and Burma Oil. From 1977 to 1987, Dr. Buckee was appointed to various posts with British Petroleum in London. In 1987, Dr. Buckee became the Operations Manager for BP in Norway and thereafter Vice President, Development Programmes for BP Alaska. In May 1989 Dr. Buckee returned to England as Manager, Planning for BP Exploration. In September 1991 Dr. Buckee was appointed President and Chief Operating Officer for BP Canada Inc. and in May 1993 as President and Chief Executive Officer of Talisman Energy Inc. (formerly BP Canada). Two years later, Dr. Buckee was appointed to the CEO position, overseeing the development of the company from its Calgary home base to an international group in Europe, Asia and Africa. Dr. Buckee retired from Talisman Energy Inc. in September 2007. Dr. Buckee currently also serves on the board of Cairn Energy, amongst other activities.

Amjad Bseisu, Chief Executive Officer

Mr. Bseisu received his BSc Honours degree in Mechanical Engineering from Duke University and his Msc and D.ENG degrees in Aeronautical Engineering at Stanford University. From 1984 to 1998, Mr. Bseisu worked for the Atlantic Richfield Company (ARCO), starting in research and technical services, moving through senior operational roles and ultimately was appointed head of International Marketing, Negotiations and Business Development and president of ARCO Petroleum Ventures and ARCO Crude Trading, Inc. In 1998, Mr. Bseisu founded the operations and investment business for Petrofac and has been the Chief Executive Officer of Petrofac Energy Developments Limited since its founding. In 2007, Mr. Bseisu rejoined the board of directors of Petrofac, having previously served with Petrofac for several years prior to its admission to listing on the London Stock Exchange in 2005 and subject to London Admission occurring, has agreed to step down from the board of directors of Petrofac in April 2010. Mr. Bseisu was a founding non-executive director of Serica Energy plc and Stratic Energy Corporation.

Nigel Hares, Chief Operating Officer

In the period from 1994 to 2009, Mr. Hares led the international operations of Talisman Energy Inc. outside of Canada as Executive Vice President International Operations. Talisman Energy Inc's international operations included operations in the United Kingdom, Norway, Netherlands, Algeria,

Sudan, Malaysia, Indonesia, Vietnam, Peru, Colombia and Trinidad. Mr. Hares retired from Talisman Energy Inc. in 2009. In the period from 1972 to 1994, Mr. Hares worked for BP Exploration and Production in the United Kingdom, Abu Dhabi, Norway and Alaska. At BP Exploration and Production, Mr. Hares' roles included that of a drilling engineer, petroleum engineer, reservoir engineer, wellsite engineer and offshore production engineer. Mr. Hares also held positions of Production and Pipeline Superintendent, Manager of Petroleum Engineering, Manager of Reservoir Studies for Middle East, Europe and Africa and Business Advisor developing global gas strategies of BP Exploration and Production, reporting to the CEO of Global Gas.

Jonathan Swinney, Chief Financial Officer

Mr. Swinney qualified as a chartered accountant with Arthur Andersen in 1992 and is a member of the Institute of Chartered Accountants of England and Wales. Mr. Swinney qualified as a solicitor in 1997 having attended the College of Law in Chester and trained with Cameron McKenna, joining the acquisition finance team in London on qualification. In 1998, Mr. Swinney joined the corporate broking team at Credit Suisse First Boston and advised both listed and unlisted companies on various equity market related matters including mergers and acquisitions and flotations. Mr. Swinney subsequently moved to Lehman Brothers, advising on a range of transactions including the flotation of Petrofac and became a managing director in January 2006. Mr. Swinney thereafter joined Petrofac in April 2008 as head of mergers and acquisitions for the Petrofac Group.

Helmut Langanger, Non-executive Director

Mr. Langanger received his M.Sc Degree in Petroleum Engineering from Mining University Leoben, Austria in 1973 and a M.A. in Economics with distinction from the University of Vienna in 1980. Since May 1974, Mr. Langanger has been employed with OMV Aktiengesellschaft (OMV), in Austria, having worked as a reservoir engineer until 1980 and an evaluation engineer for technical and economic assessment of international E&P ventures from 1981 to 1985. In the period from 1985 to 1989, Mr. Langanger was the Vice President, Planning and Economics for E&P and natural gas projects at OMV. In 1989, Mr. Langanger was appointed the Senior Vice President of International E&P, OMV and in 1992, the Senior Vice President of E&P, OMV globally. Since 2002, Mr. Langanger has been the Group Executive Vice President and member of the executive board of OMV, in charge of E&P. Mr. Langanger sits on the supervisory board of several OMV subsidiaries, OMV Austria E&P, OMV Refining & Marketing, OMV Gas & Power, OMV Solutions and OMV Petrom S.A. Mr. Langanger is also a member of the supervisory board of Schoeller Bleckmann Oilfield Equipment A.G.

Jock Lennox, Non-executive Director

Mr. Lennox graduated from the University of Edinburgh in 1977 with a degree in law. Mr. Lennox qualified as a chartered accountant with Ernst & Young in Edinburgh in 1980 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Lennox became a partner at Ernst & Young LLP, in London in 1988, and undertook a range of client and leadership positions before retiring from Ernst & Young LLP in April 2009. Mr. Lennox was a senior partner at Ernst & Young leading relationships with a number of major multinational clients, reporting to and advising the boards on a range of complex audits, financial restructurings and corporate transactions. Mr. Lennox was appointed non-executive director to Oxford Instruments plc in April 2009 and to Hill & Smith Holdings plc in May 2009. Mr. Lennox sits on the Council of the Institute of Chartered Accountants of Scotland (chairing the Qualification Board) and is a Trustee of Golden Lane Housing (the residential property partner of Mencap).

Robin Pinchbeck, Non-executive Director

Mr. Pinchbeck is a graduate of Imperial College, London and the Graduate School of Business, Stanford University, California. After 23 years with BP in operational and managerial roles in BP Exploration and Production in UK North Sea, Middle East, USA and Australasia, in 1995 Mr. Pinchbeck moved to the oil services sector. Until the end of 1998, Mr. Pinchbeck was the managing director of Atlantic Power & Gas, a leading North Sea operations services provider and pioneer of the contractor "duty holder" model. Atlantic Power & Gas was acquired by Petroleum Geo-Services ASA in 1998, and the same entity was subsequently purchased by Petrofac from Petroleum Geo-Services ASA in 2002. Mr. Pinchbeck established Petrofac Operations Services as the operations & maintenance and training business of Petrofac and subsequently led this division until the end of 2008. Mr. Pinchbeck is the non-executive chairman of

Sparrows Limited, a CBPE-backed international crane services specialist, and is a non-executive director of SLR Consulting Limited, a 3i-backed international environmental consultancy firm.

Alexandre Schneiter, Non-executive Director

Born in Switzerland, Mr. Schneiter is a graduate of the University of Geneva where he obtained a degree in Geology and a masters degree in Geophysics. From 1987 until 1989, Mr. Schneiter worked in the mining industry as a Geophysicist before joining a public Canadian oil company as Geophysicist, Seismic Interpreter and Seismic Acquisition Quality Control officer. Since 1993, Mr. Schneiter has worked with companies within the Lundin Group. In 1998, he was appointed Vice President Exploration of Lundin Oil AB. In 2001, Lundin Oil AB was acquired by Talisman Energy Inc. and Mr. Schneiter was appointed Executive Vice President and Chief Operating Officer of Lundin. As Chief Operating Officer of Lundin, Mr. Schneiter leads an experienced team of oil and gas professionals who are responsible for Lundin's worldwide exploration and production operations. Over the years, Mr. Schneiter has been instrumental in the discovery of several major oil fields for the Lundin Group, including, among others, in Libya, Sudan and Malaysia. Mr. Schneiter is also a director of ShaMaran Petroleum Corp., a Canadian listed oil and gas company with interests in the Kurdistan Region of the Republic of Iraq.

Senior Managers

In addition to the executive management on the Board of the Company, the following Senior Managers are considered relevant to establishing that the Group has the appropriate expertise and experience for the management of its business:

Name	Position
Paul Lindop	UKCS General Manager
Craig Matthew	Deputy General Manager and Asset Manager, Thistle
Brian Fraser	Finance and Commercial Manager

The business address of each of the Senior Managers is Level 5, Consort House, Stell Road, Aberdeen AB11 5QR.

The management expertise and experience of each of the Senior Managers is set out below and further information concerning the Senior Managers, is set out in paragraphs 7 and 9 of Part XI of this document:

Paul Lindop, UKCS General Manager

Mr. Lindop graduated from Imperial College London in 1984 with a masters degree in Petroleum Engineering. For the period from 1984 to 1989, Mr. Lindop worked for Total Oil Marine in Paris and Aberdeen as a reservoir engineer. Thereafter, Mr. Lindop was appointed as Commercial Manager to Oryx UK Energy Company and Reservoir Engineer to Oryx Energy and for the next ten years until 2005, Mr. Lindop held various managerial positions in Kerr-McGee. For the period from 2005 to 2007, Mr. Lindop was appointed as an Appraisal Manager to Maersk Oil working on Flyndre/Boa and wider exploration portfolio and Transmedian line development. In October 2007, Mr. Lindop joined Lundin Britain as an Asset Manager for Heather, Broom and Thistle fields, and was promoted to the position of Managing Director in February 2009.

Craig Matthew, Deputy General Manager and Asset Manager, Thistle

Mr. Matthew graduated from Dundee University with a Bachelor of Honours in Civil Engineering, followed by a Post-Graduate Certificate in Project Management from Aberdeen University. Mr. Matthew has over 18 years of project management, engineering and construction experience in oil and gas projects both in the UK and overseas. Mr. Matthew joined Petrofac in 2007 as a Project Manager for the Don fields. Before joining Petrofac, Mr. Matthew held Project Management roles at Maersk Oil, Kerr-McGee and Coflexip Stena.

Brian Fraser, Finance and Commercial Manager

Mr. Fraser graduated from the University of Aberdeen with a degree in Accounting and Economics. Being a Fellow of The Association of the Chartered Certified Accountants, Mr. Fraser worked for three years in the areas of audit and taxation before moving to the oil industry and joining Unocal in 1981 as an accountant. Since then, Mr. Fraser held a number of positions of increasing responsibility at various

Unocal locations around the world. Mr. Fraser was appointed Manager of Accounting and Finance with responsibility for all financial, accounting and tax aspects of Unocal's UK operations in 1993, and subsequently in 1996, the Netherlands' operations were added to his responsibilities. Following the sale of Unocal's UK interests to DNO in 1997, Mr. Fraser took up the position of Manager of Business Planning and Support with overall responsibility for the accounting and finance, commercial and administrative aspects of DNO's UK operations. In 2004, following Lundin's acquisition of the DNO's UK business, Mr. Fraser was appointed as the Finance and Commercial Manager with overall responsibility for the accounting and finance, commercial, information systems and the human resources aspects of the UK operations. In 2009, Mr. Fraser was appointed as the Deputy Managing Director.

2. REMUNERATION AND BENEFITS

Compensation

The total emoluments receivable by the Directors and payable by the Company in respect of the accounting period of the Company ending 31 December 2010 under the arrangements in force at the date of publication of this document and under the arrangements expected to be in force prior to London Admission, are estimated not to exceed £1,276,000. In addition, the total emoluments receivable by the Senior Managers and payable by the Company in respect of the accounting period ending 31 December 2010 under the arrangements in force as at the date of publication of this document are estimated not to exceed £506,293. This includes compensation in all the capacities in which the Directors and the Senior Managers serve or are employed by the Group, but does not include any amounts in respect of discretionary bonus, pension contributions and other similar benefits payable by the Company to the Directors and/or the Senior Managers.

Please refer to paragraph 8 of Part XI of this document for further details of the terms of, and remuneration payable under, the Directors' service contracts and letters of appointment of the Non-executive Directors.

Pension Arrangements

The Group provides its employees with defined contribution pension benefits in the UK, and accordingly has no unfunded pension obligations. The Group's policy on pension arrangements is kept under review.

Incentive Schemes

The Company adopted the Share Plans, namely the EnQuest PLC Performance Share Plan, the EnQuest PLC Deferred Bonus Share Plan and the EnQuest PLC Restricted Share Plan, each on 18 March 2010. Further details of the Share Plans and awards to be made thereunder are set out in paragraphs 6.1, 6.2, 6.3 and 6.4 of Part XI of this document.

3. EMPLOYEES AND EMPLOYEE RELATIONS

As at 17 March 2010, being the latest practicable date prior to the date of publication of this document, the Group had a total of approximately 220 (full-time equivalents) employees and contractors. Further details about the Group's employees, including a break-down of the employees by number and by activity or division at the end of each of the three financial years ended 31 December 2009, 2008 and 2007, is set out in paragraph 5 of Part XI of this document.

Substantially all of the Group's employees are experienced technical and commercial professionals who focus on managing the Group's existing operations and evaluating and developing opportunities on the UKCS. The Group, as part of its ordinary operations, also utilises the services of independent contractors to perform various field and other services.

The Group believes that it has good relations with its employees generally. The Group has not been involved in previous labour disputes, nor has the Group experienced any employee action in the last three years that has significantly influenced its business activities. The Group is not a party to any collective bargaining agreements and has not experienced any strikes or work stoppages.

The Group provides its employees with customary benefits, such as pension arrangements, life and health insurance, holiday entitlement and, in some cases, company car allowances.

4. CORPORATE GOVERNANCE AND BOARD PRACTICES

General

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining high standards of corporate governance. It is the policy of the Company to comply with current best practice in UK corporate governance to the extent appropriate for a company of its size.

The Combined Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in England and Wales should be non-executive directors who are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The Board currently comprises a Non-executive Chairman, three Executive Directors (being the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer) and four Non-executive Directors.

In the opinion of the Board, Dr. James Buckee, Jock Lennox and Helmut Langanger are deemed to be independent for the purposes of the Combined Code. However, in the opinion of the Board, Alexandre Schneiter and Robin Pinchbeck due to their former association with Lundin and Petrofac, respectively, are not deemed to be independent for the purposes of the Combined Code. The Company will therefore have three independent non-executive directors for the purposes of the Combined Code. Given this, as at the date of this document, the Company is not and on London Admission, the Company will not be, in compliance with the requirements of the Combined Code that at least half of the Board (excluding the Chairman) should comprise independent non-executive directors.

Notwithstanding the fact that Robin Pinchbeck and Alexandre Schneiter are not deemed independent for the purposes of the Combined Code, the other Directors, having given careful consideration to the issue, consider that their knowledge of the Group's business and the experience they bring to their roles, outweigh the resulting non-compliance with the Combined Code.

In order to achieve full compliance with the Combined Code, it is intended that Robin Pinchbeck and Alexandre Schneiter will stand down as Non-executive Directors before the second anniversary following London Admission, whereupon the Board may seek to appoint replacement independent Non-executive Directors.

The Company intends to appoint one of the independent Non-executive Directors as a senior independent Director in accordance with the recommendations of the Combined Code within three months following London Admission. The role of the senior independent director is to evaluate the performance of the Chairman and address shareholders' concerns that are not resolved through the normal channels of communication with the Chairman, the Chief Executive Officer or Chief Financial Officer or in cases when such communications would be inappropriate. Given this, the Company is not and on London Admission, the Company will not be, in compliance with the requirements of the Combined Code regarding the appointment of a senior independent director to the Board.

Further as recommended by the Combined Code, the roles of Chairman and Chief Executive Officer are separate and the Chairman is independent.

In all other aspects (save as set out above) the Company will comply fully with the requirements of the Combined Code on and following London Admission. The Board has put in place the procedures required to comply with the internal control aspects of the Combined Code and will report to the Shareholders as to its compliance with the Combined Code in accordance with the Listing Rules, on an ongoing basis.

Disclosure of Information to the Swedish market

Following listing on NASDAQ OMX Stockholm, the Company will comply with its obligations to provide shareholders with information in accordance with its listing obligations to the London Stock Exchange and NASDAQ OMX Stockholm. The Company will publish annual reports and accounts, interim statements and shareholders' circulars, notices and releases in English.

The Board

The Board currently comprises of a Non-executive Chairman, three Executive Directors and four Non-executive Directors. No individual or group of individuals dominate the Board's decisions making process. None of the Directors has any potential conflicts of interest between their duties to the Company

and their private interests and/or duties owed to third parties. Under the Articles, the Directors are subject to re-election by the Shareholders every three years.

The composition of the Board will be reviewed regularly. Appropriate training and an induction programme will be undertaken in respect of all directors on appointment and subsequently as necessary, taking into account existing qualifications and experience.

The Board has a procedure through which the Directors are able to take independent advice in furtherance of their responsibilities.

Following the Admissions, the Board intends to meet regularly throughout the year (at least six times a year). At these meetings, the Board will review the Company's long-term strategic direction and financial plans. All necessary information will be supplied to the Directors on a timely basis to enable them to discharge their duties effectively. In addition, special meetings take place or other arrangements are made when Board decisions are required in advance of regular meetings. Certain matters are reserved for consideration by the Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Company and, in particular, for formulating, reviewing and approving the Company's strategy and budget.

In addition, the Board has recently established the Nomination, Remuneration, Audit and Risk Committees, with formally delegated specific duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board (including identifying and nominating candidates for the approval of the Board to fill Board vacancies), retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters.

The Combined Code provides that a majority of the members of the Nomination Committee should be independent non-executive directors.

The Company's Nomination Committee is comprised of four members (namely Dr. James Buckee, Amjad Bseisu, Jock Lennox and Helmut Langanger), of whom three are independent Non-executive Directors. The chairman of the Nomination Committee is Dr. James Buckee. The Company therefore recognises that it complies with the Combined Code recommendations regarding the composition of the Nomination Committee.

The Nomination Committee will meet formally at least twice a year and otherwise as required.

The terms of reference of the Nomination Committee are available on the Company's website.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of the senior management.

The Combined Code provides that the Remuneration Committee should comprise at least three members, all of whom are independent non-executive directors.

The Remuneration Committee is comprised of three members (namely Dr. James Buckee, Jock Lennox and Helmut Langanger), all of whom are independent Non-executive Directors. The chairman of the Remuneration Committee is Helmut Langanger. The Company therefore recognises that it complies with the Combined Code recommendations regarding the composition of the Remuneration Committee.

The Remuneration Committee has responsibility for considering all material elements of remuneration policy, remuneration of Executive Directors and certain senior executives (including the Senior Managers), the implementation and the operation of share incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Executive Directors, including

pension rights, contracts of employment and any compensation payments, with reference to independent remuneration research and professional advice in accordance with the Combined Code. The Remuneration Committee makes recommendations to the Board on the framework for executive remuneration and its cost. The Board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors. In accordance with the Remuneration Committee's terms of reference and the Articles, no Director may participate in discussions relating to or vote on his own terms and conditions of remuneration. Non-executive Directors' and the Chairman's fees will be determined by the Board.

The Remuneration Committee will meet formally at least twice each year and otherwise as required.

The terms of reference of the Remuneration Committee are available on the Company's website.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, whistleblowing, external and internal audits and controls, including planning and reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non-audit work undertaken by and the relationship with the external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remain with the Board.

The Audit Committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules of the FSA, and on ensuring that an effective system of internal financial control is maintained.

The Combined Code recommends that the Audit Committee should comprise at least three members, who should all be independent non-executive directors, and that at least one member should have recent and relevant financial experience.

The Audit Committee is comprised of three members (namely Dr. James Buckee, Jock Lennox and Helmut Langanger), all of whom are independent Non-executive Directors. Jock Lennox is considered by the Board to have recent and relevant financial experience and is the chairman of the Audit Committee. The Company therefore recognises that it complies with the Combined Code recommendations regarding the composition of the Audit Committee.

No members of the Audit Committee have links with the Company's external auditors. The Audit Committee will formally meet at least three times per year and otherwise as required. The Chief Executive Officer, the Chief Financial Officer, other directors and representatives from the finance function may attend and speak at meetings of the Audit Committee.

The terms of reference of the Audit Committee are available on the Company's website.

Share Dealing Code

Upon London Admission, the Company will adopt a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules by the FSA. This share dealing code will apply to the Directors, persons discharging managerial responsibilities ("**PDMRs**") as identified by the Board and other relevant employees of the Group, and their respective connected persons. All employees under the share dealing code are restricted from dealing in the Company's securities during close periods or if they are in possession of inside information.

PART III

MARKET AND INDUSTRY OVERVIEW

1. INTRODUCTION

The demand for oil and the price of oil has shown unprecedented volatility since September 2008.

By autumn 2007, worldwide demand had grown to 87 million barrels of oil per day, an all time peak, followed by a fall to 83 million barrels per day in the spring of 2009, reflecting the sharp decline in output of the world's economies. OPEC has cut production by at least 3 million barrels per day and is believed to have another 3 million of extra capacity, providing a total of 6 million barrels per day of spare capacity available. At the same time inventories in OECD countries have risen with oil stocks now exceeding 62 days of consumption, the highest since 1993. (*Source: O&G UK 2009 Economic Report*).

The 2007-2008 acceleration in demand growth, along with market expectations that such growth was likely to continue, led to market concerns about supply. This in turn caused oil prices to increase substantially, with prices of Brent Blend rising from an annual average of US$38.37 per barrel in 2004 to US$97.95 per barrel in 2008, peaking at US$145.86 per barrel on 3 July 2008, before the financial crisis. During the financial crisis the price for Brent Blend fell sharply to a low of US$33.79 per barrel on 24 December 2008. In 2009, the price increased again due to unchanged long-term fundamentals despite the ongoing economic uncertainties and reached US$77.50 on 31 December 2009. Perceived increasing instability in key regions, resource nationalism in some major producing countries, economic difficulties and other factors continue to create an uncertain background for oil and gas prices, which have historically been highly volatile and cyclical.

The UK remains a substantial producer of oil and gas, with production of approximately 2.5 mmboepd in 2009. In 2008, the figures were 549 million barrels of oil, enough to satisfy all domestic consumption and 68 billion cubic metres of gas which satisfied about three quarters of the nation's consumption. The combined production of oil and gas for 2008 took the total amount recovered over the last 41 years to 38.5 billion boe. (*Source: O&G UK 2009 Economic Report*).

Almost all of the UK's oil and gas production comes from offshore, where there is a network of 14,000 km of pipelines linking 107 oil platforms, 181 gas platforms and a large number of sub-sea installations. There are 383 producing fields, including 17 new ones which started production in 2008.

2. UNITED KINGDOM CONTINENTAL SHELF (UKCS)

Overview of the UKCS

The UKCS can be broadly divided into five main areas of interest: the Central North Sea, the Northern North Sea, the Southern Gas Basin, the West of Britain and the Atlantic Margin. The first oil in the UK sector of the North Sea was discovered by Amoco in 1969 in what is now the Arbroath field and the first UK offshore oil production commenced in June 1975 from the Argyll field. The first North Sea gas field was discovered by BP in 1965 (West Sole) and production on the UKCS began in March 1967 when the West Sole field was brought on-stream in the Southern Gas Basin. Oil and liquid gas production on the UKCS peaked in 1999 and gas production peaked in 2001.

The UKCS satisfies about two thirds of the UK's primary energy demand: 97 per cent. of total oil demand and 73 per cent. of total gas demand, effectively rendering the country self sufficient in oil by volume. Despite having produced more than 38 billion boe and gas over four decades, the UKCS still has significant oil and gas reserves. Based on the DECC's latest figures, Oil & Gas UK has estimated that there are between 15.5-25 billion boe still to be recovered. Current investment plans have the potential to deliver 6.1 billion boe of reserves from existing fields and already approved investments and an additional 3.5 billion boe in incremental and new field developments.

According to the DECC, the current ratio of proven and probable reserves to production is now around ten years. Therefore, sustaining investment in the UKCS is the key to the future; without it, the existing production base would decline at 15-20 per cent. per annum. The pace of investment in exploration, new field development and increasing recovery from existing fields (so called brownfield investment) will shape the future of the industry in the UK. In conjunction with this, it will be essential to extend the life of the infrastructure in order to facilitate future developments, otherwise significant areas of the UKCS will become "sterilised" with no future production possible. (*Source: O&G UK 2009 Economic Report*).

Activity on the UKCS

Since the early 1980s there has been an increase in drilling activity on the UKCS, prompted by the rise in oil prices in 1979 and 1980. The subsequent decrease in drilling activity in 1992 and 1993 was due to many companies experiencing cash flow constraints as a consequence of a high level of development activity and an overhang of previous exploration spend. The number of wells completed remained relatively constant from 1994 to 1997. Drilling activity was reduced significantly during 1998 and 1999 due to the sharp downturn in oil prices. With the reversal of the downward trend in prices between 2003 and 2008, E&A rates had been boosted year on year as old discoveries or abandoned fields were increasingly being reappraised. However, with the impact of the global financial crisis and recession, drilling activity in 2009 fell back to the 2005 levels.

In 2009, a total of 195 wells (including 96 sidetracks) were spudded, or drilled, on the UKCS. Of these wells, 23 were exploration wells and 42 were appraisal wells. Activity was materially down in 2009 due to the global financial crisis and withdrawal of credit lines impacting a significant number of the smaller new entrants and the low oil price coming into the year causing established companies to put drilling programmes on hold. (*Source: 2010 Oil & Gas UK Activity Survey*).

Since 2005, the number of development wells which were drilled on the UKCS increased, albeit by a small margin, from 165 in 2007 to 170 in 2008 (all figures including side-tracked wells). During the first quarter of 2009, there was less development drilling, with only 31 such wells being drilled.

E&A activity remained strong in 2008, with a total of 105 wells being drilled that year. The number of exploration wells increased by 30 per cent. on the previous year to 44, but the number of appraisal wells drilled fell 20 per cent. to 61 (figures including side-tracked wells). However, due to the financial downturn, a significant number of operators are known to have reduced platform based or externally sourced drilling, reflecting the need to manage cash flows more tightly, prompting the anticipation of a decline in 2009 and the potential for a further decline in 2010.

In 2008, 17 new fields came on-stream, bringing 475 million boe of new reserves into production. This effectively replaced nearly half of the production of oil and gas in 2008. In 2008, the DECC approved a further 22 new projects, compared with 21 in 2007. It is expected that another 20 fields are to come on-stream during 2009-2010. Presently, two thirds of new fields are developed using subsea tie-backs, reflecting the importance of this technology to the future of the UKCS.

Government Measures to Encourage Exploration Activity

Following a substantial decrease in exploration activity during the 1990s, partly as a result of the loss of petrol revenue tax relief for wells, for the period from 2002 to 2008 there was a sharp increase in exploration activity, driven largely by the emergence of smaller specialist companies and the improved outlook for oil prices. A sharp decline in oil prices in 2009 and the global financial crisis caused a marked slowdown in exploration drilling in 2009. The most recent survey of sector activity shows a marked increase in commitments and planned activity in 2010.

The DECC and the Oil & Gas UK are working together to encourage a positive business environment which can help maximise the recovery of oil and gas in the UKCS. A number of initiatives are under way which will serve to increase the UKCS's competitiveness and to attract international investment:

- Establishment of PILOT—a joint task force between the UK Government and Oil & Gas UK industry operators, contractors, suppliers and trade unions focused on securing the long-term future of the industry in the UK. Established in January 2000, PILOT's objective is to create a climate for the UKCS to retain its position as a pre-eminent active centre of oil and gas exploration, development and production in order to keep the UK contracting and supplies industry at the leading edge in terms of overall competitiveness. The group currently meets three times a year, and is chaired by the Secretary of State for Energy *(Source: PILOT website)*.
- Improving access to data—CDA, a subsidiary of the Oil & Gas UK, provides services that are indispensable for any company currently working or planning to work in the UKCS:
  - ➤ DEAL (*www.ukdeal.co.uk*)—a public web-based service to promote and facilitate access to data and information for the exploration and production of oil and gas in UK waters;
  - ➤ CDA Well DataStore—provides digital data to subscribers of more than 10,000 wells drilled on the UKCS; and

- ➤ CDA Seismic DataStore—a new service which has since 2009 provided quality-assured digital post-track seismic data to subscribers and the industry in general.

- Fallow acreage initiative—first introduced in February 2000, the fallow initiative involves discussions between the DECC (previously known as the DTI) and the operators of each of the fallow blocks and of discoveries awarded in the first to tenth licensing rounds on which no drilling has taken place in the first six years of the licence. Where companies had no immediate plans to work the acreage, they were pressed to bring forward drilling plans or to relinquish their licences in order to give others a chance to do so.
- Frontier licences—aimed at new areas, they offer a larger acreage and are 10 per cent. of the cost of a traditional licence for the first two years.
- Promote licences—for new entrants, these allow an opportunity to assess acreage for a two year period, at 10 per cent. of the cost of a traditional licence. A commitment to drill at least one well or other significant activity is required to retain acreage.
- Stewardship—an annual review of the performance of producing oil and gas fields, carried out by the DECC, in order to ensure maximum economic recovery of reserves. Joint Venture partners are engaged in discussions about improving their stewardship to an acceptable standard. If a serious shortfall is identified, the stewardship process provides a framework for improvement. If necessary, the DECC could require the Joint Venture to undertake a certain investment or change the operator.
- Code of Practice on Access to Infrastructure (**"ICoP"**)—aimed at improving shared access to pipeline systems and encouraging investment. Data on infrastructure availability, service standards, specifications and terms and conditions of deals concluded under the Code are available to aid transparency in negotiations.
- Commercial Code of Practice (**"CCoP"**)—an agreed framework for co-investors in assets to minimise the costs and time involved in negotiations and promote positive commercial behaviour, facilitating the transfer of assets between owners.
- Supply Chain Code of Practice (**"SCCoP"**)—a set of best practice guidelines aimed at streamlining commercial processes (e.g. system for selecting qualified suppliers and contractors through FPAL, model invitations to tender (ITTs) and use of LOGIC's standard contracts), improving behaviour during negotiations and enhancing overall business performance. It actively promotes a 30 day payment-period for goods and services. It also recommends use of the Industry Mutual Hold Harmless (IMHH) scheme between fellow contractors working offshore, in order to manage various major risks in an effective way and to avoid resorting to litigation.

3. LICENSING

The Crown possesses all title and rights to hydrocarbons located in the United Kingdom and its territorial waters. Consequently, the legal regime established in the United Kingdom for the exploration for, and exploitation of, oil and gas provides for the transfer of the Crown's rights to explore for and exploit oil and gas to licensees.

The Licensing System

Oil and gas exploration and production activities in the UK sectors of the North Sea are governed primarily by the Petroleum Act. The Petroleum Act vests ownership of the resources in the UK sectors of the North Sea in the Crown and gives the Secretary of State the authority to grant the licensee the exclusive right to search for, bore for and extract petroleum in the areas governed by the licence. Companies are required to obtain a licence prior to commencing any exploration or production activities. Production licences are usually awarded through competitive licensing rounds held annually and conducted by the DECC, although in exceptional circumstances licences may be granted by the DECC outside of the ordinary licensing rounds. The DECC invites applications for each licensing round, which covers specific acreage. Licences may be awarded to individual companies or to joint ventures comprising several companies. "Out-of-round applications" may be made by a prospective licensee to the DECC with compelling reasons such as urgency, temporary availability of a drilling rig or no prospect of competition. However, certain procedures must still be followed in respect of applications, including an invitation for applications being published in the European Journal at least 90 days in advance of the award of the relevant licence.

The DECC maintains discretion in the granting of licences, which is exercised to ensure the maximum exploitation of the resources and considers other factors as well, such as protection of the environment. Each licence carries an annual rental charge due on the anniversary date of the grant of the licence. Rental fees are also charged and determined by evaluating the number of km^2 covered by the licence. As part of the application process, the DECC and the licensee agree a work programme of exploration activity for the initial term of the licences.

Offshore Licences

The DECC currently awards three different types of offshore licences (each a "**UK Licence**"): exploration licences, production licences and promote licences.

Exploration Licence

The Secretary of State grants exploration licences to enable seismic surveys to be carried out in open acreage that is not covered by a production licence. Under an exploration licence, the licensee may undertake seismic surveys and shallow drilling. These licences are non-exclusive in that other parties may also hold an exploration licence in respect of the same area and typically carry an initial three-year term with the possibility of extension for a further three years.

Production Licence

A production licence is an exclusive licence which enables the licensee to explore for and exploit petroleum resources on the UKCS. It expressly grants the licence holder the right to search, bore for and extract hydrocarbons within the prescribed licence area. Separate consents are required prior to drilling and development. A production licence usually carries a term of 26 years, although the term may be extended up to 48 years under a frontier licence.

The conditions of UK production licences are predominantly contained in "model clauses" applicable at the time of the issue of the licence, although additional restrictions or provisions may also be contained in the particular licence. The model clauses govern matters such as the grant of the rights, the terms and conditions applicable to each of the three periods of a licence and the requirement to relinquish a certain proportion of the licence area, the regulation of work programmes and development plans, measurement, records and access, working methods, pollution and training. The model clauses also give the Secretary of State the power to direct or restrict certain of the licensee's activities, including prohibiting a licensee from carrying out development or production activities other than with the consent of the Secretary of State, or in accordance with a government-approved development plan. A licence may be revoked by the Secretary of State for a number of reasons set out in the model clauses, including if the licensee fails to comply with the requirements of the licence.

Under a production licence, the Secretary of State approves the appointment of an operator. The operator under the licence organises or supervises all of the development and production operations associated with the licence. Licensees are also subject to the requirements of the Petroleum Act governing the decommissioning of facilities, including the requirement to produce and agree a decommissioning plan at a future date and, if required, to provide financial security for decommissioning costs.

Depending on the type of licence, licensees on the UKCS are required to relinquish (or give-up) a significant section of their licence area after a prescribed period has elapsed. The purpose of this requirement is to ensure that operations conducted on the UKCS are conducted in as efficient and cost effective manner as possible.

A production licence may be either a traditional licence or a frontier licence.

Traditional Licence

A traditional licence has three terms, with the first two terms each lasting four years and the third term lasting 18 years. At the end of the first four-year term, the licence will only move into the second four-year term if a specified work programme (which may consist of an agreed combination of acquiring seismic data, processing seismic data, committing to drill a well or conducting other exploration or development activities), is completed and at least 50 per cent. of the acreage covered by the licence has been relinquished. During the second four-year term, a development plan must be approved by the DECC and all acreage outside the development area must be relinquished. The 18−year third term covers the

producing life of the licence. Applicants must prove their technical, environmental and financial capacity before being awarded a traditional licence.

Frontier Licence

A frontier licence has a six-year exploration phase and is designed to allow companies to screen large areas that are remote or otherwise difficult to explore. The six-year exploration phase is split into two terms. The first term lasts for two years and the second term lasts for four years. The licensee must complete the agreed work programme within this period if the licence is to continue further. Seventy-five per cent. of the acreage covered by a frontier licence must be relinquished after the first two-year term. At the end of the four-year second term, the licensee must have fully completed the work programme agreed for the licence. This work programme will include a "drill-or-drop" requirement (that is, if a decision to drill an exploration well is not taken, the licence area must be relinquished). In any event, a further 50 per cent. of the remaining licence area must be relinquished at the start of the second term (leaving one-eighth of the original licence area remaining under licence). In exceptional circumstances, the DECC may grant an extension to the initial two-year term, for example, in circumstances where uncharacteristically extreme weather conditions delay seismic acquisition during the first year.

Promote Licence

The promote licence is designed to allow smaller companies to obtain a production licence before having the necessary operating and financial capacities. The promote licence was introduced for the 21st licensing round in 2003. Although a promote licence is similar to a traditional licence, the required financial, technical and environmental capacity and a firm commitment to drill a well to undertake an agreed equivalent substantive activity, need only be in place by the end of the second year of the licence. At the end of this two-year period, the licensee faces a "drill-or-drop" decision on the licence where the licensee must either submit a further work programme to retain the licence or relinquish the licence. If the further work programme is approved, the licence continues for the remaining period of the two-year initial term and for a second four-year term on the same terms as a traditional licence.

Licensing Rounds

The first UK offshore licensing round was held in 1964 when a total of 348 blocks, covering an area of 81,000 km^2, were awarded to 51 companies. The most recent 25th licensing round, held in 2008, witnessed 257 blocks being awarded to 100 companies, 8 of which were newcomers to the UKCS. After consultation with the industry, the DECC launched the 26th licensing round in January 2010 with applications to be received around 90 days thereafter. The gap between the 25th and 26th licensing rounds is longer than in recent years but the delay takes the following into account: (1) over 300 production licences have been issued over the last two rounds alone; (2) some companies will require more time than usual to raise finance as a result of the current economic climate; and (3) with a later launch date, the DECC will be able to offer more acreage.

Licence Holders

A UK Licence may be held by a single licence holder or by a number of entities collectively. Consequently, the Group holds its interests under the majority of its UK Licences with other parties. However, in such cases, each of these entities' obligations, responsibilities and liabilities under a UK Licence will be joint and several.

There are no restrictions imposed under the Petroleum Act regarding the nationality of private sector companies to whom UK Licences are granted. Also, there is no direct state participation in hydrocarbon operations under UK Licences. UK Licences are designed so as to ensure the most effective and efficient exploitation and exploration of petroleum by the relevant licensees. One of the primary mechanisms used in a UK Licence to focus licensees on efficiently discharging their licence obligations is by way of requiring licensees to relinquish 50 per cent. of the relevant licence area at the end of the exploration period.

Licence Terms

UK Licences are valid for a sequence of periods, called terms. Each licence will expire automatically at the end of the relevant term unless the licensee has satisfied the requisite conditions to allow it to enter into the next subsequent term under the relevant licence. Normally those terms fall into the following categories: the exploration term, the appraisal and development term and the production term.

The Exploration Term

The exploration period normally lasts between four and six years. A UK Licence will expire at the end of the exploration period unless the work programme agreed between the DECC and the licensee in respect of the exploration period has been completed. At that time, the licensee must also relinquish a prescribed proportion of the relevant licence area, generally 50 per cent.

The Appraisal and Development Term

The appraisal and development period normally lasts between four and five years. Again, the licence expires at the end of this period unless a development plan for the relevant licence area has been submitted by the licensee and approved by the Secretary of State.

The Production Term

The production period normally last between 18 and 20 years. However, the Secretary of State may, acting in its own discretion, extend this term if production is continuing at the date of expiry of the licence.

Transfer of a Licence Interest

A licensee may only transfer their interest in a UK licence with the prior written approval of the Secretary of State. If a licence is transferred without such consent the Secretary of State may revoke the relevant licence. The consent of the Secretary of State is also required where a licence is being transferred between affiliates or within a corporate group.

This requirement also applies to assignments between affiliates and related bodies corporate. In order to obtain such consent, the licensee must apply to the DECC using the prescribed application form. The DECC will then consider the technical and financial capacity of the proposed new licensee, implications of the prospective assignment or decommissioning of relevant facilities and the relevant company's track record and the parent company's provision of any guarantees. However, the DECC will not approve a consent where the relevant assignment would result in the licence having no approved operators. Any consent granted will be conditional upon the instrument affecting such assignment being substantially in a form approved by the Secretary of State.

In order to hold a UK Licence, the licensee must be likely to remain solvent and able to finance its share of the relevant work programme for the licence area in question. The licensee may be required to furnish the DECC with its latest annual report and accounts together with those of its ultimate parent company in order to demonstrate that it can satisfy these requirements. The DECC may also require trading profit and loss forecasts for the following five years and details, if applicable, of how any deficit may be met by the relevant companies.

Licensees may surrender a UK Licence or part of the acreage covered by it. However, surrendering of all or part of a licence is not allowed where the licence is still in its initial term and the relevant work programme for the initial term has not been completed.

Other Consents

Licences on the UKCS also require various approvals from the DECC and other government departments for a number of licence-related activities. Failure to procure such approvals may result in the relevant activity being delayed or prevented altogether.

4. DECOMMISSIONING ON THE UKCS

The Petroleum Act (as amended by the Energy Act 2008) governs decommissioning responsibilities on the UKCS. In addition, the UK's international obligations on decommissioning are governed principally by the 1992 Oslo and Paris (OSPAR) Convention for the Protection of the Marine Environment of the North East Atlantic and the earlier United Nations Convention on the Law of the Sea 1982 ("**UNCLOS**"). The OSPAR regime is a regional Convention and is additional to the UK's obligations under international law. Agreement on the regime to be applied to the decommissioning of offshore installations under the OSPAR Convention was reached at a meeting of the OSPAR Commission in July 1998 (the "**OSPAR Decision 98/3**"). The Petroleum Act complies with many of the obligations under the OSPAR regime.

The DECC is the responsible authority for ensuring that UK Licences reflect the requirements of the Petroleum Act and that the OSPAR recommendations or actions are incorporated into UK laws.

Decommissioning Obligations under the Petroleum Act

Prior to decommissioning an installation, the Petroleum Act requires that abandonment programmes be prepared and costed and then approved by the DECC using best-available techniques to achieve best environmental practice.

Under the Petroleum Act, a party will incur liabilities in respect of the decommissioning of installations and pipelines following the service by the DECC of a section 29 notice on that party. At any time during the life of the relevant field, the DECC can issue a section 29 notice requiring that a costed decommissioning programme be provided by any of the following parties:

- the licence holder;
- any licensee who transferred an interest in the licence to another party without the consent of the Secretary of State;
- the field operator;
- the parties to the field joint operating agreement or similar agreement; and
- any person owning an interest in an installation (but generally only where sufficient financial provision has not otherwise been made with regard to decommissioning).

The parties on whom the notice is served are jointly liable to submit a decommissioning programme and once a decommissioning programme has been approved by the DECC, it becomes a joint and several obligation upon the persons who submitted it to ensure that it is carried out. Where the Secretary of State deems that such a party is unlikely to be able to carry out any decommissioning obligations placed upon it, it is empowered to require the provision of appropriate financial security to cover those decommissioning costs, in order to protect the interests of the UK taxpayer.

In addition to the parties set out above, under section 34 of the Petroleum Act, the Secretary of State may impose a duty on any parent or affiliate of those who submitted the decommissioning programme to ensure that the programme is carried out.

The UK Government's Guiding Principles on Decommissioning

Installations

The underlying presumption on decommissioning is that, in accordance with OSPAR Decision 98/3, all offshore installations will be re-used, recycled or disposed of on land:

- all topsides of all installations must be returned to shore;
- all steel installations with a jacket weight of less than 10,000 tonnes must be completely removed for re-use, recycling or final disposal on land;
- for steel installations with a jacket weight greater than 10,000 tonnes, it is possible to consider whether the footings of the installation may remain in place;
- for concrete installations, it is possible to consider whether they should be left wholly or partially in place;
- all installations installed after 9 February 1999 must be completely removed;
- a decommissioning programme is required in respect of all offshore installations;
- any exceptions or exemptions are individually assessed in accordance with the provisions of OSPAR Decision 98/3; and
- each decommissioning programme is subject to full and open consultation and the section 29 notice will contain a list of organisations to be consulted near the time of decommissioning. Such organisations include fishermen's organisations and other interested bodies.

Pipelines

Whilst OSPAR Decision 98/3 does not apply to pipelines and there are no international guidelines relating to decommissioning of pipelines, the Petroleum Act provides for requirements in this regard. In addition, the UK's guiding principles on decommissioning provide that:

- decommissioning proposals for pipelines will be considered on an individual basis; and
- all feasible decommissioning options should be assessed including removal, burial or trenching to an adequate depth or just leaving in place.

Residual Liability

The parties who own an installation or pipeline at the time of its decommissioning will normally remain the owners of assets and any residual liability remains with those parties in perpetuity. In addition, parties with a duty to secure that the decommissioning programme is carried out will remain liable for any conditions attached to the DECC's approval of the programme. Any remains of installations or pipelines will be subject to monitoring at suitable intervals and may require maintenance or remedial action in the longer term. There will also be a need to ensure that fishing and navigation are not disrupted.

The International Maritime Organisation Guidelines and Standards for the Removal of Offshore Installations and Structures on the Continental Shelf and in the Exclusive Economic Zone (the "IMO Guidelines")

The IMO is the competent international organisation for the purposes of UNCLOS, governing the UK's international obligations in respect of decommissioning of offshore installations. The IMO Guidelines prescribe the minimum global standards to be applied to decommissioning offshore installations and structures to ensure the safety of navigation. Although the UK Government accepted OSPAR Decision 98/3, certain aspects of the IMO Guidelines remain relevant, particularly in terms of identification, survey and navigational aids.

Determination of Decommissioning Timing

The determination of decommissioning timing is influenced by a number of factors such as increased recovery from existing fields, new exploration and tie-back of new fields, the uncertainty about the future fiscal and regulatory regimes, the long-term trends in oil and gas prices as well as the reduction of decommissioning costs and future technical innovations.

If the oil and gas industry is successful in bringing further reserves into production from both existing and new fields in the longer term, decommissioning could be delayed by 10-15 years in many infrastructure systems. Extending the life of infrastructure allows more reserves to be recovered from both existing fields and any developments arising from new exploration drilling. Once infrastructure is decommissioned and removed, nearby exploration potential becomes very expensive to develop, thus reducing the ultimate recovery of reserves from the UKCS.

5. UNITED KINGDOM ENVIRONMENTAL REGULATIONS

The Group's operations on the UKCS are subject to numerous international, European Union and national laws and regulations relating to environmental and/or health and safety matters. These HSE laws and regulations apply at various stages, including before oil and gas production activities commence, during exploration and production activities and during and after decommissioning.

Before a UK licensing round begins, the DECC will consult with various public bodies that have responsibility for the environment. Applications for production licences must include a statement of the general environmental policy of the operator in respect of the contemplated licence activities, a summary of the operator's management systems to implement the environmental policy and confirmation as to how those systems will be applied to the proposed work programme.

Additionally, the Offshore Petroleum Production and Pipelines (Assessment of Environmental Effects) Regulations 1999 (as amended) require the Secretary of State to exercise its licensing powers under the Petroleum Act in such a way to ensure that an environmental assessment is undertaken and considered before consent is given to certain projects.

The following legislation and regulations also apply to the disposal and discharge of substances into the UK environment:

- Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005;
- Offshore Chemicals Regulations 2002;
- Merchant Shipping (Oil Pollution Preparedness, Response & Co-operation Convention) Regulations 1998;
- Offshore Installations (Emergency Pollution Control) Regulations 2002;
- Food and Environment Protection Act 1985;
- Deposits in the Sea (Exemptions) Order 1985;
- Offshore Combustion Installations (Prevention and Control of Pollution) Regulations 2001;
- Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001;
- Environmental Protection (Controls on Ozone Depleting Substances) Regulations 2002;
- Energy Act 1976;
- Fluorinated Greenhouse Gases Regulations 2009; and
- Greenhouse Gas Emissions Trading Scheme Regulations 2005 (as amended).

Under these statutes and regulations, an offshore operator may require a permit/consent with respect to discharges into the marine environment, subject to a number of exemptions. Both the permits/consents and, if applicable, exemptions, are subject to conditions that must be met for the permit/consent or exemption to continue to operate. Non-compliance with the requirements of the legislation and/or conditions of a permit/consent may give rise to criminal offences and/or civil monetary penalties.

6. TAX REGULATIONS

The following paragraphs are not intended to be exhaustive and are intended as a general guide only. They are based on current UK tax law and HMRC published practice (which is subject to change, possibly with retrospective effect) as at the date of this document.

Companies engaged in activities relating to petroleum on the UKCS are subject to an oil taxation regime which generally consists of three elements: petroleum revenue tax ("**PRT**"), ring fence corporation tax ("**RFCT**") and a supplementary charge.

Petroleum Revenue Tax

PRT is an additional level of taxation on profits derived from oil and gas production on the UKCS. It is a "field-based" tax charged on profits of participants arising from individual oil fields and which were given development consent prior to 16 March 1993 (not on aggregate profits arising from the entire business of the relevant participator's company). In addition, oil fields which have been decommissioned and are subsequently redeveloped are now removed from the charge to PRT.

The current rate of PRT is 50 per cent. It is calculated on a statutory basis set out in the Oil Taxation Act 1975 ("**OTA**") by reference to the six-month periods beginning on 1 July and 1 January of each year rather than by reference to company accounts. These taxes must be paid two months after the end of the relevant period. Profits for PRT purposes are based on the excess of the proceeds from the disposal of oil from the field over that field's expenditures. There are special rules for calculating the value of oil sold where such sales are not on arm's-length terms. Only expenditure for certain specified purposes as set out in the OTA is allowable for PRT purposes. Such expenditure includes costs of searching for oil, drilling, transportation, storage, disposal and decommissioning costs. Interest is not deductible.

Expenditure deductions can only reduce liability to PRT once they have been incurred, claimed and allowed by HMRC. As PRT is a tax on the operations of a particular field rather than the operations of the participant in general, expenditure relating to one field may not normally be offset against the income of another field.

There are certain reliefs peculiar to PRT, including a supplement which provides relief at 135 per cent. in respect of certain qualifying expenditure incurred to get production going or to substantially enhance the rate of production.

Once assessable profits for a chargeable period have been calculated, they may typically be reduced by brought-forward PRT losses and the oil allowance which is given on a per-field basis, is thereafter deducted from the net figure.

PRT is charged prior to corporation tax and is deductible in computing RFCT and the supplementary charge referred to below.

Ring Fence Corporation Tax

With some modifications (for example, relating to capital allowances and losses), this is the normal UK corporation tax applicable to UK companies, but it is subject to a "ring-fence". It is charged at a full rate of 30 per cent. rather than the prevailing full rate of corporation tax of 28 per cent. This, however, is balanced by 100 per cent. first year allowances which are available for almost all capital expenditure. The ring-fence prevents taxable profits from oil and gas extraction on the UKCS being reduced by losses from other activities or by excessive interest payments by treating ring-fenced activities as a separate trade. However, losses from a ring-fenced trade can be relieved against profits from a non-ring-fenced trade (as well as against ring-fenced income), as long as, but for the existence of the ring-fence, the non-ring fenced and ring-fenced activities would comprise a single trade.

Interest paid by a company is not deductible against ring-fenced profits unless it is payable in respect of a loan the proceeds of which were used in carrying on oil extraction activities or in acquiring oil rights other than from a connected person.

The following activities fall within the ring-fence:

- hydrocarbon extraction, namely:
  - searching for hydrocarbons on the UKCS;
  - extracting hydrocarbons at any place on the UKCS under a licence held by the company;
  - transporting hydrocarbons to land; and
  - effecting the initial treatment or storage; and
- the acquisition, enjoyment or exploitation of rights to hydrocarbons to be extracted at any place in a designated area on the UKCS.

Aggregated capital gains and losses on material disposals (i.e. disposals of interests in oil to be won from a field and/or field assets) are also confined within the ring-fence.

A number of capital allowances may be available to companies engaged in activities relating to petroleum in the UKCS. These may include research and development allowances, enhanced mineral extraction allowances, enhanced plant and machinery allowances and ring fence expenditure supplements.

Supplementary Charge

Since April 2002 there has been an additional charge on a company's ring fenced profits without deducting costs of debt finance. The supplementary charge is currently 20 per cent. bringing the effective tax rate on ring-fenced activities to 50 per cent. The Finance Act 2009 introduced a new field allowance which can be used to offset profits subject to a supplementary charge on new fields (those which obtained development consent on or after 22 April 2009) and which are either small or where oil extraction is more difficult (in ultra heavy or ultra high pressure/high temperature oil fields). The criteria for obtaining this field allowance are expected to be further relaxed in the Finance Act 2010.

PART IV

SELECTED FINANCIAL AND OPERATING INFORMATION

The table below sets out selected financial and operating information of each of, the LNS Group and the PEDL Group as at and for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007, respectively. This information has been extracted without material adjustment from Section B in Part VI of this document which includes the historical financial information on the LNS Group and Section B in Part VII of this document which includes the historical financial information on the PEDL Group, and has been prepared on the basis described therein, except for the EBITDA information which have each been calculated as set forth in the section headed "Important Information" in this document.

The LNS Group

Income data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenue from sale of oil and gas	234,017	348,781	376,542
Cost of sales	(193,146)	(231,421)	(249,644)
Gross profit	**40,871**	**117,360**	**126,898**
Exploration and evaluation expenses	(6,149)	(20,642)	(25,535)
General, administrative and depreciation expenses	(135)	(69)	(417)
Other income/expenses	(17,953)	27,953	(2,280)
Profit from operations before tax and finance income/(costs)	**16,634**	**124,602**	**98,666**
Finance income	827	9,167	7,205
Finance costs	(6,444)	(10,337)	(10,379)
Profit before tax	**11,017**	**123,432**	**95,492**
Taxation	(3,025)	(59,058)	(43,292)
Profit for the year attributable to Lundin North Sea BV Group shareholders	**7,992**	**64,374**	**52,200**
EBITDA	**189,088**	**208,823**	**75,203**

Cash flow data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash inflow from operating activities	55,439	144,746	218,208
Net cash outflow to investing activities	(66,125)	(185,452)	(207,352)
Net cash inflow/outflow from financing activities	14,072	40,091	(22,842)
Net increase/(decrease) in cash and cash equivalents	**3,386**	**(615)**	**(11,986)**
Net foreign exchange difference on cash and cash equivalents	981	(140)	117
Cash and cash equivalents at beginning of the year	3,526	4,281	16,150
Cash and cash equivalents at the end of the year	**7,893**	**3,526**	**4,281**

Balance sheet data

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	US$'000	*US$'000*	*US$'000*
Non current assets	611,798	628,977	614,629
Current assets	45,524	53,297	51,307
Total assets	**657,322**	**682,274**	**665,936**
Equity	160,200	134,086	162,834
Non current liabilities	461,681	466,828	396,237
Current liabilities	35,441	81,360	106,865
Total equity and liabilities	**657,322**	**682,274**	**665,936**

The PEDL Group

Income data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenue from sale of oil and gas	82,319	—	—
Other revenue—manpower services	2,652	2,727	3,307
Cost of sales	(66,425)	(2,045)	(2,480)
Gross profit	**18,546**	**682**	**827**
Evaluation costs	—	(9,821)	—
General and administration expenses	(11,292)	(10,237)	(7,108)
Other income/(expenses)	571	(252)	—
Foreign exchange gain/(loss)	166	(762)	6
Negative goodwill	—	6,618	—
Profit/(loss) from operations before tax and finance income/(costs)	**7,991**	**(13,772)**	**(6,275)**
Finance income	1,002	146	21
Finance costs	(8,726)	—	—
Profit/(loss) before tax	**267**	**(13,626)**	**(6,254)**
Income tax	12,387	6,826	6,524
Profit/(loss) for the year attributable to Petrofac Energy Developments Limited shareholders	**12,654**	**(6,800)**	**270**
EBITDA	**49,575**	**(10,234)**	**(6,236)**

Cash flow data

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash inflow from operating activities	15,586	53,672	3,485
Net cash outflow from investing activities	(207,153)	(247,215)	(34,611)
Net cash inflow from financing activities	192,511	200,653	43,220
Net increase in cash and cash equivalents	**944**	**7,110**	**12,094**
Net foreign exchange difference on cash & cash equivalents	—	(4,776)	(109)
Cash and cash equivalents at beginning of the year	15,145	12,811	826
Cash and cash equivalents at the end of the year	**16,089**	**15,145**	**12,811**

Balance sheet data

	At 31 December 2009	At 31 December 2008	At 31 December 2007
	US$'000	*US$'000*	*US$'000*
Non-current assets	428,134	184,119	52,182
Current assets	96,370	80,976	17,770
Total assets	**524,504**	**265,095**	**69,952**
Equity	7,437	(8,637)	(7,121)
Non-current liabilities	55,359	203,644	59,807
Current liabilities	461,708	70,088	17,266
Total equity and liabilities	**524,504**	**265,095**	**69,952**

Note:

(1) EBITDA is calculated by taking profit for the year attributable to Shareholders and adding back financial income and expense, corporation and petroleum taxes, gains or losses on sale of assets, negative goodwill and depletion, depreciation and write off of intangible oil and gas assets. EBITDA is not a measure of financial performance under IFRS or US GAAP.

PART V

OPERATING AND FINANCIAL REVIEW

The following discussion of the results of operations and financial condition of the Group and of the material factors that the Group believes are likely to affect its results of operations and financial condition should be read in conjunction with the historical financial information on the LNS Group in Section B in Part VI of this document, the historical financial information on the PEDL Group set out in Section B in Part VII of this document and the other financial information contained elsewhere in this document. Prospective investors should not rely solely on the information contained in this Part V. This review contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those contemplated, expressed or implied by these forward-looking statements as a result of certain factors discussed below and elsewhere in this document including, but not limited to, those discussed under the heading "Risk Factors" on page 9 and "Forward-Looking Statements" on page 24, respectively of this document. Certain regulatory and industry issues also affect the Group's results of operations and are described in Part III of this document.

1. OVERVIEW

EnQuest is an independent oil and gas production and development company whose current activities are focused on the UKCS.

The Group's asset portfolio comprises producing assets and development opportunities, together with appraisal and exploration opportunities, all of which are located in the UKCS. The Group's producing assets include interests in six producing fields: Broom, Heather, Thistle, Deveron, West Don and Don Southwest. The Group has interests in 16 production licences covering 26 blocks or part blocks in the UKCS, of which 15 licences are operated by the Group. GCA has certified that, as at 1 January 2010, the Group's assets had total net proved plus probable oil and NGL reserves of 80.5 MMBbl. As at 1 January 2010, GCA has also certified net oil and gas best estimate (2C) contingent resources for individual assets. The aggregate of the oil 2C contingent resources on an unrisked basis is 67.5 MMBbl, and of the gas 2C contingent resources is 30.6 Bcf.* Certain of the licences held by the Group have been acquired pursuant to successful applications and awards in UK licensing rounds, farm-in arrangements and acquisitions. The Group's licence interests also provide it with an inventory of potential developments, discoveries and prospects, which are predominantly located close to the Group's interests in existing infrastructure.

The Group derives its revenues principally from sales of its oil production. In 2009, net sales of oil and gas from LNS were US$228.1 million, compared with US$339.7 million in 2008 and US$364.9 million in 2007. Production from PEDL commenced in 2009. The West Don field commenced production in April 2009 with sales occurring from June 2009. Production in the Don Southwest field commenced at the end of June 2009 with sales occurring from July 2009. As a result, net sales of oil and gas in 2009 was US$82.3 million with no sales of oil and gas before 2009.

2. PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group believes that the following factors have had, and may continue to have a material effect on the Group's results of operations:

Production volumes

The volume of oil and gas expected to be produced from EnQuest's existing producing assets involves a degree of uncertainty and there is no assurance that expenditure incurred on development of its assets by EnQuest will result in the production of oil or gas in commercial quantities or at all.

Oil prices

Historically, oil prices have fluctuated widely and are affected by numerous factors over which the Group has no control, including world production levels, international economic trends, exchange rate fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events.

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* GCA warns that there may be a significant risk that accumulations containing contingent resources will not achieve commercial production and that it is inappropriate to aggregate contingent resources.

Taxation

The oil and gas industry in the UK North Sea is subject to high levels of taxation. The taxation regimes which applies to the Group may change.

Exchange rates

The proceeds of the Group's oil sales are received in US dollars. The majority of the Group's expenditure requirements are in pounds sterling. The Group therefore is exposed to foreign exchange risk between the US dollar and pounds sterling. The Group will report its financial results in its presentation currency, US dollar. Accordingly, fluctuations between the value of the US dollars and pounds sterling may affect the expenditure and reported results of the Group as follows:

- Where operating transactions are entered into in a currency other than the Group's functional currency, any movement in exchange rates will result in an operating exchange gain or loss which is reflected in the Group's consolidated statement of comprehensive income.
- At the end of each reporting period, any monetary assets or liabilities held in a subsidiary's balance sheet which are payable or receivable in a currency other than the Group's presentation currency are subject to restatement at the closing rate. This will result in an exchange gain or loss, which is reflected in the Group's consolidated statement of comprehensive income.
- On consolidation of the Group's results, any movement in exchange rates from one reporting period to another will result in an exchange gain or loss on translation of any assets and liabilities previously translated at a different exchange rate. The exchange gain or loss is not recognised in the Group's consolidated income statement, but is classified as a separate component of shareholders' equity on the Group's consolidated balance sheet.

Acquisitions

The Company was recently incorporated to acquire the UKCS assets and operations of Lundin and Petrofac. The Company has entered into a sale and purchase agreement with Petrofac for the acquisition of the entire share capital of PEDL and its subsidiaries, and a sale and purchase agreement with Lundin for the acquisition of LNS and its subsidiaries. Pursuant to the terms of and subject to the conditions of the Acquisitions, the Company has acquired interests in the Heather, Broom, Thistle and Deveron fields and the Peik and Scolty discoveries from Lundin and interests in the Don Southwest and West Don fields and the Elke discovery from Petrofac.

3. RESULTS OF OPERATIONS

The following discussion and analysis of the Group's results of operations and financial condition for each of the financial years ended 31 December 2009, 2008 and 2007 is based on the Group's historical results. Since the PEDL Group and the LNS Group were acquired by the Group after 31 December 2009 and there has not been common control during the historical period covered by the financial information presented in this document, the results of the operations of the PEDL Group and the LNS Group have been presented separately and in a manner consistent with the presentation of the historical financial information for the LNS Group and the PEDL Group, in Section B in Part VI and Section B in Part VII, respectively, of this document.

The LNS Group

The following table sets forth certain income statement data for the LNS Group for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenues	**234,017**	**348,781**	**376,542**
Cost of sales	(193,146)	(231,421)	(249,644)
Gross profit	**40,871**	**117,360**	**126,898**
Exploration and evaluation expenses	(6,149)	(20,642)	(25,535)
Administrative expenses	(135)	(69)	(417)
Other income	3,501	34,202	336
Other expenses	(21,454)	(6,249)	(2,616)
Operating profit	**16,634**	**124,602**	**98,666**
Net finance income/(costs)	(5,617)	(1,170)	(3,174)
Profit before tax	**11,017**	**123,432**	**95,492**
Taxation	(3,025)	(59,058)	(43,292)
Net profit	**7,992**	**64,374**	**52,200**

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

Revenues

In 2009, over 95 per cent. of the revenue of LNS arises from the sale of crude oil. Revenue from sales of oil decreased from US$336.4 million in 2008 to US$226.3 million in 2009, driven by a decrease in the average price received per barrel sold partially offset by an increase in volumes sold. The average price of oil per barrel decreased over the 2008 to 2009 period, from US$96.90 per barrel in 2008 to US$63.24 per barrel in 2009. Heather sales volumes increased by 40 per cent. over the same period resulting from the improved production due to no major shutdowns in the year and increased volumes resulting from improved compressor reliability. Broom sales volumes declined by 23 per cent. due to the failure and subsequent shut-in of one of the production flowlines in July 2009 resulting from accelerated carbon steel corrosion. Thistle sales volumes increased by 46 per cent., with production levels recovering to normal levels following a turbine fire in December 2007.

Revenue from sales of condensate from the Heather and Broom fields decreased from US$3.2 million in 2008 to US$1.8 million in 2009, driven by a decrease in the average price received per tonne sold. The average price decreased over the 2008 to 2009 period, from US$759 per tonne in 2008 to US$413 per tonne in 2009.

Other income relates to the non-equity share of tariff revenue received, principally the tariff revenue received by Heather from the Broom field. LNS owns 55 per cent. of Broom with the remaining 45 per cent. of Broom being owned by external joint venture partners. Other income reduced by US$3.2 million in 2009 compared to 2008 due to a reduction in Broom production volumes.

Cost of sales

Cost of sales in 2009 principally comprised of cost of operations which accounted for approximately 65 per cent. of the cost of sales and are mostly denominated in pounds sterling. The cost of operations includes all operational and management service costs such as platform services, logistics, maintenance, offshore/onshore manpower, projects, well intervention and rig repairs as well as overhead costs and movements in the lifting and inventory position relating to the Heather, Broom and Thistle fields. The second largest cost is the depletion of oil and gas properties which are depreciated on a unit of production basis over the remaining oil and gas reserves. Depletion costs represent circa 25 per cent. of cost of sales.

Cost of sales was US$193.1 million in 2009, a decrease of US$38.3 million from 2008. The decrease was driven primarily by a decrease in cost of operations of US$28.9 million, mainly due to the exchange rate benefit resulting from converting the pounds sterling underlying production costs to US dollars presentation currency. The average exchange rate was US$1.96 equivalent to £1 in 2008 compared with US$1.57 equivalent to £1 in 2009. Costs due to the depletion of oil and gas assets in 2009 decreased by

US$11.0 million compared to 2008 primarily driven by the decrease in average depletion rate per barrel for Heather and Broom fields following an increase in the 2P reserves for 2009.

Gross profit

As a result of the decrease in revenues, notwithstanding the decrease in cost of sales, gross profit declined from US$117.4 million in 2008 to US$40.9 million in 2009.

Exploration and evaluation expenses

Exploration and evaluation expenses vary year to year based on the underlying activity levels.

In 2009 these costs reduced by US$14.5 million compared to 2008. In 2009, no new wells were drilled however US$6.1 million was written off in relation to exploration licences relinquished during the year.

General, administration and depreciation expenses

The general and administration costs comprise the head office and managerial costs. These costs are allocated to production costs on a field-by-field basis and the external JV partners contribute their relative proportions of total general and administration costs. Only LNS's share of costs is reported in the consolidated income statement presented and is post recharges of US$13.8 million in 2009 and US$14.4 million in 2008. General, administration and depreciation expenses decreased by US$0.5 million before recharges primarily due to movements in foreign exchange.

Other income

Other income includes insurance claim income as a result of the turbine fire on the Thistle platform in 2007, foreign currency exchange gains and gain on sale of intangible assets. In 2009, insurance claim income was a charge of US$0.4 million compared to income of US$20.2 million in 2008 due to a write off required on the final insurance settlement value.

Other expenses

Other expenses increased by US$15.2 million compared to 2008, primarily due to realised foreign currency exchange losses on maturity of cash flow hedges in 2009. There were no cash flow hedges maturing in 2008.

Operating profit

In line with the reduction in gross profits, operating profits decreased from US$124.6 million in 2008 to US$16.6 million in 2009.

Net finance income/(costs)

Net finance costs were US$5.6 million in 2009 compared to US$1.1 million in 2008; an increase of US$4.5 million. The movement in net finance costs is primarily due to a decrease of US$7.6 million in interest receivable from related parties partially offset by a reduction of US$4.6 million in loan interest payable due to the combined effect of a reduction in the underlying loan balance and the average annual interest rate.

Profit before tax

Profit before tax in 2009 was US$11.0 million, compared to US$123.4 million in 2008. The decrease of US$112.4 million is mainly due to the decrease in revenues and an increase in foreign currency exchange losses in 2009.

Taxation

Total taxation expense in 2009 was US$3.0 million in 2009, a decrease of US$56.1 million compared with 2008 total taxation of US$59.1 million.

Deferred corporation tax decreased by US$52.7 million primarily due to the deferred tax impact of a reduction in total fixed asset additions from US$185.9 million in 2008 to US$66.1 million partially offset by the movement in changes in decommissioning provision estimates from a reduction of US$16.8 million in 2008 to an increase of US$3.4 million in 2009.

Current corporation tax increased by US$5.6 million reflecting a reduction in the net credit booked each year for prior year adjustments recording actual tax liability versus previous estimates prior year tax refunds.

Deferred petroleum revenue tax reduced from an expense of US$2.8 million in 2008 to a release of US$6.3 million in 2009, mainly due to reversal of temporary differences.

Profit for the year

As a result, profit for the year in 2009 decreased to US$8.0 million compared to US$64.4 million in 2008.

Year Ended 31 December 2008 Compared to Year Ended 31 December 2007

Revenues

In 2008, over 95 per cent. of the revenue of LNS arises from the sale of crude oil. Revenue from sales of oil decreased from US$364.9 million in 2007 to US$339.7 million in 2008, driven by a decrease in the volume of oil sold partially offset by an increase in price. The average price increased over the 2007 to 2008 period, from US$72.2 per barrel in 2007 to US$96.9 per barrel in 2008. Production volumes were affected by a variety of factors including planned production shutdowns and a turbine fire on the Thistle platform. The Heather platform was shutdown in June 2008 as planned. The Heather platform, as with any North Sea platform, is required to be shutdown for maintenance periodically. Similarly, the Broom platform experienced a shutdown in July 2008 which affected production volumes. In December 2007, a turbine fire on the Thistle platform reduced production for approximately six weeks affecting production in early 2008. In October 2008, there was a planned maintenance shutdown at Thistle resulting in no production or sales in this month.

Cost of sales

Cost of sales was US$231.4 million in 2008, a decrease of US$18.2 million from 2007. The decrease was driven primarily by a change of US$24.9 million in the under/over lift position. The under/over lift position represents the difference between net production as allocated and advised by Sullom Voe oil terminal and sales valued at the year end market rate. An asset or liability is created in respect of this difference with a corresponding cost of sales impact in the profit and loss account. The account has moved significantly between 2007 and 2008. In 2007, the amount lifted was significantly higher than the amount produced. This is partially due to lower production in December 2007 following the fire on Thistle. In 2008, this gap reduced by £9.1 million, but still more was lifted than produced so an overlift position remained on the balance sheet.

Gross profit

As a result, gross profit has decreased from US$126.9 million to US$117.4 million in 2008, with the reduction principally stemming from lower revenues despite the reduction in cost of sales.

Exploration and evaluation expenses

Exploration and evaluation expenses vary year to year based on the underlying activity levels.

General, administration and depreciation expenses

There was an increase in overheads before recovery due to higher office overheads following the office location change in 2008 and an increase in subsurface costs in Thistle due to higher internal and external subsurface and exploration costs, as a new development programme was being investigated. There was a corresponding increase in office cost recharges to production operations in line with providing office accommodation to the onshore Facilities Management Agreement (FMA) team.

Other income

In 2008 US$20.2 million was received as an insurance payment following the turbine fire on the Thistle platform and US$0.2 million of other income related to a gain on the sale of "SOLAN" Exploration license P164. In addition, foreign currency exchange gains increased by US$13.5 million compared to 2007.

Operating profit

Notwithstanding the decrease in gross profits, due to the insurance payment received operating profits increased from US$98.7 million in 2007 to US$124.6 million in 2008.

Net finance income/(costs)

Net interest and finance charges changed from US$3.2 million in 2007 to US$1.2 million charge in 2008, primarily due to an increase of US$2.1 million in interest receivable from related parties.

Profit before tax

Profit before tax increased by US$27.9 million to US$123.4 million in 2008. This increase was primarily due to the Thistle insurance income despite lower gross profit.

Taxation

The total tax charge increased by US$15.8 million to US$59.1 million, in 2008. The effective tax rate increased from 45.3 per cent. to 47.8 per cent., reflecting a reduction in the net credit booked each year for prior year adjustments recording actual tax liability versus previous estimates.

Profit for the year

Profit for the year increased by US$12.2 million to US$64.4 million in 2008.

The PEDL Group

The following table sets forth certain income statement data for the PEDL Group for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Revenues	84,971	2,727	3,307
Cost of sales	(66,425)	(2,045)	(2,480)
Gross profit	18,546	682	827
Evaluation costs	—	(9,821)	—
General and administrative expenses	(11,292)	(10,237)	(7,108)
Other income	737	5,604	6
Operating profit/(loss)	7,991	(13,772)	(6,275)
Net finance income/(costs)	(7,724)	146	21
Profit/(loss) before tax	267	(13,626)	(6,254)
Taxation	12,387	6,826	6,524
Net Profit	12,654	(6,800)	270

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

Revenues

In 2009, net sales of oil and gas totalled US$82.3 million, made up of approximately 1.2 million barrels of oil sold at an average price of US$71.0 per barrel. Production commenced in the West Don field in April 2009 with sales occurring from June 2009. Production in the Don Southwest field commenced at the end of June 2009 with sales occurring from July 2009.

Other operating income is charges for manpower services for operations and business development activities undertaken by PEDL and charged to PEDIL. Other income did not move significantly between 2009 and 2008 with US$2.7 million of other income in both years.

Cost of sales

No production related costs were incurred prior to 2009. Cost of sales in 2009 principally comprised production costs, which accounted for approximately 35 per cent. of the cost of sales, and depreciation

charges, which accounted for approximately 62 per cent. of the cost of sales. Production costs include all operational and management services costs such as facilities services, onshore and offshore personnel and procurement costs, tanker lifting and export costs as well as overhead costs and the movements in inventory position. Depreciation of oil and gas properties is calculated on a unit of production basis over the proven and probable reserves.

Gross profit

As a result of starting production, gross profit of US$18.5 million was achieved in 2009.

Evaluation costs

Evaluation costs vary year to year based on the underlying activity levels. In 2009 there were no evaluation costs incurred. In 2008, capitalised evaluation costs were written off in relation to an unsuccessful exploration well.

General and administrative expenses

General and adminstrative expenses comprise head office and managerial costs, including recharges by PEDL's former parent company, Petrofac.

Costs are incurred principally in pounds sterling whereas the reporting currency is US dollars, therefore when comparing balances across periods balances are subject to movements due to fluctuations in foreign exchange rates. General and administrative expenses increased in 2009 from 2008 by US$1.1 million. Staff costs increased from US$4.6 million in 2008 to US$4.7 million in 2009. Other operating expenses, consisting mainly of office, legal and professional and contracting staff increased by US$2.9 million, offset by no project due diligence expenses incurred in 2009 compared to US$2.4 million in 2008.

Other income

Other income in 2009 was US$0.7 million. There was no other income received in 2008, although there was other expense of US$1.0 million.

Negative goodwill

In 2008, negative goodwill of US$6.6 million was recognised.

Operating profit/(loss)

Due to the commencement of production at the Don fields, operating profit of US$8.0 million was earned compared to a loss of US$13.8 million in 2008.

Net finance income/(costs)

For 2009, net interest costs of US$7.7 million was recorded compared to a net interest income of US$0.1 million in 2008. In 2009 interest costs relating to funding the development of the Don fields were expensed from the date of first production. Prior to this, and throughout 2008, all interest costs related to funding this development were capitalised within oil and gas assets. Finance costs in 2009 include a charge of US$1.4 million for unwinding of discount on decomissioning provisions.

Profit before tax

The loss before tax of US$13.6 million in 2008 was reversed in 2009 to become a profit before tax of US$0.3 million.

Taxation

Income tax contributed US$12.4 million in 2009, compared to US$6.8 million in 2008, relating to deferred tax credit for changes in respect of the origination and reversal of temporary timing differences and a US$4.3 million current income tax credit.

Net profit

Net profit for 2009 was US$12.7 million compared to a loss of US$6.8 million in 2008 due to production commencing in 2009.

Year Ended 31 December 2008 Compared to Year Ended 31 December 2007

Revenue

PEDL commenced production of oil and gas in 2009, therefore there were no sales of oil and gas in the periods 2007 and 2008. Other operating income comprises charges for manpower services for operations and business development activities undertaken by PEDL and charged to PEDIL. In 2008, there was US$2.7 million of other income compared to US$3.3 million in 2007.

Cost of sales

No production related costs were incurred prior to 2009. Cost of sales in the period 2007 to 2008 comprise staff costs and associated overheads relating to manpower services provided. Costs in 2008 were US$2.0 million, a reduction of US$0.5 million from 2007, reflecting lower sales in 2008 compared with 2007.

Evaluation costs

Evaluation costs vary year to year based on the underlying activity levels. In 2008 capitalised evaluation costs of US$9.8 million were written off in relation to an unsuccessful exploration well. There were no evaluation costs in 2007.

General and administrative expenses

General and administrative costs rose to US$10.2 million in 2008 from US$7.1 million in 2007. The increase was largely driven by increased project due diligence expenses of US$2.4 million and staff costs increasing by US$1.2 million.

Other income

In 2008, negative goodwill of US$6.6 million was recognised as a result of negative goodwill arising on the acquisition of a subsidiary of Petrofac. The negative goodwill in 2008 was offset by US$1.0 million of other expense.

Operating profit/(loss)

In 2008, the operating loss increased to US$13.6 million from US$6.3 million in 2007, principally as a result of evaluation costs written off in 2008 and the increase in general and administrative expenses, offset by negative goodwill recognised on the acquisition of a subsidiary of Petrofac.

Net finance income/(costs)

Finance income increased from US$0.02 million in 2007 to US$0.1 million in 2008.

Profit/(loss) before tax

Loss before tax increased by US$7.3 million to US$13.6 million in 2008 from US$6.3 million in 2007, due to the increase in operating loss.

Taxation

Due to deferred income tax relating to origination and reversal of temporary differences, there was taxation benefit of US$6.8 million in 2008, a slight increase from US$6.5 million in 2007.

Net loss

The net loss in 2008 of US$6.8 million, was an increase of US$7.1 million from a profit of US$0.3 million in 2007, reflecting the impact of the increase in operating loss.

4. LIQUIDITY AND CAPITAL RESOURCES

Overview

EnQuest's liquidity requirements arise primarily from its need to fund its working capital and capital expenditure requirements. For the periods covered by the historical financial information, LNS met its

liquidity requirements primarily from the cash flow from operating activities. PEDL funded its liquidity requirements for the years ended 31 December 2008 and 2007 principally from loans from PEDIL. For the year ended 31 December 2009, PEDL commenced oil production from April 2009 and met its liquidity requirements from the cash flow from operating activities.

Cash flows

The LNS Group

The following table summarises the cash flows of the LNS Group for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash flows from operating activities	55,439	144,746	218,208
Net cash flows used in investing activities	(66,125)	(185,452)	(207,352)
Net cash flows used in financing activities	14,072	40,091	(22,842)
Cash and cash equivalents at beginning of the year	3,526	4,281	16,150
Cash and cash equivalents at end of the year	**7,893**	**3,526**	**4,281**

Net cashflow from operating activities

Net cash generated from operating activities decreased from US$144.7 million to US$55.4 million in 2009 due primarily to lower operating profits as described above. This was partially offset by an improvement in working capital, especially trade receivables. In addition, US$11.0 million of less tax was paid in 2009 compared to 2008.

Net cash flows from operating activities were US$218.2 million for 2007 and decreased by US$73.5 million to US$144.7 million during 2008. The decrease in net cash flows from operating activities was principally driven by cash out flows from working capital movements, in particular trade and other payables, which contributed US$36.8 million to cash flow in 2007 to a cash outflow of US$33.6 million, and an increase in taxes paid of US$10.9 million.

Net cashflow from investing activities

Capital expenditures

The table below sets forth the LNS Group's capital expenditure for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Purchase of property, plant and equipment	(63,784)	(159,032)	(115,513)
Purchase of intangible oil and gas assets	(2,341)	(26,857)	(91,839)
Proceeds from disposal of property, plant and equipment	—	437	—
	(66,125)	**(185,452)**	**(207,352)**

Capital expenditures have historically comprised investment in wells and facilities. During 2007, LNS invested a total of US$207.4 million in various fabric, integrity and drilling equipment improvement projects. Capital expenditure decreased in 2008 to US$185.9 million. In addition to upgrades of existing equipment and new capital equipment projects, this also relates to exploration activities. In 2009, capital expenditure decreased again to US$66.1 million.

During 2009, major investments in capital expenditure included US$17.5 million for a topdrive for the Thistle platform, US$13.4 million renovation on the B turbine on Thistle and a crane replacement on Heather for US$5.8 million.

During 2008, major investments included; a new well drilled in Broom for US$35.7 million, US$13.4 million for well exploration activity which was subsequently found to be dry and hence written off; Seismic exploration costs of US$9.5 million; and US$34.8 million of upgrades to drilling rigs.

Net cashflow from financing activities

In 2009, there was US$14.1 million of cash inflow due to US$29.1 million decrease in long-term receivables, offset by US$15.0 million in repayment of borrowings. This compares to 2008 where in total US$115.1 million was received due to increase in long-term receivables and increased borrowings, offset by US$75.0 million of equity dividends paid. In 2007, net cash inflow from financing activities pre dividend payments was US$34.8 million. In 2007 a dividend of US$57.6 million was also paid.

The PEDL Group

The following table summarises the cash flows of the PEDL Group for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net cash flows from operating activities	15,586	53,672	3,485
Net cash flows used in investing activities	(207,153)	(247,215)	(34,611)
Net cash flows used in financing activities	192,511	200,653	43,220
Net increase in cash and cash equivalents	944	7,110	12,094
Net foreign exchange difference in cash and cash equivalents	—	(4,776)	(109)
Cash and cash equivalents at beginning of the year	15,145	12,811	826
Cash and cash equivalents at the end of the year	**16,089**	**15,145**	**12,811**

Net cashflow from operating activities

Net cash flows from operations changed from an inflow of US$3.5 million in 2007 to US$53.7 million in 2008 and to US$15.6 million in 2009.

In 2009, cash generated from operations decreased, compared to 2008, due to lower inflow on balances due from related parties from US$67.1 million in 2008 to US$20.2 million in 2009, decrease in balances due to related parties from an inflow of US$2 million in 2008 to outflow of US$25 million in 2009, decrease in trade and other payables from an inflow of US$46.2 million in 2008 to US$ 7.5 million in 2009 partially offset by a decrease in outflows from trade and other receivable from US$52.7 million to US$26.4 million.

In 2008, the change, compared to 2007, is mainly attributable to an increase in inflow from working capital movements. Trade and other receivables contributed to an outflow of US$52.7 million in 2008 compared to US$1.2 million in 2007, whilst due from related parties increased from an outflow of US$0.2 million in 2007 to an inflow of US$67.1 million in 2008 and trade and other payables contributed to an inflow of US$46.2 million in 2008 compared to US$7.4 million in 2007.

Net cashflow from investing activities

Capital expenditures

The table below sets forth the Group's capital expenditure for the periods indicated:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Purchase of property, plant and equipment	(207,153)	(168,035)	(52)
Purchase of intangible oil and gas assets	—	(9,821)	(32,593)
Acquisition of subsidiary undertaking	—	(70,000)	—
	(207,153)	**(247,856)**	**(32,645)**

Capital expenditures have historically comprised the costs of constructing oil and gas assets. Construction was completed in 2009 and as of 31 December 2009, the oil and gas assets were producing.

In developing the Don fields in 2007, 2008 and 2009, PEDL incurred capital expenditure of US$32.6 million in 2007, US$168.0 million in 2008 and US$207.2 million in 2009. All Don fields-related capital expenditure was classified as intangible fixed assets in 2007, pending approval of the Field

Development Plan. Approval was gained in 2008, and the intangibles were transferred to oil and gas assets in 2009.

The development of the Don fields in 2007 and 2008 in line with the commencement of production in 2009 explains the significant increased in tangible fixed assets across the period and the net cash outflow from investing activities. Major investments included US$64.7 million in capitalised leasing costs for the Northern Producer Platform, US$31.1 million of subsea structures and installation costs, US$15.9 million for producer well structures and installation costs and US$13.6 million for the export route development of the pipeline to Thistle and modifications to the Thistle platform to receive the pipeline. Major investment in 2009 included US$83.1 million in drilling costs, being capitalised lease costs of the Transocean drilling platform, production well structures and installation cots of US$55.8 million, export route costs of US$24.8 million, capitalised leasing costs for the Northern Producer platform of US$21.4 million and subsea structure and installation costs of US$17.9 million. In addition, decommissioning liability of US$54.0 million was capitalised

Net cashflow from financing activities

Cash inflow from loans from related parties in 2009 was US$192.5 million compared to cash inflow of US$200.7 million in 2008, as the commencement of production at the Don fields in 2009 meant that some of the liquidity requirements were met from sale of oil and gas. Loans from related parties received in 2008 increased by US$157.5 million from 2007, to fund capital expenditures.

Financing Arrangements

Credit Facility

On 17 March 2010, the Company entered into a facility agreement with Bank of Scotland plc and BNP Paribas S.A (the "**Facility Agreement**") in respect of a US$280 million senior secured revolving credit facility (the "**Credit Facility**"), the proceeds of which are to be used to fund the Group's general corporate activities and the issuance of letters of credits. The tenor of the Credit Facility is 2 years from the date of the Facility Agreement.

The Facility Agreement includes financial covenants to be calculated on the date of satisfaction of all conditions precedent under the Facility Agreement, and thereafter to be calculated on a semi-annual basis. The financial covenants include: (i) a leverage ratio being the Company's consolidated net financial indebtedness to EBITDA; (ii) a reserve base value ratio being the ratio of the value of total proved plus probable reserves of the Group as determined by the technical bank by reference to the latest reserve report, to total outstandings under the Credit Facility, net of cash; (iii) an interest service cover ratio being the ratio of the Group cashflow available for debt service to interest payable by the borrowers under the Credit Facility for a 12 month period; and (iv) satisfaction of a liquidity test which includes a confirmation to the lenders that sufficient funds are available to meet all committed obligations of all obligors on a 12-month look forward basis.

The interest rate of the Credit Facility is LIBOR plus an applicable margin that will increase or decrease depending on the Company's leverage ratio. Default interest, payable in the event of a non-payment, is at the rate of 2 per cent. above the applicable margin.

The following fees are payable in respect of the Credit Facility: (i) an arrangement fee; (ii) a non-utilisation fee; (iii) a letter of credit fronting fee; (iv) a redemption fee; and (v) a security agent and facility agent fee. A letter of credit commission is payable in respect of the letters of credit issued.

The Company and its subsidiaries will give a security package which can be considered standard for these types of facilities. The security must be in place as a condition precedent for utilisation of the Credit Facility. The security package will include share pledges, cross guarantees between all the guarantors, assignment of proceeds of non-operator insurance claims relating to the oil and gas assets of the Group and assignment of the rights and benefits under any hedging arrangements entered into.

In addition, the Facility Agreement contains other general undertakings and covenants, including a negative pledge restricting creation of new security over the assets of the Group and restrictions on disposing of assets of the Group and on incurring financial indebtedness.

The conditions precedent for first utilisation under the Credit Facility include a requirement for the provision of a satisfactory reserves report to be prepared by an independent engineer and to be approved by the lenders.

As a result of entering into the Facility Agreement, the Company will have an additional US$280 million of liquidity, which it will partly draw down on London Admission, to finance letters of credit in respect of its decommissioning obligations, expected operating and capital expenditures, working capital obligations and expenses of the Admissions and (if it proceeds) the Offer.

Letters of Credit

Upon satisfaction of all conditions precedent for first utilisation under the Credit Facility, it is expected that the Company will provide letters of credit in an aggregate amount of approximately US$73 million as security for its full pro-rated share of decommissioning costs in respect of the Heather field. The Company will provide a letter of credit in the amount of approximately US$68 million in accordance with the terms of the Heather Field Decommissioning Security Agreement and related documents, and a letter of credit in the amount of US$5 million in accordance with the terms of the Unocal Agreement. These letters of credit will replace the existing security provided by Lundin Heather by way of a standby irrevocable letter of credit for US$30 million in favour of BGGB and CNS, and a further letter of credit for US$5 million in favour of Unocal International Corporation. Further details in this regard are set out in paragraph 16.5 of Part XI of this document.

Under the terms of the IPA Consent Agreement, the Company is expected to provide the parties thereto a guarantee in an amount of £20 million as a condition precedent to obtaining their consent to the Lundin Acquisition. In addition, the Company may be required to provide to the parties a letter of credit in an amount of up to £20 million following a review by such parties of the Thistle and Deveron Field Arrangement Agreements. Under the terms of the Lundin SPA, Lundin has agreed to provide such letter of credit on behalf of the Company for a period of two years following the Lundin Acquisition. Further details in this regard are set out in paragraph 16.6 of Part XI of this document.

Capitalisation and indebtedness

Statement of capitalisation

The following table shows the Company's total capitalisation as at 29 January 2010, being the date of incorporation of the Company.

Shareholders equity

	£
Share capital	2
Share premium account	—
Other reserves (including profit and loss reserve)	—
Total capitalisation	**2**

Statement of indebtedness

As at 29 January 2010, the Company had no indebtedness.

There has been no material change in the gross and net indebtedness of the Group between 29 January 2010 and 17 March 2010, being the latest practicable date prior to the date of publication of this document, save for the entry by the Company into the Facility Agreement. As at the date of this document, no amounts have been drawndown by the Company under the Credit Facility.

Off-balance sheet arrangements

Save for the operating lease obligations of US$8,298,000 as disclosed below, the Group had no off-balance sheet arrangements as at 31 December 2009.

Contractual obligations and capital commitments

The table below sets forth the Group's contractual obligations and capital commitments as of 31 December 2009:

	Payments due by period			
	Total	**Less than 1 year**	**1–5 years**	**More than 5 years**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Long-term Debt Obligations	156,000	—	—	156,000
Operating Lease Obligations	8,298	1,548	6,750	—
Total	**164,298**	**1,548**	**6,750**	**156,000**

The Group has also entered into certain capital commitments and contractual obligations in respect of future capital expenditures. At 31 December 2009, the Group had capital commitments of US$35,488,000 excluding the above lease commitments. The Group's capital commitments include a commitment for US$15,000,000 relating to the use of a drilling rig in the Broom area.

The Company seeks to ensure that sufficient liquidity is available to the Group at all times to fund its operating activities and expects that its key sources of liquidity for the foreseeable future and funding for projected capital expenditures are likely to continue to be cash flow generated from its operating activities, and borrowings secured by way of its committed bank facilities, which will allow the Group to have operational flexibility in its business activities.

The Directors expect that any future acquisitions would be funded by the current Credit Facility as well as any equity issuances as may be necessary.

5. QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The main financial risks faced by the Group relate to the availability of funds to meet business needs (liquidity risk), the risk of default by counterparties to financial transactions (credit risk), fluctuations in interest rates and foreign exchange rates and oil prices. The Group's risk management policies are determined by the Board and are managed in accordance with documented internal control procedures. All significant transactions are authorised by the Board.

Credit risk

The Group considers that credit risk arising from debtors' inability to meet their obligations is minimal given the current level of sales. The maximum exposure is the carrying amount as disclosed in note 12 to the historical financial information on LNS in Section B in Part VI of this document and note 14 to the historical financial information on PEDL in Section B in Part VII of this document. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial investments and loans and receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk arises from the Group's inability to obtain the funds it requires to comply with its commitments under financial instruments and other contractual obligations, including for the construction of plant and transportation infrastructure and the lease of drilling equipment. The liquidity risk to the Group was heightened in the historical period whilst in pre-production phases of development of its fields, during which time it undertook substantial build-out of infrastructure. Management believes that the Group will generate sufficient positive cash flow from operations on an ongoing basis to meet its liquidity needs.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the Group's interest-bearing financial liabilities and assets. The Group's exposure to market risk for changes in interest rates relates primarily to the Credit Facility and its cash and bank balances. The current Credit

Facility currently is a variable rate facility. The Group currently does not use hedging arrangements to manage this risk, but may do so in the future.

Foreign currency risk

The Group's principal objective is to extract oil and gas which is typically priced in US dollars. The majority of its revenues, funding, and cash balances are also expected to be denominated in US dollars. However, the Group anticipates that a significant proportion of its costs will be incurred in pounds sterling and a significant proportion of its assets and liabilities will be denominated in those currencies. Accordingly, the Group's financial results may be affected by exchange rate fluctuations between the US dollar and pounds sterling. However, the majority of the Group's entities have a US dollar functional currency and because a majority of the Group's revenues and cash balances, as well as certain of its costs, are likely to be denominated in US dollars, this provides a certain amount of natural protection against the depreciation of the US dollar. The Group continuously monitors its foreign currency risk and may in the future elect to enter into derivative financial transactions to manage this risk, as appropriate.

Oil price risk

Oil prices have had a material impact on the results of operations of the LNS Group during the three year period to 31 December 2009, when oil prices ranged from US$41.01 to US$133.84. The Group currently does not use hedging arrangements to manage its oil price risk, but may do so in the future.

6. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Introduction

The financial information of the LNS Group and PEDL Group has been prepared in accordance with IFRS. The preparation of this financial information requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

The LNS Group's accounting policies are summarised in note 1 to the audited consolidated financial information included in Section B in Part VI of this document. The PEDL Group's accounting policies are summarised in note 1 to the audited consolidated financial information included in Section B in Part VII of this document. The Directors consider the following policies to be the most significant policies that require management to make subjective and complex judgements or to consider matters that are inherently uncertain.

Reserves estimates

Reserves estimates are the amount of product that can be economically and legally extracted from the Group's properties. In order to calculate proven and probable reserves, estimates and assumptions are required about a range of geological and geophysical, technical and economic factors, including quantities, grades, extraction techniques, recovery rates, production costs, transport costs, oil and gas demand, oil and gas prices and exchange rates.

Estimating the quantity and/or grade of proven and probable reserves requires the size, shape and depth of fields to be determined by analysing geological data such as seismic studies. This process may require complex and difficult geological judgements and calculations to interpret the data.

Given the economic assumptions used to estimate changes in reserves from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the income statement.

Decommissioning

The Group is required to make provisions for the ultimate dismantlement, restoration and environmental costs relating to its assets such as producing well sites, offshore production platforms and subsea infrastructure. Amounts used by the Group in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. The determination of the fair value of the provision requires the Group to make numerous judgments and estimates, including judgments and estimates related to the future costs to plug and abandon wells, future inflation rates and the estimated lives of the related assets. Due to changes in relation to these items, the future actual cash outflows in relation to the site dismantlement, restoration and environmental costs can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field.

Impairment of assets other than goodwill

Recoverable value of intangible and tangible oil & gas assets

The Group determines at each balance sheet date whether there is any evidence of impairment in the carrying value of its intangible and tangible oil and gas assets. This requires management to estimate the recoverable value of its intangible and tangible oil and gas assets for example by reference to quoted market values, similar arms length transactions involving these assets or value in use calculations.

Taxation

Deferred tax assets

The Group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised as well as the likelihood of future taxable profits.

Income tax

The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

While the Group uses its best estimates and judgment, actual results could differ from these estimates.

7. RECENT ACCOUNTING PRONOUNCEMENTS

A summary of recent accounting pronouncements that may apply to the Group is set out below.

IFRIC 17–'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)

The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

IAS 27 (revised)–'Consolidated and separate financial statements' (effective from 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

IFRS 3 (revised)–'Business combinations' (effective from 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 38 (amendment)–'Intangible Assets'

The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IFRS 5 (amendment)–'Non-current assets held for sale and discontinued operations'

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

IAS 1 (amendment)–'Presentation of financial statements'

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IFRS 2 (amendments)–'Group cash-settled share-based payment transactions' (effective from 1 January 2010)

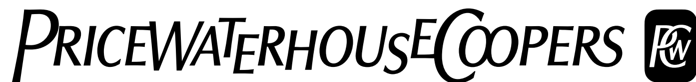
In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2–Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation.

The Group is currently assessing the impact that these new standards would have on the presentation of its consolidated results. The Directors do not expect the adoption of other new standards, or revisions to existing standards or interpretations of IFRS which are in issue but not yet effective and which have not been applied in preparing the financial statements of the Group, to have a material impact on the consolidated results or financial position of the Group.

PART VI

ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON LNS

SECTION A—ACCOUNTANT'S REPORT



PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

The Directors
EnQuest PLC
Rex House
4-12 Regent Street,
London SW1Y 4PE

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ

18 March 2010

Dear Sirs

Lundin North Sea BV

We report on the financial information of Lundin North Sea BV set out in Section B of Part VI of the prospectus of EnQuest PLC dated 18 March 2010 (the "**Prospectus**").

This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by item 20.1 of Annex I to the PD Regulation and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Directors of EnQuest PLC are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 18 March 2010, a true and fair view of the state of affairs of Lundin North Sea BV as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B—HISTORICAL FINANCIAL INFORMATION ON LNS

LUNDIN NORTH SEA BV GROUP

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		US$'000	*US$'000*	*US$'000*
Revenue	3(a)	234,017	348,781	376,542
Cost of sales	3(b)	(193,146)	(231,421)	(249,644)
Gross profit		**40,871**	**117,360**	**126,898**
Exploration and evaluation expenses	3(c)	(6,149)	(20,642)	(25,535)
General, administration and depreciation expenses	3(e)	(135)	(69)	(417)
Other income	3(d)	3,501	34,202	336
Other expenses	3(g)	(21,454)	(6,249)	(2,616)
Profit from operations before tax and finance income/(costs)		**16,634**	**124,602**	**98,666**
Finance costs	4	(6,444)	(10,337)	(10,379)
Finance income	4	827	9,167	7,205
Profit before tax		**11,017**	**123,432**	**95,492**
Corporation tax	5	(9,304)	(56,291)	(40,635)
Petroleum tax		6,279	(2,767)	(2,657)
Profit for the year attributable to Lundin North Sea BV Group shareholders		**7,992**	**64,374**	**52,200**
Earnings per share (US $)	6	**443.98**	**3,576.13**	**2,899.84**

There were no recognised gains or losses other than those shown above, therefore no Statement of Comprehensive Income is presented.

LUNDIN NORTH SEA BV GROUP

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2009	31 December 2008	31 December 2007
		US$'000	*US$'000*	*US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	8	518,558	503,809	425,307
Intangible assets	9	71,641	75,449	69,486
Loan receivable from related party	10 & 22	21,443	49,719	119,836
Deferred income tax asset	5c	156	—	—
		611,798	628,977	614,629
Current assets				
Inventories	11	1,297	1,123	1,444
Trade and other receivables	12	35,782	48,599	44,972
Due from related parties	22	552	49	610
Cash and short-term deposits	13	7,893	3,526	4,281
		45,524	53,297	51,307
TOTAL ASSETS		**657,322**	**682,274**	**665,936**
EQUITY AND LIABILITIES				
Equity attributable to Lundin North Sea BV Group shareholders				
Share capital	14	23	23	23
Share premium reserve		83,926	83,926	83,926
Other reserves	16	83	(17,275)	847
Retained earnings		76,168	67,412	78,038
TOTAL EQUITY		**160,200**	**134,086**	**162,834**
Non-current liabilities				
Loans and borrowings	17	156,000	171,000	134,372
Provisions	18	53,198	46,862	60,795
Deferred income tax liabilities	5c	252,483	248,966	201,070
		461,681	466,828	396,237
Current liabilities				
Trade and other payables	20	33,326	52,495	98,223
Due to related parties	22	497	2,973	770
Other financial liabilities	19	—	25,892	—
Income tax payable		1,618	—	7,872
		35,441	81,360	106,865
TOTAL LIABILITIES		**497,122**	**548,188**	**503,102**
TOTAL EQUITY AND LIABILITIES		**657,322**	**682,274**	**665,936**

LUNDIN NORTH SEA BV GROUP

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES				
Profit before tax		11,017	123,432	95,492
Adjustments for:				
Depreciation	3(e)	642	987	325
Depletion of oil and gas properties		51,778	62,777	64,562
Exploration costs		6,149	20,642	25,535
Share options and long-term incentive plan	3(f)	608	231	455
Unrealised exchange (gains)/losses		2,535	(7,611)	2,280
Net interest (income)/expense	4	2,272	(1,421)	17
(Gain) on disposal of property, plant and equipment	3(d)	—	(185)	—
Decommissioning cost	4	2,916	2,592	3,158
Operating profit before working capital changes		**77,917**	**201,444**	**191,824**
Trade and other receivables		9,502	(2,076)	(8,072)
Inventories		(174)	(585)	5,263
Trade and other payables		(27,336)	(33,587)	36,774
Cash generated from operations		59,909	165,196	225,789
Long-term incentive plan		(228)	—	—
Interest paid		(2,794)	(8,044)	(6,122)
Income taxes paid, net		(1,448)	(12,406)	(1,459)
Net cash flows from operating activities		**55,439**	**144,746**	**218,208**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	8	(63,784)	(159,032)	(115,513)
Purchase of intangible oil & gas assets	9	(2,341)	(26,857)	(91,839)
Proceeds from disposal of property, plant and equipment		—	437	—
Net cash flows used in investing activities		**(66,125)**	**(185,452)**	**(207,352)**
FINANCING ACTIVITIES				
Long-term receivables repaid/(granted), net		29,072	78,504	(29,223)
Proceeds from/(repayment of) borrowings, net		(15,000)	36,587	64,017
Equity dividends paid		—	(75,000)	(57,636)
Net cash flows used in financing activities		**14,072**	**40,091**	**(22,842)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,386**	**(615)**	**(11,986)**
Net foreign exchange difference on cash and cash equivalents		981	(140)	117
Cash and cash equivalents at 1 January		3,526	4,281	16,150
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**7,893**	**3,526**	**4,281**

LUNDIN NORTH SEA BV GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium	Other reserves	Retained earnings	Total
	US$'000	*US$'000*	*US$'000 (note 16)*	*US$'000*	*US$'000*
Balance at 1 January 2007	23	83,926	387	83,474	167,810
Profit for the year	—	—	—	52,200	52,200
Share option programme (note 15)	—	—	460	—	460
Dividends (note 7)	—	—	—	(57,636)	(57,636)
Balance at 31 December 2007	**23**	**83,926**	**847**	**78,038**	**162,834**
Balance at 1 January 2008	23	83,926	847	78,038	162,834
Profit for the year	—	—	—	64,374	64,374
Net changes in fair value of derivatives designated as cash flow hedges	—	—	(18,122)	—	(18,122)
Dividends (note 7)	—	—	—	(75,000)	(75,000)
Balance at 31 December 2008	**23**	**83,926**	**(17,275)**	**67,412**	**134,086**
Balance at 1 January 2009	23	83,926	(17,275)	67,412	134,086
Profit for the year	—	—	—	7,992	7,992
Net loss on maturity of cash flow hedges recycled in the year	—	—	18,122	—	18,122
Transfer from Share Option reserve (note 16)	—	—	(764)	764	—
Balance at 31 December 2009	**23**	**83,926**	**83**	**76,168**	**160,200**

LUNDIN NORTH SEA BV GROUP

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Lundin North Sea BV is a limited liability company registered in the Netherlands and is a wholly owned subsidiary of Lundin Petroleum BV. Lundin North Sea BV is the holding company for the Lundin Britain Group of Lundin subsidiaries (together "the Group"). The Group's principal activities are the exploration for, and the extraction and production of hydrocarbons in the UK Continental Shelf (UKCS). The Group has a 100% interest in the Heather P242 production licence, a 55% interest in the Broom P242/P902 production licence, a 99% interest in the Thistle P236 & P475 production licence, along with various interests in UKCS exploration licences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial information has been prepared in accordance with the requirements of the PD regulation, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU").

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed under the headline "Critical accounting estimates and judgements".

The consolidated financial information has been prepared under the historical cost convention.

The Lundin Petroleum AB Group has previously reported consolidated financial information in compliance with IFRS. This Group has not previously prepared or reported any consolidated financial information in accordance with any other generally accepted accounting principles ("GAAP"). Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this consolidated financial information, as required by IFRS 1 on transition to IFRS.

Accounting standards, amendments and interpretations effective in 2009

The Group has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2009. The principal effects of the adoption of these new and amended standards and interpretations are discussed below:

IFRS 7–'Financial instruments–Disclosures' (amendment)

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This will have no significant impact on the Group's financial statements.

IAS 1 (revised)–'Presentation of financial statements'

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The adoption of this revision did not affect the Group's financial statements for the year ended 31 December 2009 as the Group does not have any 'non-owner' equity interests.

IFRS 2 (amendment)–'Share-based payment'

This amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions

with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of this amendment does not have any impact on the Group's financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the sole right to exercise control over the operations and govern the financial policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the Group's control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consolidated financial information of the Group have been prepared using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There are no minority interests in the Group.

All intercompany profits, transactions and balances are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Unincorporated jointly controlled entities

Oil and gas operations are conducted by the Group as co-licensees in unincorporated joint ventures with other companies. The Group's financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint venture applicable to the Group's interests.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in USD, which currency the Group has elected to use as the presentation currency.

Functional currency

The functional currency of the Group is USD.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in the income statement.

Classification and recognition of assets and liabilities

Non-current assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

Assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost unless stated otherwise. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Oil and gas assets

Oil and gas assets are recorded at historical cost less depletion. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised within property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas in accordance with the unit of production method. Depletion of a field area is charged to the income statement once production commences.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Impairment tests are carried out at least annually to determine that the net book value of capitalised cost within each field area cost centre less any provision for site restoration costs, royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in the related field areas. Capitalised costs cannot be carried within a field cost pool unless those costs can be supported by future cash flows from that field. Provision is made for any impairment, where the net book value, according to the above, exceeds the estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting or fair value less costs to sell.

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life.

The carrying amount is written down immediately to its recoverable amount when the carrying amount is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Intangible fixed assets

Costs directly associated with an exploration well are capitalised as an intangible asset until the determination of reserves is evaluated. During this phase no depletion is charged. Upon the completion of the development and the start of the production the field will be accounted for as a producing asset. If it is determined that a commercial discovery has not been achieved these costs are charged to the income statement.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are offset against the related capitalised costs of each cost centre with any excess of net proceeds over all costs capitalised included in the income statement. In the event of a sale in the exploration stage any deficit is included in the income statement. A gain or loss is recognised on the sale or farm-out of producing field when the depletion rate is changed by more than 20 percent.

If there is a decision to discontinue a field specific exploration programme, the costs will be expensed at the time that the decision is made.

Impairment of assets excluding goodwill and oil and gas properties

At each balance sheet date the Group reviews the carrying amounts of its tangible assets to determine whether there is an indication that the recoverable amount is less than the carrying amount. If so the recoverable amount of the asset is estimated in order to determine whether an impairment loss needs to be recorded.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is calculated by discounting estimated future cash flows to their present value. If the recoverable amount is estimated to be less than its carrying amount the carrying amount is reduced to its recoverable amount and an impairment loss is recognised either in profit or loss or in the equity statement. When an impairment loss is reversed the carrying amount of the asset is increased to the estimated recoverable amount but the

increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Financial instruments

The Group recognises the following financial instruments:

- Loans and receivables are valued at the amounts at which they are expected to be realised. Translation differences are reported in the income statement except for the translation differences on long-term intercompany loans, used for financing exploration activities, which are taken directly in shareholders' equity.
- Other shares and participations (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in shareholders' equity until realised. Where the other shares and participations do not have a quoted market price in an active market and whose fair value cannot be measured reliably, they are accounted for at cost less impairment if applicable.
- Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group categorises derivatives as follows:

1. Fair value hedge

   Changes in the fair value of derivatives that qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability.

2. Cash flow hedge

   The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in shareholder's equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in shareholders' equity are transferred to the income statement in the period when the hedged item will affect the income statement. When a hedging instrument no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in shareholders' equity is transferred to the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss reported in equity is immediately transferred to the income statement.

3. Net investment hedge

   Hedges of net investments in foreign operations are accounted for in a similar manner as cash flow hedges. The gain or loss accumulated in shareholders' equity is transferred to the income statement at the time the foreign operation is disposed of.

4. Derivatives that do not qualify for hedge accounting

   When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a first in first out (FIFO) basis. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Under- or overlifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date. An underlift of production from a field is included in current receivables and valued at the reporting date spot price or prevailing contract price and an overlift of production from a field is included in the current liabilities and valued at the reporting date spot price or prevailing contract price.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank, cash in hand and highly liquid interest bearing securities with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity

Issued Share Capital

Issued share capital consists of the registered share capital for the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds.

Share Premium

Excess contribution in relation to the issuance of shares is accounted for as share premium.

Other Reserves

The change in fair value of shares and participations is accounted for in other reserves. Upon the crystallisation of a change in value, the change in fair value recorded will be transferred to the income statement. The change in fair value of hedging instruments is accounted for in other reserves. Upon settlement of the hedge instrument, the change in fair value is transferred to the income statement.

Retained Earnings

Retained earnings contain the accumulated results attributable to the shareholders of the parent company.

Provisions

A provision is reported when the company has a legal or constructive obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount.

On fields where the Group is required to contribute to site restoration costs, a provision is created to recognise the future liability. An asset is created to represent the discounted value of the anticipated decommissioning liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated decommissioning liability is subsequently released over the life of the field and is charged to financial expenses. Management reassess the decommissioning provision estimate annually. Changes in decommissioning provision estimates and reserves are treated prospectively.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period where appropriate.

Revenue

Revenues from the sale of oil and gas are recognised in the income statement net of royalties taken in kind. Sales of oil and gas are recognised upon delivery of products and customer acceptance or on performance of services. Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined and commercial production has commenced.

Service income, generated by providing technical and management services to joint ventures, is recognised as other income.

The fiscal regime in the area of operations defines whether royalties are payable in cash or in kind. Royalties payable in cash are accrued in the accounting period in which the liability arises. Royalties taken in kind are subtracted from production for the period to which they relate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Qualifying assets are assets that necessarily take a substantial period of

time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending to be used for the qualifying asset is deducted from the borrowing costs eligible for capitalisation. This applies on the interest on borrowings to finance fields under development which is capitalised within oil and gas properties until production commences. All other borrowing costs are recognised in profit or loss in the period in which they occur. Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred.

Leases

For a lease to qualify as a finance lease, substantially all of the risks and benefits of ownership must pass to the lessee. In all other cases the lease will be classified as an operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Employee benefits

Short term employee benefits

Short-term employee benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension obligations

Pensions are the most common long-term employee benefit. The pension schemes are funded through payments to insurance companies. The Group's pension obligations consist of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

Share-based payments

The Group recognises equity-settled share-based payments in relation to the incentive warrants programme in the income statement as expenses and as an equity reserve. The equity reserve in relation to incentive warrants programmes is valued at fair value at grant date of the options using the Black & Scholes option pricing method. The fair value of the incentive warrant programme is charged to personnel costs over the vesting period, at each reporting date, recognising changes that affect the number of options expected to vest. The impact of the revision to original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity.

Income taxes

The main components of tax are current and deferred. Current tax is tax that is to be paid or received for the year in question and also includes adjustments of current tax attributable to previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

The Group divides the tax accounts between corporation tax and petroleum tax. Petroleum Revenue Tax (PRT) is classified as Petroleum tax and charged as a tax expense on taxable field profits included in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment information

Management have considered the requirements of IFRS 8, in regard to the determination of operating segments, and concluded that the Group has only one operating segment being the exploration for, and the extraction and production of hydrocarbons in the United Kingdom Continental Shelf. As a result no segmental information disclosures are provided in these accounts.

Related party transactions

The Group recognises the following related parties: associated companies, jointly controlled entities, members of the family of the key management personnel or other parties that are partly, direct or indirect, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity.

Critical accounting estimates and judgements

The management of the Group has to make estimates and judgements when preparing the Financial Statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's result. The most important estimates and judgements in relation thereto are:

Estimates in oil and gas reserves

The business of the Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Decommissioning provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgment, actual results could differ from these estimates.

Estimates in impairment of goodwill

Determination of whether goodwill has suffered any impairment requires an estimation of the value in use of the cash- generating units to which goodwill has been allocated. The present value calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

IFRS accounting principles not yet adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them. These are applicable to the Group as follows:

IFRIC 17–'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)

The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IAS 27 (revised)–'Consolidated and separate financial statements' (effective from 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revision is not expected to have any impact on the Group's financial statements as there are no non-controlling interests in the Group.

IFRS 3 (revised)–'Business combinations' (effective from 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 38 (amendment)–'Intangible Assets'

The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

IFRS 5 (amendment)–'Non-current assets held for sale and discontinued operations'

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 1 (amendment)–'Presentation of financial statements'

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

IFRS 2 (amendments)–'Group cash-settled share-based payment transactions' (effective from 1 January 2010)

In addition to incorporating IFRIC 8–'Scope of IFRS 2', and IFRIC 11–'IFRS 2–Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

3. REVENUES AND EXPENSES

(a) Revenue

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net sales of:			
Crude oil	226,325	336,448	361,553
Condensate	1,786	3,241	3,304
Other operating revenue	5,906	9,092	11,685
	234,017	**348,781**	**376,542**

(b) Cost of Sales

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Cost of operations	130,615	159,514	150,721
Tariff and transportation expenses	15,411	17,500	18,585
Change in lifting position	(4,593)	(9,115)	15,750
Inventory movement—hydrocarbons	(65)	745	26
Depletion of oil and gas properties	51,778	62,777	64,562
	193,146	**231,421**	**249,644**

(c) Exploration and evaluation expenses

Exploration and evaluation expenses are capitalised as they are incurred and reviewed on a regular basis to assess their future recoverability. When a decision is made not to proceed with a project the relevant costs are expensed.

(d) Other income

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Foreign currency exchange gains	3,932	13,860	336
Insurance claim income	(431)	20,157	—
Gain on sale of intangible asset	—	185	—
	3,501	**34,202**	**336**

Insurance claim income represents the agreed insurance settlement value in relation to a turbine fire incident on the Thistle asset in 2007.

(e) General and administration expenses

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Staff costs (note 3(f))	7,157	6,823	6,427
Other personnel costs	3,310	3,051	2,427
Depreciation	642	987	325
Operating lease expenses	649	711	10
Other operating expenses	2,222	2,859	1,799
Recharged to Operations and Joint Venture Partners	(13,845)	(14,362)	(10,571)
	135	**69**	**417**

Other operating expenses consist mainly of office, travel, legal and professional costs.

3. REVENUES AND EXPENSES (Continued)

(f) Staff costs

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Total staff costs:			
—Wages and salaries	5,145	5,291	4,974
—Social security costs	637	661	644
—Defined contribution pension costs	358	412	312
—Expense of share options and long-term incentive plan (note 15)	608	231	460
—Other staff costs	409	228	37
	7,157	**6,823**	**6,427**

The average number of persons employed by the Group during the year was 34 (2008: 36, 2007: 25).

(g) Other expenses

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Foreign currency exchange losses	**21,454**	**6,249**	**2,616**

(h) Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements of the Group and its subsidiaries:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Audit of financial statements	**124**	**162**	**164**

4. FINANCE (COSTS)/INCOME

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Finance costs:			
Loan interest payable	3,099	7,704	6,866
Interest payable to related parties	—	41	355
Unwinding of discount on decommissioning provisions	2,916	2,592	3,158
Other financial expenses	429	—	—
Total finance cost	**6,444**	**10,337**	**10,379**
Finance income:			
Bank interest receivable	31	779	877
Interest receivable from related parties	796	8,388	6,328
Total finance income	**827**	**9,167**	**7,205**

5. INCOME TAX

(a) Tax on ordinary activities

The major components of income tax expense are as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Current income tax	7,973	2,335	244
Deferred income tax	1,331	53,956	40,391
	9,304	**56,291**	**40,635**

(b) Reconciliation of current income tax charge

Reconciliation between the income tax expense and the product of accounting profit multiplied by the Company's domestic tax rate is as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Accounting profit before tax	11,017	123,432	95,492
At United Kingdom corporation tax rate of 30% (2008: 30%, 2007: 30%)	3,305	37,030	28,648
20% supplementary corporation tax (2008: 20%; 2007 20%)	3,930	3,786	2,557
Accelerated capital allowances	(2,633)	(31,000)	(26,440)
Decommissioning provision charge for year	875	777	947
Non taxable expenditure	82	22	637
Tax effect of losses not available for Group relief	352	—	—
Adjustments in respect of previous periods	(943)	(3,776)	(6,118)
Tax effect of income deferred for tax purposes—insurance claim	2,992	(2,652)	—
Tax effect of weighted average currency rates applied for tax purposes	—	(1,865)	—
Effect of foreign tax	13	13	13
Total current income tax	**7,973**	**2,335**	**244**

There are no unrecognised deferred tax assets or liabilities.

5. INCOME TAX (Continued)

(c) Deferred income tax

Deferred income tax relates to the following:

	Consolidated Balance Sheet			Consolidated Income Statement		
	2009	2008	2007	2009	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Deferred income tax liabilities						
Accelerated allowances	278,931	272,831	229,547	6,116	43,285	44,069
Other temporary differences	372	4,420	(1,954)	(1,282)	4,420	(1,375)
Gross deferred income tax liabilities	279,303	277,251	227,593	4,834	47,705	42,694
Deferred income tax assets						
Losses available for offset	(352)	—	—	(352)	—	—
Decommissioning provision	(26,468)	(23,316)	(30,397)	(3,151)	7,081	(2,303)
Other temporary differences	—	(10,550)	—	—	(830)	—
Gross deferred income tax assets	(26,820)	(33,866)	(30,397)	(3,503)	6,251	(2,303)
Net Deferred income tax liability	252,483	243,385	197,196			
Deferred income tax charge				1,331	53,956	40,391
Deferred petroleum revenue tax liabilities						
Accelerated allowances	76,673	59,269	43,149	11,175	27,928	23,351
Other temporary differences	210	3,789	(1,807)	(5,304)	3,789	(2,897)
Gross Deferred petroleum revenue tax liabilities	76,883	63,058	41,342	5,871	31,717	20,454
Deferred petroleum revenue tax assets						
Losses available for offset	(77,039)	(56,848)	(37,468)	(12,150)	(29,632)	(17,797)
Other temporary differences	—	(629)	—	—	682	—
Gross deferred petroleum revenue tax assets	(77,039)	(57,477)	(37,468)	(12,150)	(28,950)	(17,797)
Net Deferred petroleum revenue tax (asset)/liability	(156)	5,581	3,874			
Deferred petroleum revenue tax charge /(relief)				(6,279)	2,767	2,657
Total Deferred tax liability	252,483	248,966	201,070			
Total Deferred tax asset	(156)	—	—			

Deferred income tax losses available for offset are expected to be utilised within the next 12 months.

Deferred petroleum revenue tax losses available for offset are expected to be utilised after the next 12 months.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in calculating basic and diluted earnings per share:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Net profit attributable to ordinary shareholders	7,992	64,372	52,200

	2009	2008	2007
Number of ordinary shares for basic earnings per share	18,001	18,001	18,001

7. DIVIDENDS PAID AND PROPOSED

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Declared and paid during the year			
Equity dividends on ordinary shares:			
Final dividend for 2007: US$3,201.82 per share	—	—	57,636
Final dividend for 2008: US$4,166.44 per share	—	75,000	—
	—	75,000	57,636

8. PROPERTY, PLANT AND EQUIPMENT

	Oil & gas assets	Office furniture and equipment	Total
	US$'000	*US$'000*	*US$'000*
Cost			
At 1 January 2007	513,626	1,998	515,624
Additions	115,106	407	115,513
At 31 December 2007	628,732	2,405	631,137
Additions	157,050	1,982	159,032
Changes in estimates of decommissioning provision	(16,766)	—	(16,766)
At 31 December 2008	769,016	4,387	773,403
Additions	63,525	259	63,784
Changes in estimates of decommissioning provision	3,385	—	3,385
At 31 December 2009	835,926	4,646	840,572
Depreciation			
At 1 January 2007	139,566	1,377	140,943
Charge for the year	64,562	325	64,887
At 31 December 2007	204,128	1,702	205,830
Charge for the year	62,777	987	63,764
At 31 December 2008	266,905	2,689	269,594
Charge for the year	51,778	642	52,420
At 31 December 2009	318,683	3,331	322,014
Net carrying amount:			
At 31 December 2009	517,243	1,315	518,558
At 31 December 2008	502,111	1,698	503,809
At 31 December 2007	424,604	703	425,307

No interest has been capitalised within oil & gas facilities during the year (2008: nil; 2007: nil) and the accumulated capitalised interest, net of depreciation at 31 December 2009, was US$1,916,000 (2008: US$2,156,000; 2007: US$2,396,000).

Included in oil & gas assets are US$9,848,000 (2008: US$6,802,000, 2007: US$25,857,000) of capitalised decommissioning costs net of depreciation provided on Heather and Broom assets in the United Kingdom.

Of the total charge for depreciation in the income statement, US$51,778,000 (2008: US$62,777,000, 2007: US$64,562,000) is included in cost of sales and US$642,000 (2008: US$987,000, 2007: US$325,000) in general, administration and depreciation expenses.

9. INTANGIBLE ASSETS

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Intangible oil & gas assets			
Cost:			
At 1 January	75,449	69,486	3,182
Additions	2,341	26,857	91,839
Disposals	—	(252)	—
Asset written off	(6,149)	(20,642)	(25,535)
At 31 December	71,641	75,449	69,486

Intangible oil & gas assets represents capitalised exploration expenses.

10. LOAN RECEIVABLE FROM RELATED PARTY

The Group considers that the carrying amounts of loans receivable from related parties approximate to their fair values.

11. INVENTORIES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Hydrocarbon stocks	1,297	1,123	1,444

12. TRADE AND OTHER RECEIVABLES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Trade receivables	28,473	16,856	41,335
Corporation tax receivable	—	2,667	—
Prepayments and accrued income	1,763	1,475	268
Other receivables	5,546	27,601	3,369
	35,782	48,599	44,972

No material amounts have been recorded as provisions for bad debt.

In 2008 other receivables include US$19,495,000 resulting from an insurance claim.

13. CASH AND SHORT-TERM DEPOSITS

The Group considers that the carrying amounts of cash and short-term deposits approximate to their fair values.

14. SHARE CAPITAL

The share capital of the Company as at 31 December was as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Authorised			
90,000 ordinary shares of Euro 1 each (2008 and 2007: 90,000 ordinary shares of Euro 1 each)	114	114	114
Issued and fully paid			
18,001ordinary shares of Euro 1 each (2008 and 2007: 18,001 ordinary shares of Euro 1 each)	23	23	23

The share capital comprises only one class of ordinary shares. The ordinary shares carry a voting right and the right to a dividend.

15. SHARE OPTION PROGRAMME/LONG-TERM INCENTIVE PLAN

The ultimate parent company, Lundin Petroleum AB, runs an incentive programme for employees of the Group, including Lundin North Sea BV Group, whereby warrants are issued to employees enabling them to buy shares in Lundin Petroleum AB.

The incentive warrants for 2004 until 2007 were issued at a premium to the average closing price of Lundin Petroleum AB shares for the ten days after the AGM. The warrants are valid for three years but cannot be exercised within the first year of issue. Issued warrants to employees leaving the Group within the first year of issue, are forfeited.

Movements in the number of incentive warrants outstanding in relation to employees of the Group and the related weighted average exercise prices are as follows:

	2009		2008		2007	
	Average weighted exercise price SEK per share	Number of shares	Average weighted exercise price SEK per share	Number of shares	Average weighted exercise price SEK per share	Number of shares
At 1 January	89.85	534,250	81.53	781,000	84.20	606,000
Granted	—	—	—	—	78.05	225,000
Exercised	—	—	60.20	(195,000)	60.20	(20,000)
Lapsed	89.36	(416,000)	91.14	(51,750)	97.40	(30,000)
At 31 December	78.05	118,250	89.85	534,250	81.53	781,000

The fair value of incentive warrants granted during the period using Black & Scholes method of valuation model amounted to nil Swedish Kroner (SEK) (2008: nil SEK ; 2007: SEK 3,753,000) based on an assessed volatility of 30% and the continuously compounded Swedish Government bond interest rate of 4.32%. The total expense accounted for during the period amounted to SEK nil (2008: SEK nil; 2007: SEK 3,200,000 (US$460,000)).

	Issued 2005	Issued 2006	Issued 2007
Exercise Price SEK	60.20	97.40	78.05
Exercise period	31 May 2006– 31 May 2008	31 May 2007– 31 May 2009	31 May 2008– 31 May 2010
Valuation per warrant*	7.34	8.43	8.34

* The valuation has been calculated using the Black & Scholes method with allowance for the relative performance award.

In 2008 the shareholders of Lundin Petroleum AB approved the implementation of a Long-term Incentive Plan (LTIP) which consists of an annual grant of units that will be converted into a cash payment at vesting. The cash payment is determined at the end of each vesting period by multiplying the number of units by the share price. The LTIP has a three year duration whereby the initial grant of units vests equally in three tranches: one third after one year; one third after two years; and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Lundin Petroleum Group at the time of payment. The total costs related to the LTIP for the financial year ended 31 December 2009 amounted to SEK 4,249,472 (US$608,000) (2008: SEK 1,804,433 (US$231,024); 2007: SEK nil)).

16. OTHER RESERVES

	Net unrealised (losses)/ gains on derivatives	Share Option reserve	Total
	US$'000	*US$'000*	*US$'000*
Balance at 1 January 2007	—	387	387
Share Option programme (note 15)	—	460	460
Balance at 31 December 2007	—	847	847
Net changes in fair value of derivatives and financial assets designated as cash flow hedges	(18,122)	—	(18,122)
Balance at 31 December 2008	(18,122)	847	(17,275)
Net losses on maturity of cash flow hedges recycled in the year	18,122	—	18,122
Transfer to retained earnings	—	(764)	(764)
Balance at 31 December 2009	**—**	**83**	**83**

Nature and purpose of other reserves

Net unrealised gains/(losses) on derivatives

The portion of gains or losses on cash flow hedging instruments that are determined to be effective hedges are included within this reserve net of related deferred tax effects. When the hedged transaction occurs or is no longer forecast to occur the gain or loss is transferred out of equity to the income statement. Realised net losses amounting to US$17,445,000 (2008: nil, 2007: nil) relating to foreign currency forward contracts and financial assets designated as cash flow hedges have been recognised in cost of sales.

Reserve for share options

The reserve for share options is used to record the value of equity settled share options awarded to employees and transfers out of this reserve are made to retained earnings when the original share option awards are exercised or lapse.

17. INTEREST-BEARING LOANS AND BORROWINGS

The Group had the following interest-bearing loans and borrowings outstanding:

	31 December 2009 Actual interest rate	31 December 2008 Actual interest rate	31 December 2007 Actual interest rate	Effective interest rate	Maturity	2009	2008	2007
	%	%	%	%		*US$'000*	*US$'000*	*US$'000*
Non-current								
Term loan with BNP Paribas	US LIBOR + 0.90%	US LIBOR + 0.90%	US LIBOR + 1.08%	1.16% to 2.36% (2008: 2.34% to 5.74%; 2007: 5.27% to 6.69%)	2014	156,000	171,000	127,000
Term loan with related party	—	—	7.84%	7.84%	2008	—	—	7,372
						156,000	171,000	134,732

The term loan with BNP Paribas is denominated wholly in US$.

The Group considers that the carrying amounts of interest-bearing loans and borrowings approximate to their fair values.

18. PROVISIONS

	Provision for decommissioning	Other provisions	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2007	56,188	—	56,188
Accretion of discount	3,158	—	3,158
Changes in estimates	1,449	—	1,449
At 31 December 2007	60,795	—	60,795
Accretion of discount	2,592	—	2,592
Changes in estimates	(16,756)	—	(16,756)
Additions during the year	—	231	231
At 31 December 2008	46,631	231	46,862
Additions during the year	—	261	261
Unused amounts reversed/paid in the year	—	(228)	(228)
Changes in estimates	3,387	—	3,387
Accretion of discount	2,916	—	2,916
At 31 December 2009	**52,934**	**264**	**53,198**

Provision for decommissioning

The decommissioning provision primarily relates to the Group's obligation for the removal of facilities and restoration of the Heather and Broom assets in the United Kingdom. The liability is discounted at the rate of 5.5% (2008: 5.5%; 2007: 5.5%). The unwinding of the discount is classified as a finance cost (note 4). The Company estimates that the cash outflows against these provisions will arise between 2025 and 2031 (2008: 2021 and 2031; 2007: 2020 and 2023) assuming no further development of the assets.

19. OTHER FINANCIAL LIABILITIES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Other financial liabilities—current			
Fair value of derivative instruments (note 21)	—	25,892	—

Market values, calculated by reference to the spot exchange rate at the reporting date, have been used to determine the fair values of forward currency contracts.

20. TRADE AND OTHER PAYABLES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Trade payables	1,481	5,242	12,721
Accrued expenses	31,241	43,307	73,032
Other taxes and social security payable	236	469	598
Other payables	368	3,477	11,872
	33,326	**52,495**	**98,223**

Accrued expenses represent oil and gas asset capital and production cost accruals and other operational and overhead cost accruals.

Other payables include production overlift of nil (2008: US$2,304,000, 2007: US$10,514,000) and other current liabilities.

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days.

Certain trade and other payables will be settled in currencies other than the reporting currency of the Group, mainly in sterling and Euros.

21. COMMITMENTS AND CONTINGENCIES

Commitments

At 31 December 2009, the Group had no outstanding forward exchange contracts (2008: US$139,812,000, 2007: nil). These commitments consist of future obligations to either acquire or sell designated amounts of foreign currency at agreed rates and value dates (note 23).

Leases

The Group has financial commitments in respect of non-cancellable operating leases. These non-cancellable leases have remaining non-cancellable lease terms of between one and five. The future minimum rental commitments under these non-cancellable leases are as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
After one year but not more than five years	2,134	2,795	—

Capital commitments

At 31 December 2009, the Group had capital commitments of US$24,485,000 (2008: US$3,134,000; 2007: US$4,292,000) excluding the above lease commitments. Capital commitments include a commitment relating to the use of a drilling rig in the Broom area for US$15,000,000 (2008: nil, 2007: nil).

22. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Lundin North Sea BV and the subsidiaries listed in note 26. Lundin Petroleum AB is the ultimate parent entity of the Group.

The following table provides the total amount of transactions which have been entered into with related parties:

			Long-term:		Current:	
	Sales to related parties	Purchases from related parties	Loans to related parties	Loans from related parties	Amounts owed by related parties	Amounts owed to related parties
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2009:						
Lundin Petroleum AB	—	—	—	—	—	179
Ultimate Parent Company	**—**	**—**	**—**	**—**	**—**	**179**
Lundin Petroleum BV	796	—	21,443	—	—	36
Parent Company	**796**	**—**	**21,443**	**—**	**—**	**36**
Lundin Services BV	—	—	—	—	—	282
Lundin Oil & Gas BV	—	—	—	—	438	—
Lundin Norway AS	—	—	—	—	114	—
Lundin group subsidiaries	**—**	**—**	**—**	**—**	**552**	**282**
	796	**—**	**21,443**	**—**	**552**	**497**
2008:						
Lundin Petroleum AB	—	—	—	—	—	141
Ultimate Parent Company	**—**	**—**	**—**	**—**	**—**	**141**
Lundin Petroleum BV	8,388	—	49,719	—	—	—
Parent Company	**8,388**	**—**	**49,719**	**—**	**—**	**—**
Lundin Services BV	—	—	—	—	—	132
Lundin Norway AS	—	41	—	—	—	2,700
Lundin Tunisia Concession	—	—	—	—	13	—
Lundin International SA	—	—	—	—	36	—
Lundin group subsidiaries	**—**	**41**	**—**	**—**	**49**	**2,832**
	8,388	**41**	**49,719**	**—**	**49**	**2,973**
2007:						
Lundin Petroleum AB	—	—	—	—	—	617
Ultimate Parent Company	**—**	**—**	**—**	**—**	**—**	**617**
Lundin Petroleum BV	3,054	—	119,836	—	—	—
Parent Company	**3,054**	**—**	**119,836**	**—**	**—**	**—**
Viking Oil and Gas ASA	2,894	—	—	—	—	—
Lundin Services BV	—	—	—	—	—	153
Lundin Norway AS	380	355	—	7,372	610	—
Lundin group subsidiaries	**3,274**	**355**	**—**	**7,372**	**610**	**153**
	6,328	**355**	**119,836**	**7,372**	**610**	**770**

All sales to and purchases from Lundin Petroleum AB Group entities are made at normal market prices and the pricing policies and terms of these transactions are approved by the Group's management.

The underlying currency of long-term loans to related parties is USD.

22. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The following details remuneration of key management personnel of the Group including executive and non-executive Directors of Companies in the Group.

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Short-term employee benefits	350	387	699
Pension contributions	24	30	33
Other long-term benefits	20	55	—
	394	**472**	**732**

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits, interest-bearing loans and borrowings, and trade and other payables.

The Group's activities expose it to various financial risks particularly associated with fluctuation in oil price, currency rates, interest rates as well as credit financing. The foreign currency risk was addressed by using a forward currency contracts in line with the Group's hedging policy in 2009. The Group has a policy not to enter into speculative trading of financial derivatives.

Commodity price risk—oil prices

The Group is exposed to the impact of changes in oil & gas prices on its revenues and profits generated from sales of crude oil & gas. The Group does not hedge this risk.

The following table summarises the impact on the Group's pre-tax profit of a reasonably possible change in the oil price:

	Pre-tax profit		Equity	
	+10 US$/bbl increase	−10 US$/bbl decrease	+10 US$/bbl increase	−10 US$/bbl decrease
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2009	35,790	(35,790)	14,810	(14,810)
31 December 2008	34,720	(34,720)	15,133	(15,133)
31 December 2007	50,050	(50,050)	21,160	(21,160)

Foreign currency risk

The Group is exposed to foreign currency risk on purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating unit. The underlying currencies of assets and liabilities of the group are USD and sterling.

The Group's policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US dollar currencies in advance so that future US dollar cost levels can be forecasted with a reasonable degree of certainty. It is the Group's policy not to enter into forward contracts until a highly probable forecast transaction is in place and to negotiate the terms of the derivative instruments used for hedging to match the terms of the hedged item to maximise hedge effectiveness.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis

Costs in currencies other than the functional currency of an operating unit are recorded at the prevailing rate at the date of the transaction. The following significant exchange rates applied during the year in relation to US dollars:

	2009		2008		2007	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Sterling	1.57	1.62	1.85	1.46	2.05	2.07

The following table summarises the impact on the Group's pre-tax profit and equity (due to change in the fair value of monetary assets, liabilities and derivative instruments) of a reasonably possible change in US dollar exchange rates with respect to different currencies:

	Pre-tax profit		Equity	
	+10% US dollar rate increase	−5% US dollar rate decrease	+10% US dollar rate increase	−5% US dollar rate decrease
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2009	(1,752)	876	(876)	438
31 December 2008	761	(381)	(1,432)	716
31 December 2007	(228)	114	(114)	57

Derivative instruments designated as cash flow hedges

At 31 December 2009, the Group had no outstanding foreign exchange forward contracts designated as cash flow hedges against sterling currency purchases (2008: fair value loss of US$25,892,000; 2007: nil) equity as follows:

	Contract value			Fair value			Net unrealised gain/(loss)		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Sterling currency purchases	—	139,812	—	—	113,920	—	—	(25,892)	—

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the Group's interest-bearing financial liabilities and assets.

The Group's exposure to market risk arising from changes in interest rates relates primarily to the Group's long-term variable rate debt obligations, variable rate loan receivable from related parties and its cash and bank balances. The Group did not hedge this risk.

The impact on the Group's pre-tax profit and equity due to a reasonably possible change in interest rates is demonstrated in the table below. The analysis assumes that all other variables remain constant.

	Pre-tax profit		Equity	
	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2009	(153)	153	(107)	107
31 December 2008	(43)	43	(30)	30
31 December 2007	(19)	19	(14)	14

Credit risk

The Group trades only with recognised, major international Oil and Gas Operators and at 31 December 2009 there were no trade receivables past due (2008: nil; 2007: nil). At 31 December 2009, the Group's

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

largest customer accounted for 83% of outstanding trade receivables (2008: 99%, 2007: 99%) and 99% of net sales of oil and gas (2008: 97%, 2007: 97%).

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount.

Liquidity risk

The Group's liquidity is managed by the Lundin Petroleum AB Group Treasury Management function to ensure that the Lundin Petroleum Group as a whole maintains a balance between continuity of funding and flexibility through the use of overdrafts, revolving credit facilities, project finance and term loans to reduce its exposure to liquidity risk. The maturity profiles of the Group's financial liabilities at 31 December 2009 are as follows:

Year ended 31 December 2009

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial liabilities							
Interest-bearing loans and borrowings	—	—	—	156,000	—	156,000	156,000
Trade and other payables	33,326	—	—	—	—	33,326	33,326
Due to related parties	497	—	—	—	—	497	497
Interest payments	905	905	1,810	5,430	—	9,050	—
	34,728	**905**	**1,810**	**161,430**	**—**	**198,873**	**189,823**

Year ended 31 December 2008

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial liabilities							
Interest-bearing loans and borrowings	—	—	—	171,000	—	171,000	171,000
Trade and other payables	51,505	—	—	—	—	51,505	51,505
Due to related parties	2,973	—	—	—	—	2,973	2,973
Derivative instruments	9,061	9,061	—	—	—	18,122	18,122
Interest payments	2,001	2,001	4,001	12,003	—	20,006	—
	65,540	**11,062**	**4,001**	**183,003**	**—**	**263,606**	**243,600**

Year ended 31 December 2007

	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Financial liabilities							
Interest-bearing loans and borrowings	—	—	—	134,372	—	134,372	134,372
Trade and other payables	98,223	—	—	—	—	98,223	98,223
Due to related parties	770	—	—	—	—	770	770
Interest payments	3,347	3,347	6,693	20,079	—	33,466	33,466
	102,340	**3,347**	**6,693**	**154,451**	**—**	**266,839**	**266,831**

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Capital management

The Group's policy is to maintain a healthy capital base to sustain future asset development and exploration activities and maximise shareholder value. The gearing ratio and return on shareholders' equity is as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Cash and short-term deposits	7,893	3,526	4,281
Interest-bearing loans and borrowings (A)	(134,557)	(121,281)	(14,536)
Net debt (B)	(126,664)	(117,755)	(10,255)
Equity attributable to Lundin North Sea BV shareholders (C)	159,635	132,933	162,834
Profit for the year attributable to Lundin North Sea BV shareholders (D)	7,992	64,374	52,200
Gross gearing ratio (A/C)	84%	91%	9%
Net gearing ratio (B/C)	79%	89%	6%
Shareholders' return on investment (D/C)	5%	48%	32%

Fair values of financial assets and liabilities

The Group's financial instruments are included within the Group's balance sheet at fair value and are set out below:

	Fair value		
	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Financial assets			
Cash and short-term deposits	7,893	3,526	4,281
Interest-bearing loan to related party	21,443	49,719	119,836
	29,336	53,245	124,117

24. CONTINGENT LIABILITIES

On 26th October 2007 the ultimate parent Company, Lundin Petroleum AB, secured US$1 billion in new financing facilities. The facilities, which replace the Bank of Scotland plc facility, were fully underwritten by BNP Paribas and sub-underwriters Bank of Scotland and Royal Bank of Scotland. The financing facility consists of US$850 million revolving borrowing base and a letter of credit facility which is secured on the assets of the Group (2008 and 2007: and a US$150 million unsecured corporate facility). The Lundin Petroleum AB Group's cash drawings outstanding under the credit facility amounted to US$544 million (2008: US$554 million; 2007: US$418 million) as at the balance sheet date.

25. POST BALANCE SHEET EVENTS

Lundin Petroleum AB, the ultimate parent company of Lundin North Sea BV, has entered into a share transfer agreement with EnQuest PLC under which Lundin Petroleum AB has agreed to transfer all of the shares of Lundin North Sea BV to EnQuest thereby demerging the Lundin North Sea BV group into EnQuest. Completion of the transactions contemplated by the share transfer agreement remain subject to various conditions, including the approval of Lundin Petroleum AB's shareholders.

It is intended that approximately US$125.5 million of loans payable by Lundin North Sea BV to the Lundin group companies will be capitalised in relation to the planned demerger from the Lundin group. In the event the planned demerger does not happen, such loans may not be capitalised.

As part of this planned transaction Petrofac, a company listed on the London Stock Exchange, will demerge Petrofac Energy Developments Limited and its subsidiaries to EnQuest. Following completion of the Lundin and Petrofac demergers, EnQuest's shares in issue will be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange and to trading on the

25. POST BALANCE SHEET EVENTS (Continued)

NASDAQ OMX Stockholm via a secondary listing. Upon completion of this planned transaction, Lundin Petroleum AB shareholders will own approximately 55 per cent. of the issued EnQuest shares and Petrofac shareholders will own approximately 45 per cent. of the issued EnQuest shares.

26. SUBSIDIARIES

At 31 December 2009, the Group had investments in the following subsidiaries:

Name of company	Country of incorporation	Proportion of nominal value of issued shares controlled by the Group 2009, 2008 and 2007
Trading subsidiaries		
Lundin Britain Limited*	United Kingdom	100%
—Lundin Heather Limited	United Kingdom	100%
—Lundin Thistle Limited	United Kingdom	100%
—Lundin UK Limited	United Kingdom	100%

* Directly held by Lundin North Sea BV

PART VII

ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON PEDL

SECTION A—ACCOUNTANT'S REPORT

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The Directors
EnQuest PLC
Rex House
4-12 Regent Street
London SW1Y 4PE

18 March 2010

Dear Sirs

Petrofac Energy Developments Limited

We report on the financial information set out in Section B of Part VII of the prospectus of EnQuest PLC dated 18 March 2010 (the "**Prospectus**"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2. This report is required by item 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Responsibilities

The Directors of EnQuest PLC are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 18 March 2010, a true and fair view of the state of affairs of Petrofac Energy Developments Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

Ernst & Young LLP

SECTION B—HISTORICAL FINANCIAL INFORMATION ON PEDL

PETROFAC ENERGY DEVELOPMENTS LIMITED
CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		US$'000	*US$'000*	*US$'000*
Revenue	4(a)	84,971	2,727	3,307
Cost of sales	4(b)	(66,425)	(2,045)	(2,480)
Gross profit		**18,546**	**682**	**827**
Evaluation costs		—	(9,821)	—
General and administration expenses	4(c)	(11,292)	(10,237)	(7,108)
Other income	4(d)	737	—	6
Other expenses	4(e)	—	(1,014)	—
Negative goodwill	10	—	6,618	—
Profit/(loss) from operations before tax and finance income/(costs)		**7,991**	**(13,772)**	**(6,275)**
Finance income	5	1,002	146	21
Finance costs	5	(8,726)	—	—
Profit/(loss) before tax		**267**	**(13,626)**	**(6,254)**
Income tax	6	12,387	6,826	6,524
Profit/(loss) for the year attributable to Petrofac Energy Developments Limited shareholders		**12,654**	**(6,800)**	**270**
Earnings Per Share (US $)	7			
—Basic		US$ 1,265	US$ (680)	US$ 27
—Diluted		US$ 1,265	US$ (680)	US$ 27

PETROFAC ENERGY DEVELOPMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		US$'000	*US$'000*	*US$'000*
Profit/(loss) for the year		**12,654**	**(6,800)**	**270**
Foreign currency gains/(losses)	18	—	5,284	(111)
Other comprehensive income/(loss)		**—**	**5,284**	**(111)**
Total comprehensive income/(loss) for the year		**12,654**	**(1,516)**	**159**
Attributable to:				
Petrofac Energy Developments Limited shareholders		12,654	(1,516)	159

PETROFAC ENERGY DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2009	As at 31 December 2008	As at 31 December 2007
		US$'000	*US$'000*	*US$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	9	406,808	169,392	42,106
Intangible assets	11	—	—	—
Available for sale financial assets	12	—	—	2,601
Deferred income tax assets	6(c)	21,326	14,727	7,475
		428,134	184,119	52,182
Current assets				
Inventories	13	3,899	—	—
Trade and other receivables	14	71,460	45,051	4,641
Due from related parties	22	4,922	20,780	318
Cash and short-term deposits	15	16,089	15,145	12,811
		96,370	80,976	17,770
TOTAL ASSETS		**524,504**	**265,095**	**69,952**
EQUITY AND LIABILITIES				
Equity attributable to Petrofac Energy Developments Limited shareholders				
Share capital	16	17	17	17
Foreign currency translation	18	4,694	4,694	(590)
Retained earnings/(losses)		2,726	(13,348)	(6,548)
TOTAL EQUITY		**7,437**	**(8,637)**	**(7,121)**
Non-current liabilities				
Provisions	19	55,359	1,257	—
Loans due to related parties	22	—	202,387	59,807
		55,359	203,644	59,807
Current liabilities				
Trade and other payables	20	64,381	45,490	11,661
Loans due to related parties	22	394,898	—	—
Other payables due to related parties	22	2,429	24,598	4,426
Income tax payable		—	—	1,179
		461,708	70,088	17,266
TOTAL LIABILITIES		**517,067**	**273,732**	**77,073**
TOTAL EQUITY AND LIABILITIES		**524,504**	**265,095**	**69,952**

PETROFAC ENERGY DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
		US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES				
Profit/(loss) before tax		267	(13,626)	(6,254)
Depreciation	9	41,584	83	39
Write off of evaluation costs	11	—	9,821	—
Net finance costs/(income)	5	7,724	(146)	(21)
Negative goodwill	10	—	(6,618)	—
Loss on disposal of available-for-sale assets	12	—	252	—
Operating profit before working capital changes		**49,575**	**(10,234)**	**(6,236)**
Trade and other receivables		(26,410)	(52,704)	(1,234)
Due from related parties		20,181	67,102	(219)
Inventories		(3,899)	—	—
Trade and other payables		7,516	46,216	7,403
Due to related parties		(25,034)	1,981	4,069
Cash generated from operations		**21,929**	**52,361**	**3,783**
Interest paid		(7,345)	—	—
Interest received		1,002	—	—
Income taxes received/(paid), net		—	1,311	(298)
Net cash flows from operating activities		**15,586**	**53,672**	**3,485**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(207,153)	(168,035)	(52)
Addition of intangible oil & gas assets	11	—	(9,821)	(32,593)
Acquisition of subsidiary undertaking	10	—	(70,000)	—
Purchase of available-for-sale financial assets	10	—	—	(2,307)
Cash received from available-for-sale financial assets		—	—	320
Cash acquired on acquisition of subsidiary undertaking	10	—	495	—
Finance income		—	146	21
Net cash flows used in investing activities		**(207,153)**	**(247,215)**	**(34,611)**
FINANCING ACTIVITIES				
Receipt of loans from related parties	22	394,898	200,653	43,220
Repayment of loans from related parties	22	(202,387)	—	—
Net cash flows used in financing activities		**192,511**	**200,653**	**43,220**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**944**	**7,110**	**12,094**
Net foreign exchange difference on cash and cash equivalents		—	(4,776)	(109)
Cash and cash equivalents at 1 January	15	15,145	12,811	826
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**16,089**	**15,145**	**12,811**

PETROFAC ENERGY DEVELOPMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Foreign currency translation	Retained earnings/ (losses)	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2007	17	(479)	(6,818)	(7,280)
Profit for the year	—	—	270	270
Other comprehensive loss	—	(111)	—	(111)
Total comprehensive income 2007	—	(111)	270	159
Share-based payments expense	—	—	438	438
Funding of Share-based payments expense	—	—	(438)	(438)
At 31 December 2007	**17**	**(590)**	**(6,548)**	**(7,121)**
Loss for the year	—	—	(6,800)	(6,800)
Other comprehensive income	—	5,284	—	5,284
Total comprehensive loss 2008	—	5,284	(6,800)	(1,516)
Share-based payments expense	—	—	737	737
Funding of Share-based payments expense	—	—	(737)	(737)
At 31 December 2008	**17**	**4,694**	**(13,348)**	**(8,637)**
Profit for the year	—	—	12,654	12,654
Total comprehensive income 2009	—	—	12,654	12,654
Capital Contribution	—	—	4,886	4,886
Tax on Capital Contribution	—	—	(1,466)	(1,466)
Share-based payments expense	—	—	1,251	1,251
Funding of Share-based payments expense	—	—	(1,251)	(1,251)
At 31 December 2009	**17**	**4,694**	**2,726**	**7,437**

Other comprehensive income/(loss) represents exchange differences arising on the translation of the financial statements of the Company from sterling to US dollars whilst its functional currency was sterling prior to 1 January 2009.

Capital contribution represents release in 2009 of interest charged by PEDIL in 2008.

PETROFAC ENERGY DEVELOPMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Petrofac Energy Developments Limited ('PEDL' or 'the Company') is a limited liability company registered and incorporated in England and Wales. Its registered address is 4th Floor, 117 Jermyn Street, London, SW1Y 6HH.

The principal activity of the Company and its subsidiaries, Petrofac Energy Developments Oceania Limited and PEDL Limited, is the development and operation of oil and gas production facilities in the United Kingdom.

The Company is a wholly owned subsidiary of Petrofac, a limited liability company incorporated in Jersey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial information has been prepared in accordance with the requirements of the PD regulation, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

The consolidated financial information has been prepared on a historical cost basis. The presentation currency of the consolidated financial information is United States dollars and all values in the financial information are rounded to the nearest thousand (US$'000) except where otherwise stated.

The group has net current liabilities of US$365,000,000 at 31 December 2009. Management considers it appropriate to prepare the consolidated financial information on a going concern basis as loans payable of approximately US$368,000,000 are due to be capitalised in relation to the planned demerger from the Petrofac group. See note 24 for further details.

The Petrofac Limited Group has previously reported consolidated financial information in compliance with IFRS. This Group has not previously prepared or reported any consolidated financial information in accordance with any other generally accepted accounting principles ("GAAP"). Consequently, it is not possible to provide IFRS 1 reconciliations between financial information prepared under any previous GAAP and the financial information prepared in accordance with IFRS included in this consolidated financial information, as required by IFRS 1 on transition to IFRS.

Basis of consolidation

Subsidiaries

The consolidated financial information comprises the financial statements of Petrofac Energy Developments Limited and its subsidiaries. The financial statements of its subsidiaries are prepared for the same reporting year as the Company and where necessary, adjustments are made to the financial statements of the group's subsidiaries to bring their accounting policies into line with those of the group.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group balances and transactions, including unrealised profits, have been eliminated on consolidation.

Unincorporated jointly controlled entities

Oil and gas operations are conducted by the group as co-licensees in unincorporated joint ventures with other companies. The group's financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint ventures applicable to the group's interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards and interpretations

The group has adopted new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2009. The principal effects of the adoption of these new and amended standards and interpretations are discussed below:

IAS 1 *'Presentation of Financial Statements (Revised)'*

The revised standard requires that items of income and expenses, which are non-owner changes in equity, be presented separately in a statement of comprehensive income either separately as a single statement or as two statements along with the income statement. The group has decided to opt for the latter option and has presented two separate statements.

IFRS 7 *'Financial Instruments: Disclosures (Amendments)'*

The amendments require additional disclosures about the fair value measurement and liquidity risk. The disclosures require that for each item recorded at fair value, a fair value measurement hierarchy be disclosed based on the source of inputs for ascertaining the fair values of such items. The amendment also requires the disclosure of liquidity risk with respect to derivative financial instruments used for liquidity management. The adoption in the current year of the amendment has had no impact on the group.

IFRS 8 *'Operating Segments'*

This standard introduces the management approach to segment reporting which requires the disclosure of segment information based on the internal reports regularly reviewed by the group's Chief Operating Decision Maker in order to assess each segment's performance and allocate resources to them. The adoption of this standard during 2009 has not had any impact on the financial position of the group, as set out in note 3.

Certain new standards, amendments to and interpretations of existing standards have been issued and are effective for the group's accounting periods beginning on or after 1 January 2010 or later periods which the group has not early adopted. Those that are applicable to the group are as follows:

(i) **IFRS 3 *'Business Combinations (Revised)'*** effective for annual periods beginning on or after 1 July 2009, has been enhanced to, amongst other matters, specify the accounting treatments for acquisition costs, contingent consideration, pre-existing relationships and reacquired rights. The revised standard includes detailed guidance in respect of step acquisitions and partial disposals of subsidiaries and associates as well as in respect of allocation of income to non-controlling interests. Further, an option has been added to IFRS 3 to permit an entity to recognise 100 per cent of the goodwill of an acquired entity, not just the acquiring entity's portion of the goodwill. The impact of this standard on the group will be assessed when a business combination transaction occurs.

(ii) **IAS 27 *'Consolidated and Separate Financial Statements (Amendments)'*** effective for annual periods beginning on or after 1 July 2009, prescribes accounting treatment in respect of change in ownership interest in a subsidiary, allocation of losses incurred by a subsidiary between controlling and non-controller interests and accounting for loss of interest in a subsidiary. This may affect the group where there is a change in ownership interest in any of its subsidiaries.

(iii) **IFRIC 17 *'Distributions of Non-cash Assets to owners'*** this interpretation provides guidance in respect of accounting for non-cash asset distributions to shareholders. This interpretation is effective for periods beginning on or after 1 July 2009. Management will consider its impact on the financial position of the group at the time of any such transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgements

Management of Petrofac Energy Developments Limited has to make estimates and judgements when preparing the financial statements of the group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the group's result. The estimates and judgements which have the most significant effect on the amounts recognised in the financial statements are discussed below:

- *Deferred tax assets:* the group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised as well as the likelihood of future taxable profits. The carrying amount of recognised tax losses at 31 December 2009 was US$192,651,000 (31 December 2008: US$89,581,000, 31 December 2007: US$24,316,000).
- *Income tax:* the Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.
- *Recoverable value of intangible oil & gas assets:* the group determines at each balance sheet date whether there is any evidence of impairment in the carrying value of its intangible oil & gas assets. This requires management to estimate the recoverable value of its intangible assets for example by reference to quoted market values, similar arms length transactions involving these assets or value in use calculations.
- *Units of production depreciation:* estimated proven plus probable reserves are used in determining the depreciation of oil & gas assets such that the depreciation charge is proportional to the depletion of the remaining reserves over their life of production. These calculations require the use of estimates and assumptions including the amount of economically recoverable reserves and estimates of future oil & gas capital expenditure.
- *Decommissioning provision:* amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

Foreign currency translation

With effect from 1 January 2009 the Company changed its functional currency to United States dollars from Sterling. This reflected that as a result of the development of the Company's oil and gas assets being completed and start-up of production, the majority of its cash flows, for the year ended 31 December 2009, were denominated in United States dollars. The functional and presentational currency of the Company's subsidiaries throughout the reporting period is United States dollars.

In the accounts of the Company and its individual subsidiaries, transactions in currencies other than a company's functional currency are recorded at the prevailing rate of exchange at the date of the transaction. At the year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined. All foreign exchange gains and losses are taken to the income statement with the exception of exchange differences arising on retranslating the financial statements of the Company whilst its functional currency was Sterling prior to 1 January 2009. These are taken directly to equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Tangible oil & gas assets are depreciated, on a field-by-field basis, using the unit-of-production method based on entitlement to proven and probable reserves, taking account of estimated future development expenditure relating to those reserves.

Depreciation on other elements of property, plant and equipment is provided on a straight-line basis at the following rates:

Office furniture and equipment 25%–100%

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

No depreciation is charged on land or assets under construction.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Gains are not classified as revenue.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest payable in the income statement in the period in which they are incurred.

Oil and gas assets

Capitalised costs

Oil and gas evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Evaluation expenditures

Expenditure directly associated with evaluation (or appraisal) activities is capitalised as an intangible asset. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written-off in the income statement. When such assets are declared part of a commercial development, related costs are transferred to tangible oil & gas assets. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the income statement.

Evaluation asset swaps

For exchanges or parts of exchanges that involve only evaluation assets, the exchange is accounted for at amortised cost. Exchanges of development and production assets are measured at fair value unless the exchange transaction lacks commercial substance if neither the assets given up nor the assets received can be reliably estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development expenditures

Expenditure relating to development of assets which include the construction, installation and completion of infrastructure facilities such as platforms, pipelines and development wells, is capitalised within property, plant and equipment.

Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

Decommissioning

Provision for future decommissioning costs is made in full when the group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil & gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in the income statement.

Available-for-sale financial assets

Investments classified as available-for-sale are initially stated at fair value, including acquisition charges associated with the investment, or cost when no reliable basis exists on which to determine fair value.

After initial recognition, available-for-sale financial assets are measured at their fair value using quoted market rates.

Gains and losses are recognised as a separate component of equity until the investment is sold or impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Impairment of assets (excluding goodwill)

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of inventories, other than raw materials, are determined using the first-in-first-out method. Costs of raw materials are determined using the weighted average method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any amounts estimated to be uncollectable. An estimate for doubtful debts is made when there is objective evidence that the collection of the full amount is no longer probable under the terms of the original invoice. Impaired debts are derecognised when they are assessed as uncollectable.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement as a finance cost.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either a) has transferred substantially all the risks and rewards of the asset, or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Pensions and other long-term employment benefits

The group operates a defined contribution pension scheme. The amount charged to the income statement in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Employees (including directors) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions') of the Company's ultimate parent company, Petrofac.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Petrofac ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised over the period in which the relevant employees become fully entitled to the award (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Equity awards cancelled are treated as vesting immediately on the date of cancellation, and any expense not recognised for the award at that date is recognised in the income statement.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

The group has entered into various operating leases the payments for which are recognised as an expense in the income statement on a straight-line basis over the lease terms.

Revenue recognition

Revenue is recognised to the extent that it is probable economic benefits will flow to the group and the revenue can be reliably measured.

Oil & gas revenues comprise the group's share of sales from the processing or sale of hydrocarbons on an entitlement basis, when the significant risks and rewards of ownership have been passed to the buyer.

Revenues from the provision of manpower services are recognised in the period in which the services are provided based on the agreed contract of schedule rates.

Income taxes

Income tax expense represents the sum of current income tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

3. SEGMENT INFORMATION

Management have considered the requirements of IFRS 8, in regard to the determination of operating segments, and concluded that the group has only one operating segment being the development and operation of oil and gas production facilities in the United Kingdom. As a result no segmental reporting disclosures are required to be provided in these accounts under IFRS 8.

4. REVENUES AND EXPENSES

(a) Revenue

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Net sales of:			
Crude oil	82,319	—	—
Other revenue—manpower services (note 22)	2,652	2,727	3,307
	84,971	**2,727**	**3,307**

(b) Cost of sales

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Production costs	23,317	—	—
Depreciation of oil and gas properties	41,158	—	—
Other costs	1,950	2,045	2,480
	66,425	**2,045**	**2,480**

4. REVENUES AND EXPENSES (Continued)

(c) General and administration expenses

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Staff costs (note 4 (f))	4,665	4,643	3,414
Depreciation (note 9)	426	83	39
Recharge of corporate support costs from Petrofac (note 22)	2,151	2,030	1,356
Project due diligence expenses	—	2,354	—
Other operating expenses	4,050	1,127	2,299
	11,292	**10,237**	**7,108**

Other operating expenses consist mainly of office, travel, legal and professional and contracting staff costs. The project due diligence expenses incurred in the year ended 31 December 2008 relate to a non-recurring aborted project.

(d) Other income

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Foreign exchange gains	166	—	6
Other income	571	—	—
	737	**—**	**6**

(e) Other expenses

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Foreign exchange losses	—	762	—
Loss on disposal of available-for sale-asset	—	252	—
	—	**1,014**	**—**

(f) Staff costs

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Total staff costs:			
Wages and salaries	5,865	4,968	4,018
Social security costs	711	527	541
Defined contribution pension costs	158	112	—
Expense of share-based payments (note 17)	1,120	933	462
	7,854	**6,540**	**5,021**

Of the US$7,854,000 of staff costs shown above, US$3,189,000 (2008: US$1,897,000, 2007: US$1,607,000) are included in cost of sales, with the remainder in general and administration expenses.

The average number of persons employed by the group during the year was 38 (2008: 22, 2007: 20).

4. REVENUES AND EXPENSES (Continued)

(g) Auditors' remuneration

The group paid the following amounts to its auditors in respect of the audit of the financial statements. No other services were provided to the group:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Audit of the group financial statements	91	26	12
	91	**26**	**12**

5. FINANCE INCOME/(COSTS)

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Finance income:			
Bank interest receivable	—	146	21
Other interest receivable	1,002	—	—
	1,002	**146**	**21**
Finance costs:			
Interest payable to related party	7,345	—	—
Unwinding of discount on decommissioning provisions	1,381	—	—
	8,726	**—**	**—**

6. INCOME TAX

(a) Income tax credit

The major components of income tax credit are as follows:

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Current income tax			
Current income tax (credit)/charge	(4,286)	—	1,035
Adjustments in respect of current income tax of previous years	—	(1,158)	—
Overseas corporation tax	(36)	—	—
Deferred income tax			
Relating to origination and reversal of temporary differences	(3,599)	(5,668)	(2,536)
Adjustments in respect of deferred income tax of previous years	(4,466)	—	(5,023)
Income tax credit reported in the income statement	**(12,387)**	**(6,826)**	**(6,524)**

6. INCOME TAX (Continued)

(b) Reconciliation of total income tax credit

A reconciliation between the income tax credit and the product of accounting profit multiplied by the Company's domestic tax rate is as follows:

Reconciliation of total tax credit

	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
	US$'000	*US$'000*	*US$'000*
Accounting profit/(loss)	267	(13,626)	(6,254)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 50% (2008: 50%, 2007: 50%)	134	(6,813)	(3,127)
Non-taxable income	—	(3,643)	—
Overseas tax	(36)	—	—
Non-deductible expenditure	875	3,117	1,128
Deferred tax ring fence expenditure supplement (note (i))	(11,050)	—	—
Deferred tax adjustment for Supplementary Corporation Tax	1,692	858	—
Group relief surrendered less consideration given	464	813	498
Adjustments in respect of previous periods—current tax	—	(1,158)	—
Adjustments in respect of previous periods—deferred tax	(4,466)	—	(5,023)
Total income tax credit	**(12,387)**	**(6,826)**	**(6,524)**

(i) This Supplement is claimed under Schedule 19C ICTA 1988.

(c) Deferred income tax

Deferred income tax relates to the following:

	Statement of financial position			Statement of comprehensive income		
	2009	2008	2007	2009	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Deferred tax liabilities						
Accelerated capital allowances	195,598	73,396	16,841	122,201	83,239	17,008
Other temporary differences	3,407	2,087	—	(145)	2,641	—
Deferred income tax assets						
Losses available for offset	(192,651)	(89,581)	(24,316)	(103,070)	(90,752)	(24,567)
Decommissioning provision	(27,680)	(629)	—	(27,051)	(796)	—
Other temporary differences						
Deferred income tax income/(expense)				**(8,065)**	**(5,668)**	**(7,559)**
Deferred tax asset/(liability)	**(21,326)**	**(14,727)**	**(7,475)**			

(d) Unrecognised tax losses

Deferred income tax assets are recognised for tax loss carry-forwards and tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group did not have any unrecognised deferred income tax assets in 2009 as it is forecast to be in a profit-making position in the foreseeable future (2008: US$nil, 2007: US$nil).

7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders, after adjusting for any dilutive effect, by the weighted average number of ordinary shares outstanding during the year.

7. EARNINGS PER SHARE (Continued)

The following reflects the income and share data used in calculating basic and diluted earnings per share:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings per share	12,654	(6,800)	270

	2009	2008	2007
	Number	*Number*	*Number*
Adjusted weighted average number of ordinary shares for basic and diluted earnings per share	10,000	10,000	10,000

8. DIVIDENDS PAID AND PROPOSED

The Company paid no dividends during the year (2008: US$nil, 2007: US$nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Oil & gas assets	Total
	US$'000	*US$'000*	*US$'000*
Cost:			
At 1 January 2007	77	—	77
Additions	52	—	52
Transfer from intangible oil & gas assets (note 11)	—	42,018	42,018
Exchange difference	1	—	1
At 31 December 2007	130	42,018	42,148
Additions	1,384	173,819	175,203
Exchange difference	(324)	(47,539)	(47,863)
At 31 December 2008	1,190	168,298	169,488
Additions	—	279,000	279,000
At 31 December 2009	1,190	447,298	448,488
Depreciation:			
At 1 January 2007	3	—	3
Charge for the year	39	—	39
At 31 December 2007	42	—	42
Charge for the year	83	—	83
Exchange difference	(29)	—	(29)
At 31 December 2008	96	—	96
Charge for the year	426	41,158	41,584
At 31 December 2009	522	41,158	41,680
Net carrying amounts:			
At 31 December 2009	**668**	**406,140**	**406,808**
At 31 December 2008	**1,094**	**168,298**	**169,392**
At 31 December 2007	**88**	**42,018**	**42,106**

As of 31 December 2008 the oil & gas assets were under construction. Construction was completed in 2009 and as of 31 December 2009 the oil & gas assets are producing.

Interest capitalised within oil & gas assets during the year was US$2,865,000 (2008: US$5,968,000, 2007: US$nil). PEDIL decided in 2009 to release US$4,105,000 of the interest of US$5,968,000 charged in 2008 and US$781,000 of interest charged in 2009, in total US$4,886,000. This has been accounted for as a capital contribution with the released interest of US$4,886,000 remaining capitalised within the above oil and gas assets. The accumulated capitalised interest, net of depreciation at 31 December 2009, was US$8,608,000 (2008: US$5,968,000, 2007: US$nil).

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Additions to oil & gas assets in the year mainly comprise development expenses capitalised on the group's interest in the Don area assets in the United Kingdom of US$279,000,000 (2008: US$173,819,000, 2007: US$42,018,000).

Included in oil & gas assets are US$49,683,000 (2008: US$1,257,000, 2007: US$nil) of capitalised decommissioning costs net of depreciation provided on Don area assets.

Of the total charge for depreciation in the income statement, US41,158,000 is included in cost of sales (2008: US$nil, 2007: US$nil) and US$426,000 in general and administration expenses (2008: US$83,000, 2007: US$39,000).

10. BUSINESS COMBINATIONS

Petrofac Energy Developments Oceania Limited ('PEDOL')

On 23 December 2008, the Company acquired 100% of the issued share capital of PEDOL for total purchase consideration of US$72,307,000. 90% of the share capital of PEDOL was acquired from Petrofac (Malaysia—PM304) Limited, a related undertaking, and the balance of 10% was acquired from PEDL Limited, a subsidiary of the Company.

PEDL Limited acquired its 10% interest for US$2,307,000 in the year ended 31 December 2007 and its 10% interest was held as an available-for-sale asset at 31 December 2007 (see note 12).

The provisional fair values of the identifiable assets and liabilities of Petrofac Energy Developments Oceania Limited, as at the date of the acquisition, are analysed below:

	Recognition on acquisition	Carrying Value at 23 December 2008
	US$000	*US$000*
Intangible assets	—	4,793
Deferred tax	4,750	3,408
Due from related parties	93,096	93,096
Cash and short term deposits	495	495
Total assets	98,341	101,792
Less:		
Trade and other payables	508	508
Due to related parties	18,908	18,908
Total liabilities	19,416	19,416
Fair value of net assets acquired	**78,925**	82,376
Negative goodwill	**(6,618)**	
Consideration at acquisition	**72,307**	

If the above combinations had taken place at the beginning of 2008, net loss of the group would have been US$7,391,000 and revenue would have been US$2,731,000 from continuing activities.

PEDL Limited ('PEDLL')

The Company acquired 100% of the issued share capital of PEDLL on 4 July 2007, the date of incorporation for PEDLL.

11. INTANGIBLE ASSETS

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Oil and gas evaluation assets			
At 1 January	—	—	16,634
Additions at cost	—	9,821	32,593
Deferred consideration no longer payable	—	—	(7,184)
Transfer to property, plant and equipment (note 9)	—	—	(42,018)
Exchange difference	—	—	(25)
Asset written off	—	(9,821)	—
At 31 December	**—**	**—**	**—**

On 27 August 2007 the Company entered in to an exchange agreement whereby it swapped its 29% interest in the Crawford field, with a carrying value of US$1,000,000, for a 3.12% interest in the 211/18a Block in West Don (equating to a unit interest of 2%) for nil consideration. As a result of this swap, deferred consideration of US$7,183,794 booked as of 31 December 2006 was no longer payable.

During the year ended 31 December 2008, US$9,821,000 of capitalised evaluation costs were written-off in respect of an unsuccessful exploration well in relation to the group's oil and gas activities.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial asset at 31 December 2007 predominantly related to the group's 10% interest in Petrofac Energy Developments Oceania Limited ('PEDOL'). This interest in PEDOL was held by PEDLL until 23 December 2008 on which date the shares were acquired by the Company (note 10). The group's interest in this available-for-sale financial asset was carried at cost in the consolidated financial statements as it was considered that no reliable basis existed to estimate its fair value, given that the shares are unlisted and determining a fair value would involve the use of multiple variables which could not be reliably measured.

The Company acquired the remaining 90% interest in PEDOL on 23 December 2008, from which date the assets and liabilities of PEDOL have been consolidated. See Note 10 for further details.

13. INVENTORIES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Crude oil	**3,899**	**—**	**—**

14. TRADE AND OTHER RECEIVABLES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Trade receivables	25,170	—	—
Joint venture receivables	44,556	30,522	—
Provision against joint venture receivables	(742)	—	—
Prepayments and deposits	124	2,478	4,587
VAT receivable	1,137	12,051	—
Other receivables	1,215	—	54
	71,460	**45,051**	**4,641**

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms.

Trade receivables are reported net of any provisions for impairment. As at 31 December 2009 no impairment provision was necessary (2008: US$nil, 2007: US$nil).

Joint venture receivables relate to current billings to joint venture partners and were neither impaired nor past their due date as of 31 December 2008. As of 31 December 2009 the balance was not past due date, but a provision of US$742,000 was booked.

The carrying value of the group's trade and other receivables as stated above is considered to be a reasonable approximation to their fair value.

15. CASH AND SHORT-TERM DEPOSITS

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Cash at bank and in hand	2,069	15,145	12,811
Short-term deposits	14,020	—	—
	16,089	**15,145**	**12,811**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the group, and earn interest at respective short-term deposit rates.

The carrying value of the group's cash and short-term deposits as stated above is considered to be a reasonable approximation to their fair value.

16. SHARE CAPITAL AND OTHER EQUITY

The share capital of the Company as at 31 December was as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Authorised			
10,000 ordinary shares of £1 each	17	17	17
Issued and fully paid			
10,000 ordinary shares of £1 each	**17**	**17**	**17**

The share capital comprises only one class of ordinary share. Each ordinary share carries an equal voting right and right to a dividend.

17. SHARE-BASED PAYMENT PLANS

On 13 September 2005, Petrofac, the Company's ultimate parent company, established three share schemes for the benefit of employees, being a Performance Share Plan, a Deferred Bonus Share Plan and an approved Share Incentive Plan for the benefit of employees. A further share scheme, the Restricted Share Plan, was established during 2006 for UK subsidiary companies.

Performance Share Plan (PSP)

Under the Performance Share Plan, share awards are granted to a restricted number of Directors. The shares cliff vest at the end of three years subject to continued employment and the achievement of certain pre-defined non-market and market based performance conditions. The non-market based condition governing the vesting of 50% of the total award, is subject to achieving between 15% and 25% earnings per share (EPS) growth targets over a three-year period. The fair values of the equity-settled award relating to the EPS part of the scheme are estimated based on the quoted closing market price per Petrofac share at the date of grant with an assumed vesting rate per annum built into the calculation (subsequently trued up at year end based on the actual leaver rate during the period from award date to year end) over the three-year vesting period of the plan. The fair value per share for 2009 awards was 545 pence per share (2008: 522 pence per share, 2007: 415 pence per share), and assumed vesting rate was 100% (2008: 91.3%, 2007: 94.9%).

The remaining 50% market performance based part of these awards is dependent on the total shareholder return (TSR) of Petrofac compared to an index composed of selected relevant companies. The fair value of the shares vesting under this portion of the award is determined by an independent valuer using a Monte

17. SHARE-BASED PAYMENT PLANS (Continued)

Carlo simulation model taking into account the terms and conditions of the plan rules and using the following assumptions at the date of grant:

	2009 Awards	2008 Awards	2007 Awards
Expected share price volatility (based on median of comparator group's three year volatilities)	49%	32.0%	29.0%
Share price correlation within comparator group	36%	22.0%	17.0%
Risk-free interest rate	2.10%	3.79%	5.2%
Expected life of share award	3 years	3 years	3 years
Fair value of TSR portion	456p	287p	245p

The following shows the movement in the number of shares, held under the PSP scheme, outstanding but not exercisable:

	2009	2008	2007
	Number	*Number*	*Number*
Outstanding at 1 January	169,749	113,639	64,558
Transferred in from related companies	87,575	—	—
Transferred out to related companies	(11,431)	—	—
Granted during the year	86,765	77,722	65,631
Vested during the year	(82,943)	—	—
Forfeited during the year	—	(21,612)	(16,550)
Outstanding at 31 December	**249,715**	**169,749**	**113,639**

The number of awards still outstanding but not exercisable at 31 December 2009 is made up of 86,765 in respect of 2009 awards (2008: nil, 2007: nil), 85,160 in respect of 2008 awards (2008: 72,661, 2007: nil), 77,791 in respect of 2007 awards (2008: 52,697, 2007: 59,164) and nil in respect of 2006 awards (2008: 44,392, 2007: 54,475).

The charge recognised in the current year amounted to US$498,000 (2008: US$383,000, 2007: US$241,000).

Deferred Bonus Share Plan (DBSP)

Directors and selected employees are eligible to participate under this scheme. Participants may be invited to elect or in some cases, be required, to receive a proportion of any bonus in ordinary shares of Petrofac ("Invested Awards"). Following such award, Petrofac will generally grant the participant an additional award over a number of shares bearing a specified ratio to the number of his or her invested shares ("Matching Shares"). The 2006 awards vested on the third anniversary of the grant date provided that the participant did not leave the group's employment, subject to a limited number of exceptions. However, a change in the rules of the DBSP scheme was approved by shareholders at the Annual General Meeting of the Company on 11 May 2007 such that for the March 2007 share awards and for any awards made thereafter, the invested and matching shares would, unless the Remuneration Committee of the Board of Directors of Petrofac determined otherwise, vest 33.33% on the first anniversary of the date of grant, a further 33.33% after year two and the final 33.34% of the award after the end of year three. The invested awards are fully recognised as an expense in the period to which the bonuses relate. The costs relating to the matching shares are recognised over the three-year vesting period.

The costs relating to the matching shares are recognised over the relevant vesting period and the fair values of the equity-settled matching shares granted to employees are based on the quoted closing market price at the date of grant adjusted for the trued up percentage vesting rate of the plan. Details of the fair values and assumed vesting rates of the DBSP scheme are shown below:

	Weighted average fair value per share	Trued up vesting rate
2009 awards	545p	98.20%
2008 awards	522p	92.90%
2007 awards	415p	90.70%

17. SHARE-BASED PAYMENT PLANS (Continued)

The following shows the movement in the number of shares held under the DBSP scheme outstanding but not exercisable:

	2009	2008	2007
	*Number**	*Number**	*Number**
Outstanding at 1 January	93,983	96,000	55,394
Transferred in from related companies	166,776	—	—
Transferred out to related companies	(48,916)	—	—
Granted during the year	82,650	36,162	47,126
Vested during the year	(132,363)	(31,152)	(859)
Forfeited during the year	(8,508)	(7,027)	(5,661)
Outstanding at 31 December	**153,622**	**93,983**	**96,000**

* Includes invested and matching shares.

The charge recognised in the 2009 income statement in relation to matching share awards amounted to US$345,000 (2008: US$230,000, 2007: US$143,000).

Share Incentive Plan (SIP)

All UK employees, including UK resident directors, are eligible to participate in the scheme. Employees may invest up to £1,500 per tax year of gross salary (or, if less, 10% of salary) to purchase ordinary shares in Petrofac. There is no holding period for these shares.

Restricted Share Plan (RSP)

Under the Restricted Share Plan scheme, employees are granted shares in Petrofac over a discretionary vesting period, which may or may not, be at the direction of the Remuneration Committee of the Board of Directors of Petrofac, subject to the satisfaction of performance conditions. At present there are no performance conditions applying to this scheme nor is there currently any intention to introduce them in the future. The fair value of the awards granted under the plan at various grant dates during the year are based on the quoted market price at the date of grant adjusted for an assumed vesting rate over the relevant vesting period.

Details of the fair values and assumed vesting rate of the RSP scheme are shown below:

	Weighted average fair value per share	Trued up vesting rate
2009 awards	430p	100%
2008 awards	478p	91.10%
2007 awards	456p	94.40%

The following shows the movement in the number of shares held under the RSP scheme outstanding but not exercisable:

	2009	2008	2007
	Number	*Number*	*Number*
Outstanding at 1 January	188,984	130,712	25,500
Transferred in from related companies	10,000	—	—
Transferred out to related companies	(105,932)	—	—
Granted during the year	46,360	58,272	111,664
Vested during the year	(19,048)	—	—
Forfeited during the year	(10,000)	—	(6,452)
Outstanding at 31 December	**110,364**	**188,984**	**130,712**

The charge recognised in the current year amounted to US$277,000 (2008: US$320,000, 2007: US$78,000).

The Company has recognised a total charge of US$1,120,000 (2008: US$933,000, 2007: US$462,000) in the income statement during the year, relating to the above employee share-based schemes.

18. OTHER RESERVES

	Foreign currency translation	Total
	US$'000	*US$'000*
Balance at 1 January 2007	(479)	(479)
Foreign currency translation	(111)	(111)
Balance at 31 December 2007	**(590)**	**(590)**
Foreign currency translation	5,284	5,284
Balance at 31 December 2008	**4,694**	**4,694**
Foreign currency translation	—	—
Balance at 31 December 2009	**4,694**	**4,694**

Nature and purpose of other reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the Company whilst its functional currency was Sterling prior to 1 January 2009.

19. PROVISIONS

	Provision for decommissioning
	US$'000
At 1 January 2008	—
Additions during the year	1,257
At 31 December 2008	**1,257**
At 1 January 2009	1,257
Additions during the year	52,721
Unwinding of discount	1,381
At 31 December 2009	**55,359**

Provision for decommissioning

The decommissioning provision primarily relates to the Company's obligation for the removal of facilities and restoration of the site of the Don assets in the United Kingdom. The liability is discounted at the rate of 4.5% (2008: 3.40%). The unwinding of the discount is classified as a finance cost (note 5). The Company estimates that the cash outflows against these provisions will arise in 2019 assuming no further development of the asset.

20. TRADE AND OTHER PAYABLES

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Trade creditors	17,741	43,893	616
Accrued Expenses	46,640	1,597	3,409
Advance from joint venture partner	—	—	7,636
	64,381	**45,490**	**11,661**

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days.

Certain trade and other payables will be settled in currencies other than the reporting currency of the group, mainly in Sterling.

Accrued expenses comprise accrued expenses at each of the balance sheet dates; accrued expenses as of 31 December 2009 also include accruals for capital and operating expenditure in relation to the producing oil and gas assets.

The carrying value of the group's trade and other payables as stated above is considered to be a reasonable approximation to their fair value.

21. COMMITMENTS AND CONTINGENCIES

Commitments

Leases

The group has financial commitments in respect of non-cancellable operating leases for equipment. These leases have remaining non-cancellable lease terms of less than one year for both 2008 and 2007, while for 2009 the remaining non-cancellable lease term is five years. The future minimum rental commitments under these non-cancellable leases are as follows:

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Within one year	1,548	35,744	43,200
After one year but not more than five years	4,616	—	—
	6,164	**35,744**	**43,200**

Minimum lease payments recognised as an operating lease expense during the year amounted to US$1,294,000 (2008: US$nil, 2007: US$nil). Prior to 2009, operating lease expenses were capitalised within property, plant and equipment as part of the development of oil and gas assets.

The 2007 and 2008 lease commitments relate to the lease of a drilling unit for the Don area development. The 2009 lease commitment relates to the office rent and floating platform on the Don development.

Capital commitments

At 31 December 2009, the group had capital commitments excluding the above lease commitments amounting to US$11,003,000 (2008: US$8,610,000, 2007: US$nil).

22. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Petrofac Energy Developments Limited and the subsidiaries listed in note 25. Petrofac is the ultimate parent entity of the group.

The following table provides the total amount of transactions which have been entered into with related parties:

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	US$'000	*US$'000*	*US$'000*	*US$'000*
2009:				
Petrofac	—	2,164	—	50,012
Parent Company	**—**	**2,164**	**—**	**50,012**
PUK Holdings	—	—	18	—
Eclipse Petroleum Technologies Limited	—	360	—	210
Petrofac Engineering Limited	—	973	—	404
Petrofac Facilities Management Limited	—	10,974	4,904	1,084
Petrofac Services Limited	—	11,126	—	150
Petrofac Training	—	14	—	6
SPD Group Limited	—	6,716	—	563
Petrofac Energy Developments International Limited	2,652	—	—	344,898
Subsidiaries	**2,652**	**30,163**	**4,922**	**347,315**
	2,652	**32,327**	**4,922**	**397,327**

22. RELATED PARTY TRANSACTIONS (Continued)

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
	US$'000	*US$'000*	*US$'000*	*US$'000*
2008:				
Petrofac	—	2,030	—	—
Parent Company	**—**	**2,030**	**—**	**—**
Petrofac Energy Developments International Limited	2,727	—	—	220,997
Petrofac Engineering Limited	—	—	—	517
Petrofac Malaysia PM304 Limited	—	—	20,762	—
Petrofac Services Limited	—	—	—	1,445
Petrofac Facilities Management Limited	—	8,723	—	3,432
SPD Group Limited	—	3,955	—	477
i-Perform	—	—	—	9
Eclipse Petroleum Technologies Limited	—	144	18	108
Subsidiaries	**2,727**	**12,822**	**20,780**	**226,985**
	2,727	**14,852**	**20,780**	**226,985**
2007				
Petrofac	—	1,356	—	24
Parent Company	**—**	**1,356**	**—**	**24**
Petrofac Energy Developments International Limited	3,307	—	—	59,807
Petrofac Engineering Limited	—	—	—	374
Corbridge Limited	—	—	—	2
Petrofac Services Limited	—	—	—	1,543
Petrofac Facilities Management Limited	—	6,631	—	81
SPD Group Limited	—	1,631	—	136
Other related parties	—	—	318	2,266
Subsidiaries	**3,307**	**8,262**	**318**	**64,209**
	3,307	**9,618**	**318**	**64,233**

All sales to and purchases from related parties are made at normal market prices and the pricing policies and terms of these transactions are approved by the group's management. From 2007 to 2009 purchases from related parties pertain to recharge of corporate support costs from Petrofac and purchase of manpower services, on Don development and production, from the other related parties. Sales are to Petrofac Energy Developments International Ltd, for manpower services. There have been no other transactions with related parties.

Amounts owed to related parties include loans of US$344,898,000 (2008: US$202,387,000, 2007: US$59,807,000) payable to PEDIL, a fellow subsidiary undertaking of the Petrofac Group of companies. This included long-term loans of US$nil, (2008: US$202,387,000, 2007: US$59,807,000) which were not of a term nature, did not have a specified repayment schedule and bore interest at US LIBOR plus 2% per annum. During the year ended 31 December 2009 all of the long-term loans were repaid in full and replaced with short-term loan notes of US$344,898,000, as of 31 December 2009 (2008: US$nil, 2007: US$nil), which are due for repayment between April 2010 and August 2010.

On 22 December 2009 Petrofac, the Company's parent company, advanced US$50,000,000 to the group. The advance is interest free and has no fixed repayment date.

The other amounts owed to related parties are in relation to manpower services.

Amounts owed by related parties at 31 December 2009 principally comprise group relief surrender of US$4,286,000 which Petrofac Facilities Management Limited is paying for.

22. RELATED PARTY TRANSACTIONS (Continued)

Amounts owed by related parties at 31 December 2008 principally comprise US$20,762,000 owed by Petrofac Malaysia PM304 Limited for the acquisition of the Malaysia operations from the Company's subsidiary, Petrofac Energy Developments Oceania Limited.

The carrying value of the group's related party assets and liabilities as stated above is considered to be a reasonable approximation to their fair value.

Compensation of key management personnel

The following table details remuneration of key management personnel of the group comprising of executive Directors of the Company and other senior personnel.

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Short-term employee benefits	3,407	2,864	2,507
Share-based payments	885	672	287
	4,292	**3,536**	**2,794**

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management objectives and policies

The group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits, amounts owed to related parties and trade and other payables.

The group's activities expose it to various financial risks particularly associated with interest rate risk on its variable rate loan from its fellow subsidiary undertaking in the Petrofac Limited Group, Petrofac Energy Developments International Limited, and foreign currency risk for the Company on conducting business in Sterling rather than the reporting currency of US dollars prior to 1 January 2009.

The other main risks besides interest rate and foreign currency risk arising from the group's financial instruments are credit risk, liquidity risk and commodity price risk. These risks are discussed in detail below:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the group's interest-bearing financial assets and liabilities.

The group's exposure to market risk arising from changes in interest rates relates primarily to the group's interest bearing loans from PEDIL, and its cash balances.

Interest rate sensitivity analysis

The impact on the group's pre-tax profit and equity due to a reasonably possible change in interest rates is demonstrated in the table below. The analysis assumes that all other variables remain constant.

	Pre-tax profit		Equity	
	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2009	(3,129)	3,129	(1,565)	1,565
31 December 2008	—*	—*	—*	—*
31 December 2007	—*	—*	—*	—*

* For years ending 31 December 2007 and 2008 all interest charged to the Group was capitalised as part of additions to oil and gas assets in property, plant and equipment.

The terms of repayment of the group's interest bearing loans from PEDIL are set out in the liquidity section below. The cash balances, as set out in Note 15, are available on demand.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The group is exposed to foreign currency risk on sales, purchases, and translation of assets and liabilities that are in a currency other than the functional currency of its operating units. The group was also exposed to foreign currency risk on the translation of the Company's financial statements in Sterling functional currency to the US dollar reporting currency of the group up to 31 December 2008. The following table summarises the percentage of foreign currency denominated revenues, costs, financial assets and financial liabilities, expressed in US dollar terms, of the group totals.

	2009	2008	2007
	% of foreign currency denominated items	% of foreign currency denominated items	% of foreign currency denominated items
Revenues	Nil	Nil	Nil
Costs	50%	Nil	Nil
Current financial assets	51%	50%	50%
Non-current financial assets	Nil	Nil	Nil
Current financial liabilities	51%	50%	Nil
Non-current financial liabilities	Nil	68%	Nil

With effect from 1 January 2009, the Company changed its functional currency to US Dollars from Sterling.

Foreign currency sensitivity analysis

The income statements of foreign operations are translated into the reporting currency using a weighted average rate of conversion. Foreign currency monetary items are translated using the closing rate at the date of the balance sheet. Revenues and costs in currencies other than the functional currency of an operating unit are recorded at the prevailing rate at the date of the transaction. The following significant exchange rates applied during the year in relation to US dollars:

	2009		2008		2007	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
Sterling	1.5632	1.6223	1.849	1.4607	2.0055	1.9856

The following table summarises the impact on the group's pre-tax profit and equity (due to change in the fair value of monetary assets and liabilities) of a reasonably possible change in US dollar exchange rates with respect to different currencies:

	Pre-tax profit		Equity	
	+10% US dollar rate increase	−5% US dollar rate decrease	+10% US dollar rate increase	−5% US dollar rate decrease
	US$'000	*US$'000*	*US$'000*	*US$'000*
31 December 2009	(1,225)	613	(613)	306
31 December 2008	(582)	291	(291)	146
31 December 2007	40	(20)	20	(10)

Commodity price risk—oil prices

The group is exposed to the impact of changes in oil & gas prices on its revenues and profits generated from sales of crude oil & gas. The group did not hedge this risk.

At 31 December 2009 the carrying values of the group's financial assets and liabilities are not exposed to changes in oil & gas prices (2008: US$nil, 2007: US$nil).

Credit risk

The group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with appropriate follow-up action taken where necessary. At 31 December 2009, the

group had one customer accounting for 100% of outstanding trade and other receivables and work in progress (2008 and 2007: n/a as group not producing) and three JV partners accounting for 100% of joint venture receivables (2008:100%, 2007: n/a). The sole customer is a listed oil and gas company and 67% of trade receivables of US$25,170,000 at 31 December 2009 (2008: US$nil; 2007: US$nil) were collected by 24 February 2010.

With respect to credit risk arising from the other financial assets of the group, which comprise cash and cash equivalents and available-for-sale financial assets, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group is dependent on funding for its operations from PEDIL, a fellow subsidiary undertaking of the Petrofac Group of companies. The long-term loans of US$nil, (2008: US$202,387,000, 2007: US$59,807,000) from PEDIL are not of a term nature, do not have a specified repayment schedule and bear interest at US LIBOR plus 2% per annum. During the year ended 31 December 2009 all of the long-term loans were repaid in full.

During the year ended 31 December 2009, the Company entered into an agreement with PEDIL to issue US$400,000,000 worth of discount notes repayable at the end of eleven months from the date of issue and bearing interest rate of US LIBOR plus 2% per annum. The Company has drawn down loan notes of US$344,898,000 as of 31 December 2009 (2008: US$nil, 2007: US$nil) which are due for repayment between April 2010 and August 2010.

On 22 December 2009 Petrofac, the Company's parent company, advanced US$50,000,000 to the group. The advance is interest free and has no fixed repayment date.

The maturity profiles of the Company's loans due to related parties at 31 December 2009 are as follows:

	6 months or less	6-12 months	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*
Financial liabilities				
Interest-bearing loans and borrowings	278,076	61,560	339,636	339,636
Non-interest-bearing loans and liabilities	50,000	—	50,000	50,000
Interest payments	8,760	1,365	10,125	5,262
	336,836	**62,925**	**399,761**	**394,898**

The maturity profiles of the Company's loans due to related parties at 31 December 2008 are as follows:

	No stated maturity	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*
Financial liabilities			
Interest-bearing loans and borrowings	202,387	202,387	202,387
	202,387	**202,387**	**202,387**

The above loans do not have a stated maturity date and bear interest at US LIBOR plus 2% per annum.

The maturity profiles of the Company's loans due to related parties at 31 December 2007 are as follows:

	No stated maturity	Contractual undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*
Financial liabilities			
Interest-bearing loans and borrowings	59,807	59,807	59,807
	59,807	**59.807**	**59,807**

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The above loans do not have a stated maturity date and bear interest at US LIBOR plus 2% per annum.

Capital management

The group has relied on PEDIL, a fellow subsidiary undertaking of the Company for funding its oil and gas developments. The table below sets out the net cash position for the group, its gearing position having regard to loans from Petrofac Energy Developments International Limited and the return on investment to PEDL shareholders. For each of the years ending 31 December 2009, 2008 and 2007, gearing ratios and shareholder return ratios are not calculable due to the Company's negative shareholders' equity position at 31 December 2007 and 2008 and minimal equity at 31 December 2009 in relation to its borrowings.

	2009	2008	2007
	US$'000	*US$'000*	*US$'000*
Cash and short-term deposits	16,089	15,145	12,811
Interest-bearing loans from Petrofac Energy Developments International Limited and non-interest bearing loan from Petrofac (A)	(394,898)	(202,387)	(59,807)
Net cash (B)	(378,809)	(187,242)	(46,996)
Equity attributable to Petrofac Energy Developments Limited shareholders (C)	7,437	(8,637)	(7,121)
Profit/(loss) for the year attributable to Petrofac Energy Developments Limited shareholders (D)	12,654	(6,800)	270
Gross gearing ratio (A/C)	n/a	n/a	n/a
Net gearing ratio (B/C)	n/a	n/a	n/a
Shareholders' return on investment (D/C)	n/a	n/a	n/a

24. POST BALANCE SHEET EVENT

PEDL's holding company, Petrofac, intends to call an extraordinary general meeting (EGM), to be held on or around 29 March 2010, to propose a resolution which, if approved, will inter alia facilitate the demerger of PEDL and its subsidiaries from the Petrofac group to a new company, EnQuest PLC.

It is intended that approximately US$368,000,000 of loans payable by PEDL to Petrofac group companies, as at 31 December 2009, will be capitalised in advance of the planned demerger from the Petrofac group, as part of these arrangements. In the event the planned demerger does not happen, such loans may not be capitalised.

As part of this planned transaction Lundin Petroleum AB, a Swedish oil and gas exploration company will procure the transfer of Lundin North Sea BV and its subsidiaries to EnQuest PLC, after which all EnQuest PLC's shares in issue will be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange and to trading on NASDAQ OMX Stockholm for secondary listing.

Upon completion of this planned transaction, Petrofac shareholders will own approximately 45 per cent. of the issued EnQuest PLC shares and Lundin Petroleum AB shareholders will own approximately 55 per cent. of the issued EnQuest PLC shares.

25. SUBSIDIARIES

At 31 December 2009, the group had investments in the following subsidiaries and incorporated joint ventures:

Name of company	Country of incorporation	Proportion of nominal value of issued shares controlled by the group		
		2009	2008	2007
Trading subsidiaries				
Petrofac Energy Developments Oceania Limited	Cayman Islands	100%	100%	10%*
PEDL Limited	England	100%	100%	100%

* Indirectly held by Petrofac Energy Developments Limited

PART VIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A—ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION

Ernst & Young LLP
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18 March 2010

The Directors
EnQuest PLC
Rex House
4-12 Regent Street
London SW1Y 4PE

Dear Sirs

We report on the pro forma balance sheet (the "**Pro Forma Financial Information**") set out in Section B in Part VIII of the Prospectus dated 18 March 2010, which has been prepared on the basis described in notes 1 to 5, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by EnQuest PLC in preparing the financial statements for the period ended 31 December 2009. This report is required by item 20.2 of Annex I of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of EnQuest PLC to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this

report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of EnQuest PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of EnQuest PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of EnQuest PLC.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B—UNAUDITED PRO FORMA BALANCE SHEET

The unaudited pro forma balance sheet of the Group as at 31 December 2009 is set out below. The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore, does not represent the actual financial position or results of the Group.

The unaudited pro forma balance sheet includes certain adjustments to illustrate the effect of the Acquisitions on the consolidated balance sheet of the Group, as if they had taken place on 31 December 2009, and is based on the consolidated balance sheets of LNS and PEDL, each of which have been extracted without material adjustment from the historical financial information of the LNS Group and the PEDL Group, set out in Section B of Part VI and Section B of Part VII, respectively, of this document.

			Adjustments			
Pro forma	**LNS**	**PEDL**	**(1)**	**(2)**	**(3)**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	518,558	406,808	—	—	(357)	925,009
Intangible assets	71,641	—	—	—	—	71,641
Loan receivable from related party	21,443	—	(21,443)	—	—	—
Deferred income tax assets	156	21,326	—	—	—	21,482
	611,798	428,134	(21,443)	—	(357)	1,018,132
Current assets						
Inventories	1,297	3,899	—	—	—	5,196
Trade and other receivables	35,782	71,460	—	—	(3,686)	103,556
Due from related parties	552	4,922	—	—	—	5,474
Cash and cash equivalents	7,893	16,089	—	—	—	23,982
	45,524	96,370	—	—	(3,686)	138,208
Total assets	657,322	524,504	(21,443)	—	(4,043)	1,156,340
EQUITY AND LIABILITIES						
Equity share capital	23	17	124,052	367,714	—	491,806
Share Premium	83,926	—	—	—	—	83,926
Foreign currency translation	—	4,694	—	—	—	4,694
Other reserves	83	—	—	—	—	83
Retained earnings	76,168	2,726	—	—	(179)	78,715
Total equity	160,200	7,437	124,052	367,714	(179)	659,224
Non current liabilities						
Loans and borrowings	156,000	—	(156,000)	—	—	—
Provisions	53,198	55,359	—	—	—	108,557
Deferred income tax liabilities	252,483	—	—	—	(178)	252,305
	461,681	55,359	(156,000)	—	(178)	360,862
Current liabilities						
Trade and other payables	33,326	64,381	—	—	(3,686)	94,021
Loans due to related parties	—	394,898	—	(394,898)	—	—
Due to related parties	497	2,429	10,505	27,184	—	40,615
Income tax payable	1,618	—	—	—	—	1,618
	35,441	461,708	10,505	(367,714)	(3,686)	136,254
Total liabilities	497,122	517,067	(145,495)	(367,714)	(3,864)	497,116
Total equity and liabilities	657,322	524,504	(21,443)	—	(4,043)	1,156,340

Notes:

1. The consolidated balance sheets of LNS and PEDL as at 31 December 2009 have been extracted without material adjustment from Section B of Part VI and Section B of Part VII, respectively, of this document.

2. The adjustments are as follows:

   (1) Replacement of loans due to BNP Paribas of US$156,000,000 with loans due to related parties of US$156,000,000 followed by capitalisation, in equity share capital, of US$124,052,000 representing net loans due to related parties of US$156,000,000, less US$21,443,000, less adjusted net working capital plus cash of US$10,505,000 (see note 5 below).

   (2) Capitalisation, in equity share capital, of US$367,714,000 representing loans due to related parties of US$394,898,000 less adjusted net working capital plus cash of US$27,184,000 (see note 5 below); and

   (3) Consolidation adjustment to eliminate unrealised profit of US$357,000 less tax of US$178,000, arising on trading between the LNS Group and the PEDL Group and to eliminate related trading balances of US$3,686,000. The combined adjustments result in a decrease in retained earnings of US$179,000.

3. The adjustments do not reflect any fair value adjustments to the assets and liabilities acquired, which will ultimately be required, since these cannot be accurately determined as at the date of this document.

4. No account has been taken of any trading or other transactions since 31 December 2009.

5. The LNS Group adjusted net working capital plus cash of US$10,505,000 represents current assets of US$45,524,000 less current liabilities of US$35,441,000 plus upward adjustment, under the Lundin SPA, of US$422,000 to reflect inventory at market value rather than cost. The PEDL Group adjusted net working capital plus cash of US$27,184,000 represents current assets of US$96,370,000 less current liabilities, excluding loans due to related parties of US$394,898,000, of US$66,810,000 plus upward adjustment, under the Petrofac SPA, of US$347,000 to reflect inventory at market value rather than cost and downward adjustments of US$552,000 to exclude assets not transferred as part of the Petrofac Acquisition and US$2,171,000 to exclude assets paid for at a later date under the Petrofac SPA.

Had the transaction occurred at 1 January 2009, the income statement for the year ended 31 December 2009 would have represented the combined results of the LNS Group and the PEDL Group adjusted as follows:

(i) Profit would have been reduced by the elimination of unrealised profit (net of tax) arising from trading between the LNS Group and the PEDL Group;

(ii) Profit would have been reduced as the result of an increase in depreciation of tangible assets, as a result of the allocation of the fair value of consideration given by LNS to the identifiable net assets acquired of PEDL; and

(iii) Profit would have been increased because the capitalisation of interest bearing funding received from related parties of PEDL and LNS would have reduced the interest charge for the year. The tax charge for the year would have been increased by the reduced interest charge.

This statement should not be taken to mean that the earnings per share of the Group on a consolidated basis will necessarily match or exceed the historical reported consolidated earnings or loss per share of LNS and PEDL and no forecast is intended or implied.

PART IX

DETAILS OF THE OFFER

1. THE OFFER

It is intended that certain of the Selling Shareholders may sell down a portion of their shareholding in EnQuest immediately upon London Admission, and all or certain of the Selling Shareholders may sell down a further portion of their shareholding in EnQuest immediately upon Stockholm Admission, in accordance with and under the terms of the Offer set out below.

The Selling Shareholders may sell up to 48,130,326 Ordinary Shares in aggregate (assuming the Over-allotment Option is not exercised), under the Offer, representing 6.2 per cent. of the issued share capital of the Company. The Selling Shareholders will receive gross proceeds of £57 million (approximately £55 million net of expenses) from the sale of the Ordinary Shares (based on an Offer of a maximum number of 48,130,326 Ordinary Shares at a maximum Offer Price of 118p per Ordinary Share and assuming that the Over-allotment Option is not exercised). Further Ordinary Shares (representing up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer) may be made available under the Offer by certain Selling Shareholders pursuant to the Over-allotment Option described below.

Upon completion of the Proposals and the Offer (if it proceeds), it is expected that approximately 72 per cent. of the Ordinary Shares will be held in public hands (assuming that the maximum number of Ordinary Shares are sold under the Offer and that the Over-Allotment Option is not exercised).

The Selling Shareholders reserve the right not to proceed with the Offer in the event that they are not satisfied with the proposed Offer Price achieved in the book building process. Any decision not to proceed with the Offer (together with any other outstanding information) will be set out in a pricing statement or other announcement on a Regulatory Information Service, expected to be published on or around 30 March 2010. In such circumstances, the Company intends to continue with its applications for the Admissions so far as is practicable in accordance with the expected timetable of principal events set out on page 35 of this document.

The Offer is being made by means of an offer of Ordinary Shares to qualified investors, including to certain institutional investors in the United Kingdom, Sweden, other EEA jurisdictions and elsewhere outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S under the Securities Act. Certain restrictions that apply to the distribution of this document and the Ordinary Shares in jurisdictions outside the United Kingdom and Sweden are described in paragraph 13 of this Part IX.

All Ordinary Shares will be sold at the Offer Price.

The Offer is underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement.

If the Offer proceeds, the Ordinary Shares to be made available pursuant to the Offer will, following Admissions, rank *pari passu* in all respects with the other issued Ordinary Shares, including the right to vote and the right to receive all dividends and other distributions declared, made or paid on, or in respect of, the Company's share capital after Admissions. The Ordinary Shares will, immediately following Admission, be freely transferable under the Articles.

2. REASONS FOR THE OFFER AND ADMISSIONS

The Directors believe that the Admissions will offer the Company a number of benefits, including:

- enhancing the profile of the Group's business and status with existing and potential partners;
- creating a public market for the Ordinary Shares and increasing strategic and financial flexibility for the Group; and
- strengthening the Company's ability to attract and retain key employees.

If the Offer proceeds, it will also provide an opportunity for the Selling Shareholders to realise part of their investment in the Group.

3. OFFER PRICE AND ALLOCATIONS

The Offer Price will be determined by the Global Co-ordinator in consultation with the Company and the Selling Shareholders and is expected to be announced on or around 30 March 2010.

The Offer Price will be set at a price of up to 118p per Ordinary Share. A number of factors will be considered in deciding the Offer Price including the level and the nature of the demand for Ordinary Shares, the prevailing market conditions and the objective of establishing an orderly market in the Ordinary Shares. The Offer Price and the number of Ordinary Shares to be sold by the Selling Shareholders in the Offer (if it proceeds) will be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market-makers) connected with the Managers. If the Offer Price is determined at an amount above the maximum Offer Price disclosed in this document, the final Offer Price will be announced and advertised as soon as possible and the Company will publish a supplementary prospectus and each applicant may exercise their withdrawal rights as set out in the section headed "Withdrawal Rights" below.

The Managers will solicit from prospective investors indications of interest in purchasing Ordinary Shares under the Offer. Prospective institutional investors will be required to specify the number of Ordinary Shares which they would be prepared to purchase either at specified prices or at the Offer Price (as finally determined). Subject to the Global Co-ordinator, the Company and the Selling Shareholders determining allocations, there is no minimum or maximum number of Ordinary Shares which can be applied for. This process is expected to be completed by 29 March 2010. Prospective institutional investors will also be required to specify whether they wish to receive Ordinary Shares pursuant to the Offer through CREST on the date of London Admission, paid for at the Offer Price in pounds sterling or through the VPC system on the date of Stockholm Admission, paid for at the Offer Price in SEK (where the Offer Price in SEK is calculated by converting the Offer Price from pounds sterling into SEK using the prevailing rate of exchange at the date the Offer Price is determined).

Allocations under the Offer will be determined at the Global Co-ordinator's discretion, following consultation with the Company and the Selling Shareholders. A number of factors will be considered in determining the basis of allocation, including the level and nature of demand for Ordinary Shares in the Offer and the objective of encouraging the development of an orderly market in the Ordinary Shares. If there is excess demand for Ordinary Shares, allocations may be scaled down in any manner at the Global Co-ordinator's discretion following consultation with the Company and the Selling Shareholders and applicants may be allocated Ordinary Shares having an aggregate value which is less than the sum applied for. The Global Co-ordinator may allocate such shares at its discretion (subject to consultation with the Company and the Selling Shareholders) and there is no obligation for the Global Co-ordinator to allocate such shares proportionately.

All Ordinary Shares sold pursuant to the Offer will be issued or sold, payable in full, at the Offer Price. The number of Ordinary Shares allocated and the basis of allocation are expected to be announced on 30 March 2010, at which point prospective investors will be advised, amongst other matters, of the Offer Price and the number of Ordinary Shares allocated to them under the Offer.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before any such notification is made.

4. OVER-ALLOTMENT AND STABILISATION

In connection with the Offer, J.P. Morgan Cazenove as the Stabilising Manager or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot or effect other stabilisation transactions intended to enable it to satisfy any over-allotments or which stabilise, maintain or otherwise affect the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares or other securities in the Company, in each case at levels higher than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on the London Stock Exchange and any other securities market, over-the-counter or otherwise. Such stabilising measures may only be undertaken during the period from commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and, if begun, may be ended at any time but must end no later than 30 calendar days thereafter.

There will be no obligation, however, on the Stabilising Manager or any of its agents to effect stabilising transactions and no assurance is given that stabilising transactions will be undertaken. Such transactions, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price without prior notice save as

required by law or regulation. Save as required by any legal or regulatory obligation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotment made pursuant to, and/or stabilisation transactions conducted pursuant to, the Offer.

In connection with the Offer, the Stabilising Manager, may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilisation period, the Stabilising Manager has entered into the Over-allotment Option with certain of the Selling Shareholders pursuant to which the Stabilising Manager may, acting as agent or principal, purchase or procure purchasers for the Over-allotment Shares, being an additional Ordinary Shares up to a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer, at the Offer Price. The Over-allotment Option is exercisable in whole or in part, only once upon notice by the Stabilising Manager, at any time on or before 30 calendar days after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares sold pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares being sold in the Offer, including for all dividends and other distributions declared, made or paid on the Ordinary Shares and will be and will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

5. STOCK LENDING ARRANGEMENTS

In connection with settlements and stabilisation, the Stabilisation Manager expects to enter into a stock lending agreement on or around the date of the Pricing Statement with certain of the Selling Shareholders. Details of these arrangements are set out in paragraph 15.3 of Part XI of this document.

6. REPRESENTATIONS AND WARRANTIES

By receiving this document, each investor and, in the case of paragraphs (m), (o) and (q) below, any person making an offer to the Global Co-ordinator to purchase Ordinary Shares on behalf of an investor or authorising the Global Co-ordinator to notify such investor's name to the Registrars, is deemed to represent and warrant to each of the Managers, the Company and the Selling Shareholders that:

(a) the investor has read this document in its entirety and acknowledges that its participation in the Offer shall be made on the terms and subject to the conditions set out in this Part IX, the Underwriting Agreement and the Articles as in force at the date of London Admission;

(b) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to purchase Ordinary Shares under the Offer and will not be any such person on the date any such Offer is accepted;

(c) none of the Managers nor any person affiliated with the Managers or acting on their behalf is responsible for or shall have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an investor to participate in the Offer based on any information, representation or statement contained in this document or otherwise;

(d) the investor has not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this document or their investment decision;

(e) in agreeing to purchase Ordinary Shares under the Offer, the investor is relying on this document or any supplementary prospectus (as the case may be) or any regulatory announcement that may be issued by the Company and not on any other information or representation concerning the Group, the Offer or the Ordinary Shares. Such investor agrees that none of the Company, the Selling Shareholders, the Managers nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;

(f) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to purchase Ordinary Shares under the Offer and/or acceptance thereof, such investor has complied with all such laws and none of the investors will infringe any laws outside the United Kingdom as a result of such investor's agreement to purchase Ordinary Shares under the Offer and/or acceptance thereof or any actions arising from such investor's rights and obligations under the investor's

agreement to purchase Ordinary Shares under the Offer and/or acceptance thereof or under the Articles;

(g) that it understands that no action has been or will be taken in any jurisdiction (other than the United Kingdom and Sweden) by the Company, the Selling Shareholders or the Managers or any other person that would permit a public offering of the Ordinary Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required;

(h) if the investor is in any member state of the European Economic Area which has implemented the Prospectus Directive it is: (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more then €43,000,000; and (c) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; or (iii) otherwise permitted by law to be offered and sold Ordinary Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws;

(i) in the case of any Ordinary Shares acquired by an investor as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive; (i) the Ordinary Shares acquired by it in the Offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Global Co-ordinator has been given to the offer or resale; or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;

(j) the Offer is being made by means of an offer of Ordinary Shares outside the United States in reliance on Regulation S. Each investor purchasing Ordinary Shares in the Offer acknowledges and agrees to the restrictions of transfer specified in paragraph 13 of this Part IX;

(k) the investor is not a resident of Australia, Canada (unless the Global Co-ordinator has approved its participation in the Offer), the Republic of South Africa or Japan and acknowledges that the Ordinary Shares have not been and will not be registered nor will a prospectus be prepared in respect of the Ordinary Shares under the securities legislation of Australia, Canada, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions;

(l) the investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by it or any other person on the acquisition by it of any Ordinary Shares or the agreement by it to acquire any Ordinary Shares;

(m) in the case of a person who confirms to any of the Managers on behalf of an investor an agreement to purchase Ordinary Shares under the Offer and/or who authorises the Global Co-ordinator to notify such investor's name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the investor;

(n) the investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2003 and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identify of the third party as required by the Money Laundering Regulations 2003;

(o) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of Sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);

(p) the investor is a person who (i) falls within paragraph (5) of Article 19 and/or paragraph (2) of Article 48 and/or paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; and (ii) is a "qualified investor" within the meaning of section 86(7) of the FSMA; and

(q) in the case of a person who confirms to the Global Co-ordinator on behalf of an investor an agreement to purchase Ordinary Shares under the Offer and who is acting on behalf of a third party, that the terms on which the investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third party's behalf without reference to that third party.

The Company, the Selling Shareholders and the Managers will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

Notwithstanding the above, a person who is not resident in the United Kingdom or Sweden and is not a qualified investor and who has notified the Managers of such fact in writing may, with the consent of the Managers, be permitted to purchase Ordinary Shares.

Supply and disclosure of information

If the Company and any of the Managers or any of their agents request any information about an investor's agreement to purchase Ordinary Shares, such investor undertakes promptly to disclose it to them and that such information will be complete and accurate in all respects.

Withdrawal rights

In the event that the Company is required to publish any supplementary prospectus, applicants who have applied for Ordinary Shares in the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire Ordinary Shares in the Offer in its entirety. The right to withdraw an application to acquire Ordinary Shares in the Offer in these circumstances will be available to all investors in the Offer, provided that following London Admission, such withdrawal rights will only be available to investors whose Shares are to be delivered on Stockholm Admission. If the application is not withdrawn within the stipulated period any offer to apply for Ordinary Shares in the Offer will remain valid and binding.

Persons wishing to exercise statutory withdrawal rights after the issue by the Company of a supplementary prospectus must do so by lodging a written notice of withdrawal (and for these purposes a written notice includes a notice given by fax on +44 (0)20 7925 4936, marked for the attention of: The Company Secretary, EnQuest PLC, *(Withdrawal Rights)*, or by email at withdrawal@enquest.co.uk) which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such a person is a CREST member, the participant's ID and the member account ID of such CREST member, with the Company Secretary, so as to be received no later than two business days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Company Secretary after the expiry of such period will not constitute a valid withdrawal.

7. DEALINGS, ADMISSIONS AND SETTLEMENT

Completion of the Offer will be subject, *inter alia*, to the determination of the Offer Price and each of the Company's, the Selling Shareholders' and the Managers' decisions to proceed with the Offer. It will also be subject to the satisfaction of certain conditions contained in the Underwriting Agreement, including London Admission occurring and becoming effective by 8.00 a.m. (London time) on 6 April 2010 or such later date as may be determined in accordance with the Underwriting Agreement, and to the Underwriting Agreement not having been terminated in accordance with its terms prior to London Admission. In respect of Ordinary Shares in the Offer being delivered to investors through the VPC system at Stockholm Admission, completion of that portion of the Offer is subject to additional conditions contained in the Underwriting Agreement, including Stockholm Admission occurring and becoming effective by no later than 9.00 a.m. (Stockholm time) on 9 April 2010, or such later date as may be determined in accordance with the Underwriting Agreement. Further details of the Underwriting Agreement are set out in the section headed "Underwriting Arrangements" below and in paragraph 15.1 of Part XI of this document.

Application will be made to the FSA for all of the Ordinary Shares to be listed on the Official List for a premium listing and application will be made to the London Stock Exchange for such Ordinary Shares to

be admitted to trading on the London Stock Exchange's main market for listed securities. Application will also be made to NASDAQ OMX Stockholm AB for a secondary listing of the Ordinary Shares on NASDAQ OMX Stockholm.

If the Offer proceeds, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 30 March 2010. It is expected that dealings in the Ordinary Shares will commence on a conditional basis on NASDAQ OMX Stockholm at 9.00 a.m. (Stockholm time) on 6 April 2010. The expected dates for settlement of such dealings are 6 April 2010 in respect of conditional trading on the London Stock Exchange and on 9 April 2010 in respect of conditional trading on NASDAQ OMX Stockholm. These dates and times may change. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis" and at the sole risk of the parties concerned. If London Admission and/or Stockholm Admission do not occur, any such dealings on the respective exchanges will be of no effect, and any payments and/or transfers of Ordinary Shares made in respect of such conditional dealings shall be returned and/or unwound, as the case may be. Further, investors should note that Stockholm Admission may occur and dealings may become unconditional on NASDAQ OMX Stockholm without the Offer having completed.

It is expected that London Admission will become effective and that dealings in the Ordinary Shares will commence on an unconditional basis on the London Stock Exchange at 8.00 a.m. (London time) on 6 April 2010 and the earliest date for settlement of such dealings will be on that date. It is expected that Stockholm Admission will become effective and that dealings in the Ordinary Shares will commence on an unconditional basis on NASDAQ OMX Stockholm at 9.00 a.m. (Stockholm time) on 9 April 2010 and the expected date for settlement of such dealings will be 14 April 2010.

It is intended that Ordinary Shares allocated to investors who wish to hold Ordinary Shares in uncertificated form will be settled through CREST on London Admission and through the VPC system on Stockholm Admission. Investors will be required to specify whether they wish to receive Ordinary Shares pursuant to the Offer through CREST on the date of London Admission, paid for at the Offer Price in pounds sterling or through the VPC system on the date of Stockholm Admission, paid for at the Offer Price in SEK (where the Offer Price in SEK is calculated by converting the Offer Price from pounds sterling into SEK using the prevailing rate of exchange at the date the Offer Price is determined).

All Ordinary Shares issued pursuant to the Offer (if it proceeds) will be issued payable in full at the Offer Price, paid for in pounds sterling (in respect of Ordinary Shares in the Offer being delivered at London Admission) or SEK (in respect of Ordinary Shares in the Offer being delivered at Stockholm Admission).

It is intended that, where applicable, definitive share certificates in respect of the Offer will be despatched by 19 April 2010. The Ordinary Shares are in registered form and can also be held in unregistered form. Dealings in advance of the crediting of the relevant CREST stock account, or Euroclear Sweden account, shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are not settled in CREST or the VPC system, transfers of those Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

The Ordinary Shares will be registered with ISIN number GB00B635TG28 and SEDOL number B635TG2.

In connection with the Offer, each of the Managers and any affiliate acting as an investor for its own account may take up the Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offer. Accordingly references in this document to the Ordinary Shares being offered or sold should be read as including any offering or sale of securities to any of the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

As a result of the Lundin Distribution, the shareholders of Lundin may be left with fractional entitlements to Ordinary Shares. For every Lundin share held by the shareholders of Lundin at the record date, Lundin shareholders will be entitled to receive 1.3474 Ordinary Shares. Pursuant to, and in accordance with the

terms and conditions of the Lundin Distribution, Lundin will distribute to its shareholders 100 per cent. of the Ordinary Shares held by it. The mechanics of this distribution are set out below:

(a) the first tranche of Ordinary Shares will be delivered at the time of Stockholm Admission, entitling Lundin shareholders to receive one Ordinary Share for every one Lundin share held as at the record date (being 8 April 2010); and

(b) on 12 April 2010, the second tranche of Ordinary Shares will be delivered by Nordea Issuer Services (a part of Nordea Bank AB) in respect of such number of Ordinary Shares to which the Lundin shareholders are entitled by virtue of their aggregate fractional entitlements to Ordinary Shares.

The resulting number of Ordinary Shares to be delivered in the second tranche of the Lundin Distribution will be subject to a rounding down to the nearest whole number of Ordinary Shares. Fractions of Ordinary Shares will be distributed, however will not be delivered to shareholders of Lundin pursuant to the Lundin Distribution. Such fractions are expected to be sold by Nordea Markets on NASDAQ OMX Stockholm after the Lundin Distribution and Stockholm Admission. The net proceeds of such sales will be delivered pro-rata to Lundin shareholders in accordance with their fractional entitlements.

The expected timing of the distribution of Ordinary Shares in connection with the Lundin Distribution only refers to shareholdings that are directly registered with Euroclear Sweden.

8. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Upon London Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from London Admission. Accordingly, settlement of transactions in the Ordinary Shares following London Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares in the Offer may, however, elect to receive Ordinary Shares in uncertificated form if that investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

9. VPC SYSTEM

General

The Ordinary Shares to be delivered into Euroclear Sweden accounts will be held through Euroclear Sweden in the form of foreign financial instruments in Euroclear Sweden records (Sw. *"avstämningsregister"*) in accordance with Chapter 4, Section 3 of the Swedish Act (1998:1479) on Record-Keeping of Financial Instruments, and will be credited to the Euroclear Sweden account of the Company's shareholders to facilitate trading of the Ordinary Shares on NASDAQ OMX Stockholm. Trading in Ordinary Shares held through Euroclear Sweden will be effected on NASDAQ OMX Stockholm in the SAXESS system. Purchases or sales may also be effected through private arrangements outside NASDAQ OMX Stockholm.

The ownership interest and identity of a holder of the Ordinary Shares shall be solely determined by the records of Euroclear Sweden.

Dividends

Cash dividends from the Company that are received by Euroclear Sweden, which in respect of Ordinary Shares held through Euroclear Sweden will be paid by Euroclear Sweden in SEK (based on the prevailing £/SEK exchange rate) and distributed in accordance with usual Euroclear Sweden procedures. Holders of Ordinary Shares on the relevant dividend record date will be entitled to the Company's dividends received by Euroclear Sweden in respect of these Ordinary Shares after conversion from pounds to SEK.

Transfer of Ordinary Shares between different markets

Transfer of Ordinary Shares held through Euroclear Sweden in order to enable trading on the London Stock Exchange will be capable of being effected upon request by the holder through the holder's Euroclear Sweden account operating institute in Sweden (normally the bank or securities institution

through whom the holder conducts securities transactions). In connection with such transfers, the number of Ordinary Shares covered by the request will be transferred by the account operating institute and Euroclear Sweden to the foreign securities account designated by the holder. Transfers in accordance with the foregoing will also, in respect of nominee holdings in the VPC system, be capable of being effected following a request to that effect to the nominee.

It will also be possible to transfer the Company's shares registered in CREST to an account in the VPC system. Transfers will in this case be effected following a request to the holder's CREST nominee, broker or other agent.

The nominee, broker or agent will charge a fee for such aforementioned transfers. Holders of Ordinary Shares and other Company shares will be liable for any costs and taxes related to a transfer of their shares between different markets.

Information in relation to UK stamp duty and SDRT is set out in Part X of this document.

Information regarding holders of Ordinary Shares

Euroclear Sweden's records of Euroclear holders will not be public. However, the Company will reserve the right to obtain information regarding such shareholders and their holdings.

10. UNDERWRITING ARRANGEMENTS

The Company, the Directors, the Managers, the Selling Shareholders, Petrofac and Lundin have entered into the Underwriting Agreement pursuant to which the Managers have agreed severally and not jointly or jointly and severally, subject to certain conditions, to procure purchasers for or failing which the Underwriters have agreed severally and not jointly or jointly and severally, to purchase the Ordinary Shares, which the Selling Shareholders have agreed to sell pursuant to the Offer (if it proceeds). All such purchases will be at the Offer Price. Further details of the terms of the Underwriting Agreement are set out in paragraph 15.1 of Part XI of this document.

11. LOCK-UP ARRANGEMENTS

Each of the Company, the Selling Shareholders and the Directors have agreed to certain lock-up arrangements in respect of their holdings of the Ordinary Shares. Details of these arrangements are set out in paragraph 15.2 of Part XI of this document.

If the Offer does not proceed, the Selling Shareholders will be subject to certain orderly market arrangements rather than the lock-up arrangements.

12. EXPENSES AND PROCEEDS

The Company will not receive the proceeds from the sales of Ordinary Shares by the Selling Shareholders or any proceeds from the sale of additional Ordinary Shares pursuant to the exercise of the Over-allotment Option by the Selling Shareholders.

The maximum total costs and estimated expenses of or incidental to the preparation of this document, the Offer and Admissions (including issue costs, underwriting commissions, registration fees, professional fees and the cost of printing and distribution) payable by the Company are estimated to amount to US$8.3 million.

13. SELLING AND TRANSFER RESTRICTIONS

General

The distribution of this document and the offer of Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Ordinary Shares, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. Persons receiving this document should not distribute or send it into any jurisdiction where to do so would or might contravene local securities laws or regulations.

No action has been or will be taken, by the Company, the Selling Shareholders or the Managers, to permit a public offering of the Ordinary Shares, or to permit possession or distribution of this document (or any other offering or publicity material relating to the Ordinary Shares), in any jurisdiction (other than the

United Kingdom and Sweden) where action for that purpose may be required. No offer is being made to the public in any jurisdiction.

The Ordinary Shares may not be offered for subscription, sale or purchase or be subscribed, sold or delivered, directly or indirectly, and neither this document nor any other offering material or advertisements in connection with the Ordinary Shares may be distributed or published, in or from any country or jurisdiction, other than in the UK and Sweden, where to do so would violate any securities law or regulation of any such jurisdiction except under circumstances that will result in compliance with any applicable rules and regulation of any such country or jurisdiction.

United States

The Ordinary Shares are being offered and sold outside the United States in offshore transactions as defined in, and in reliance on, Regulation S.

The Ordinary Shares have not been and will not be registered under the Securities Act with any securities regulatory authority or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of securities in the United States.

Each purchaser of Ordinary Shares offered outside the United States pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that it has received a copy of this document, and such other information as it deems necessary to make an investment decision, and that:

(a) It is authorised to consummate the purchase of the Ordinary Shares in compliance with all applicable laws and regulations;

(b) It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States;

(c) It is purchasing the Ordinary Shares in an offshore transaction, as such term is defined in Rule 902 of Regulation S promulgated under the Securities Act, meeting the requirements of Regulation S;

(d) It will not offer, sell, pledge or transfer any Ordinary Shares, except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction;

(e) Any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the restrictions imposed by Regulation S or the requirements of US securities law will not be recognised by the Company; and

(f) The Company, the Selling Shareholders, the Managers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and it agrees that if any such acknowledgements, representations or agreements deemed to have been made by virtue of its subscription of the Ordinary Shares are no longer accurate, it will promptly notify such persons. If it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "relevant member state") no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that relevant member state at any time under

the following exemptions under the Prospectus Directive, if they are implemented in that relevant member state:

(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 EUR 43,000,000; and (iii) an annual turnover of more than EUR 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 the Global Co-ordinator; 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,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a relevant member state and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purpose of the expression an "offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer of any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the consent of the Managers, be permitted to purchase Ordinary Shares in the Offer.

Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity, organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Canada

Subject to certain exceptions, the Ordinary Shares may be not be offered, issued or sold to any Canadian person and this document is not for delivery to any Canadian person other than with the prior approval of the Managers on a basis exempt from the requirement that the Company prepare and file a prospectus with the securities regulatory authorities in each province or territory in Canada where trades of Ordinary Shares are effected.

Australia

This document has not been lodged with the Australian Securities and Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia ("**Corporations Act**");

(ii) a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountants certificate pursuant to the section 70B(B)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) a person associated with the company under section 708(12) of the Corporations Act; or

(iv) a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act,

and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance;

(b) you warrant and agree that you will not offer any of the shares issued to you pursuant to this document for resale in Australia within 12 months of those shares being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Switzerland

This document does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to Article 32 of the Listing Rules of the SWX Swiss Exchange. The Ordinary Shares will not be listed on the SWX Swiss Exchange and, therefore, this document does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the Ordinary Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors which, do not purchase the Ordinary Shares with a view to distribution to the public. The investors will be individually approached by any of the Managers from time to time. This document is personal to each offeree and does not constitute an offer to any other person. The document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

PART X

TAXATION

UNITED KINGDOM TAXATION

General

The following comments are intended only as a general guide to the position under current United Kingdom tax law and the current published practice of the United Kingdom HMRC and may not apply to certain classes of investors, such as dealers in securities. Any person who is in doubt as to his tax position is strongly recommended to consult his own professional tax adviser.

Taxation of Dividends

The Company

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the Ordinary Shares.

UK resident Shareholders

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by UK resident individuals who are not liable to income tax at the higher rate (currently 40 per cent.). From April 2010, it is expected that an additional higher rate of tax will be introduced (generally at 50 per cent.). UK resident individuals who are subject to tax at the higher rate, or (from April 2010) at the additional higher rate are subject to tax on dividends at the rate applicable to dividends (currently 32.5 per cent. for the higher rate and 42.5 per cent. for the additional higher rate) but are entitled to offset the 10 per cent. tax credit against such liability. For example, on a dividend received of £90 a taxpayer liable at the higher rate would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the 10 per cent. credit) and a taxpayer liable at the additional higher rate would have to pay additional tax of £32.50 (representing 42.5 per cent. of the gross dividend less the 10 per cent. credit). For this purpose, dividends are treated as the top slice of an individual's income.

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the Ordinary Shares are held in a personal equity plan or in an individual savings account) can be claimed by a United Kingdom resident shareholder (including pension funds and charities).

Subject to certain exceptions for traders in securities and insurance companies, a corporate shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax or income tax on dividends received from the Company on its Ordinary Shares.

Non-UK resident Shareholders

Non-UK resident shareholders are not generally entitled to claim any part of the tax credit, subject to certain specific exemptions. Non-UK resident Shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such shareholders should consult their own tax advisers concerning their tax liabilities.

Taxation of Chargeable Gains

UK Resident Shareholders

A disposal of the Ordinary Shares by a shareholder who is (at any time in the relevant United Kingdom tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the shareholder's circumstances and subject to any available exemption or relief.

Non-resident Shareholders

For so long as the Ordinary Shares are listed on the official list of the FSA and admitted to trading on the London Stock Exchange (or are listed on another recognised stock exchange) a Shareholder who is not resident in the United Kingdom for tax purposes will not be subject to UK taxation of chargeable gains on any disposal of the Ordinary Shares. A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-UK resident corporate shareholder, a permanent establishment) to which the Ordinary Shares are attributable will be subject to the same rules which apply to United Kingdom resident Shareholders, as will any Shareholder not resident in the United Kingdom for tax purposes of the Ordinary Shares are not, or cease to be listed on a recognised stock exchange.

A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of the Ordinary Shares during that period may also be liable, on his return, to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositories and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue or on the registration of the Ordinary Shares to be issued pursuant to the Offer.

A transfer for value of the Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares and SDRT will arise on the entry into an agreement to sell the Ordinary Shares.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer).

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the consideration paid (with stamp duty rounded up to the nearest £5). A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

Paperless transfers of the Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of Ordinary Shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

HMRC have confirmed that they will not seek to apply the 1.5 per cent. charge on new shares which are issued to clearance services within the EEA (such as Euroclear Sweden), subject to certain exclusions for tax avoidance arrangements. However, in their view, this exemption does not apply to transfers of existing shares to clearance services, which will continue to be subject to a charge at 1.5 per cent.

SWEDISH TAXATION

General

The following comments are intended only as a general guide to the position under current Swedish tax legislation and is only intended as general information for Shareholders who are resident or domiciled in Sweden for tax purposes. The presentation does not deal comprehensively with all tax consequences that may occur in this context. Amongst the provisions not covered are the rules applying in cases where Ordinary Shares are held as current assets in a business operation or held by a partnership. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies and mutual funds.

Each shareholder is recommended to consult a tax adviser for information with respect to the special tax consequences that may arise as a result of holding Ordinary Shares in the Company, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules, which may be applicable.

Acquisition of shares in EnQuest through the Lundin Distribution

The Lundin Distribution of Ordinary Shares is tax-exempt for the recipients. The tax exemption is due to the fact that the distribution is covered by the stipulations of chapter 42, section 16 of the Swedish Income Tax Act, which specific provision is often referred to as the "Lex Asea." Lundin has received positive replies from the Swedish Tax Agency on written questions regarding the applicability of Lex Asea in the circumstances. While Lundin has no reason to believe that the applicability of Lex Asea will be challenged, there can be no assurance that such a challenge may not arise as a result of legislative change, administrative redetermination or otherwise. In such case, Lundin will not be liable to Shareholders for any resulting tax liability or other charges.

Taxation of Dividends

Individuals

For individuals dividends on Ordinary Shares are taxed at a rate of 30 per cent. as income from capital.

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the Ordinary Shares.

Under UK law, there is a notional tax credit in respect of the dividend payment (as described in paragraph headed "*UK Resident Shareholders*" above). For Swedish resident shareholders who own less than 10 per cent. of the voting power of the Company this will equate to and be treated as discharging the amount of income tax due in the UK and therefore in practice there is no balance of tax credit available to reclaim from the UK tax authorities. However, the United Kingdom tax credit for Swedish purposes will be treated as a dividend, i.e. Swedish tax will be levied on the aggregate of the dividend and the United Kingdom tax credit (the gross amount). The tax levied according to this procedure in the United Kingdom may be deducted from the tax levied in Sweden. This means that the effective rate of tax on the cash dividends for individuals will be reduced to 22.2 per cent.

Legal entities

For legal entities, dividends on Ordinary Shares are taxed at a rate of 26.3 per cent. as ordinary income from business activities. Special rules apply to certain corporate entities.

Limited liability companies and co-operative associations, except for investment companies, may receive dividends free of tax on listed Ordinary Shares in limited liability companies, including foreign equivalents, are tax exempt provided that the holding represents at least 10 per cent. of the voting rights of all Ordinary Shares (or the holding is conditioned by the shareholder's, or affiliated company's, business). The dividend tax exemption only applies if the listed Ordinary Shares are not disposed of within one year from the day any of the above holding requirements were met. The Ordinary Shares must, however, not have been held continuously for one year at the date of distribution. Taxation will, however, be triggered if the Ordinary Shares are sold (or otherwise cease to be entitled to the tax exemption) before the one year holding period requirement is met. A dividend on Ordinary Shares that ceases to be covered by the tax exemption may therefore be subject to tax in a different fiscal year than the dividend was received.

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the Ordinary Shares.

To obtain a tax credit in Sweden the same rules apply as those applicable to individuals with the difference that the tax rate for legal entities is 26.3 per cent. For further details please refer to the "Taxation of Dividends—Individuals" section above. Special rules apply to any Swedish resident Shareholder who is associated with a company, which either alone or together with associated companies, controls directly or indirectly at least 10 per cent. of the voting rights of the Company.

Disposal of Ordinary Shares

General

The main rule under the tax treaty between the United Kingdom and Sweden is that capital gains are taxed in Sweden only as far as Swedish residents are concerned.

Individuals

Individuals who are tax resident in Sweden and estates of deceased Swedish individuals who sell their Ordinary Shares are subject to capital gains tax. The current tax rate is 30 per cent. of the gain. The capital gain is calculated to equal the difference between the sales proceeds, after deduction for sales expenses, and the acquisition cost of the Ordinary Shares for tax purposes.

The acquisition cost is determined according to the so-called average-method. This means that the costs for all Ordinary Shares of the same type and class are added together and determined collectively, with respect to changes to the holding. Alternatively, the so-called standard rule (according to which the acquisition cost is deemed to be equal to 20 per cent. of the net sales price) may be applied on the disposal of listed Ordinary Shares.

Capital losses on listed Ordinary Shares are fully deductible against taxable capital gains on Ordinary Shares during the same fiscal year. The loss is also deductible against gains on other listed securities that are taxed in the same manner as Ordinary Shares (except for Ordinary Shares in mutual funds containing only Swedish receivables). A loss in excess of the above mentioned gains is deductible with 70 per cent. against any other taxable income derived from capital. If there is a deficit in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30 per cent. of any deficit not exceeding SEK 100,000 and 21 per cent. of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a later fiscal year.

A capital gain must be reported in the annual income tax return for the year during which the Ordinary Shares were sold.

Legal entities

Swedish limited liability companies (Sw: aktiebolag) are taxed on all income as income from business activities at a flat rate of 26.3 per cent. (for fiscal years commencing before 1 January 2009 that tax rate is 28 per cent.). For a description of the calculation of a capital gain or loss and the acquisition cost, see under the heading "Individuals" above.

A capital loss on Ordinary Shares incurred by a corporate shareholder may be offset only against gains on Ordinary Shares or other securities that are taxed in the same manner as Ordinary Shares. Such capital losses may, under certain circumstances, also be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions are met. Capital losses on Ordinary Shares or other such securities, which have not been deducted from capital gains within a certain year, may be carried forward and be offset against similar capital gains in future years without any limitation in time.

Capital gains on listed Ordinary Shares in limited liability companies, including foreign equivalents, are tax-exempt (and capital losses on such Ordinary Shares are non-deductible) provided that the holding represents at least 10 per cent. of the voting rights of all Ordinary Shares. Exemption may also be available provided the holding is conditioned by the shareholder's (or affiliated company's) business. Capital gains on listed Ordinary Shares are only tax-exempt if they are held not less than one year from the day any of the above holding requirements were met. Losses on Ordinary Shares that do not fulfil this holding requirement are deductible, subject to the above restrictions.

A taxable capital gain must be reported in the annual tax return for the fiscal year during which the Ordinary Shares were sold.

Tax considerations for certain shareholders residing outside of Sweden

Individual shareholders who are not resident in Sweden are subject to Swedish capital gains taxation upon disposal of Ordinary Shares in non-Swedish corporate entities that were acquired during residence in Sweden if they have been residents of Sweden at any time during the calendar year of disposal or ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty for the avoidance of double taxation.

PART XI
ADDITIONAL INFORMATION

1. **RESPONSIBILITY**

1.1 The Company (whose registered office appears on page 32 of this document) and its Directors (whose names appear on page 32 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom 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 contains no omission likely to affect its import.

1.2 Gaffney, Cline & Associates whose registered address is at Bentley Hall, Blacknest, Alton, Hampshire GU34 4PU, United Kingdom, accepts responsibility for, the CPR and its letter set out in Part XII of this document, and for any information sourced from the CPR in this document, respectively. To the best of the knowledge of Gaffney, Cline & Associates (who has taken all reasonable care to ensure that such is the case) the information contained therein is in accordance with the facts and contains no omissions likely to affect its import.

2. **INCORPORATION AND GENERAL**

2.1 The Company was incorporated and registered in England and Wales on 29 January 2010 with registered number 7140891 under the Companies Act as a public limited company with the name EnQuest PLC. The principal legislation under which the Company operates and the Ordinary Shares have been created is the Companies Act.

2.2 The registered office and the principal place of business in the United Kingdom of the Company is at Rex House, 4-12 Regent Street, London SW1Y 4PE (telephone number (0)20 7925 4900 or, if dialling from outside the United Kingdom, +44 (0)20 7925 4900).

2.3 The liability of the members of the Company is limited.

2.4 The principal activities of the Company are as described in Part I of this document. Save as disclosed in Part I of this document, there are no exceptional factors which have influenced the Company's activities.

2.5 The Company is the holding company of the Group. Details of the Company's subsidiaries are set out in paragraph 13 below.

2.6 Since the date of its incorporation, the auditor of the Company is Ernst & Young LLP, of 1 More London Place, London SE1 2AF, United Kingdom, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

3. **SHARE CAPITAL**

3.1 The Company was incorporated with a share capital of £2.00 divided into two Ordinary Shares of nominal value of £1.00 each, of which one ordinary share of nominal value of £1.00 each was allotted to each of two existing shareholders of Petrofac, on 29 January 2010 as subscriber shares at a price of £1.00 each.

3.2 Since the incorporation of the Company, there have been the following changes in the share capital of the Company:

(a) On 22 February 2010, the Company issued 50,000 redeemable preference shares of £1.00 each which were allotted, fully paid, to Petrofac Services Limited.

(b) On 18 March 2010, the Company redeemed the redeemable preference shares issued to Petrofac Services Limited for £50,000 at nominal value.

(c) On 18 March 2010, each existing issued ordinary share of £1.00 nominal value was sub-divided into 20 Ordinary Shares of nominal value of £0.05 each, increasing the number of issued Ordinary Shares to 40.

(d) It is expected that prior to London Admission, the Company will issue 6,962,020 Ordinary Shares at nominal value to the EBT which will be used to satisfy awards made under the Share

Plans and a further 1,416,880 Ordinary Shares may be issued at nominal value to the Chairman on the vesting of a share award to be made to him prior to London Admission.

(e) It is expected that on completion of the Proposals, the Company will have in issue 775,027,922 Ordinary Shares.

3.3 In a general meeting of the Company held on 18 March 2010, the following resolutions were passed as special resolutions, in connection with:

The Proposals

(a) the Directors were generally and unconditionally authorised for the purposes of section 551 of the Companies Act to allot Ordinary Shares up to an aggregate nominal amount of £38,403,293.10 in connection with the Proposals;

(b) the Directors were empowered pursuant to sections 570(1) and 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company pursuant to the authorisation conferred by paragraph (a) above as if section 561 of the Act did not apply to any such allotment, with such power being limited to the allotment of up to 768,065,862 Ordinary Shares, pursuant to or in connection with the Proposals;

The Share Plans and Chairman's Award

(c) each of the Share Plans were approved and the Directors were authorised to take steps to bring the Share Plans into effect and make such modifications to the Share Plans as considered necessary, to take account of the requirements of the UK Listing Authority and best practice but not to materially affect the principal terms of the Share Plans;

(d) the award of 1,416,880 Ordinary Shares to the Chairman pursuant to the Chairman's Award, on terms which substantially mirror the terms of the awards made under the Restricted Share Plan, was approved;

(e) the Directors were generally and unconditionally authorised for the purposes of section 551 of the Companies Act to allot Ordinary Shares up to an aggregate nominal amount of £70,844 pursuant to or in connection with the Chairman's Award;

(f) the Directors were empowered pursuant to sections 570(1) and 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company pursuant to the authorisation conferred by paragraph (e) above as if section 561 of the Act did not apply to any such allotment, with such power being limited to the allotment of up to 1,416,880 Ordinary Shares, pursuant to or in connection with the Chairman's Award;

General Authorisations

(g) the Directors were generally and unconditionally authorised for the purposes of section 551 of the Companies Act to allot Ordinary Shares (other than pursuant to the authorities referred to in sub-paragraphs (a) and (e) above):

  (i) up to an aggregate nominal amount of £12,917,132 (such amount to be reduced by the nominal amount allotted or granted under sub-paragraph (ii) below in excess of such sum), being approximately one-third of the aggregate nominal amount of the issued share capital of the Company immediately following London Admission;

  (ii) up to an aggregate nominal amount of £25,834,264 equal to two thirds of the aggregate nominal amount of the share capital of the Company immediately following London Admission (such amount to be reduced by any allotments made under sub-paragraph (i) above) in connection with a rights issue in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment;

(h) the Directors were empowered pursuant to sections 570(1) and 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company pursuant to the authorisation conferred by sub-paragraph (g) above as if section 561 of the Act did not apply to any such allotment, with such power being limited to the allotment of equity

securities (other than pursuant to the authorities referred to in sub-paragraphs (b) and (f) above):

(i) in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or problems under the laws of any territory or the requirements of any regulatory body or any stock exchange; and

(ii) up to an aggregate nominal amount of £1,937,569.80, being five per cent. of the aggregate nominal amount of the share capital of the Company immediately following London Admission.

Each of the above authorisations will expire at the conclusion of the annual general meeting of the Company in 2011 or on 30 June 2011, whichever is the earlier.

3.4 The following table shows the Ordinary Share capital of the Company as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document)[1]:

Aggregate nominal amount (£)	Number
38,751,396.10	775,027,922

Note:

(1) The number of Ordinary Shares in issue as at 17 March 2010 is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company upon completion of the Proposals and at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac, between the date of this document and the completion of the Petrofac Demerger.

The issued Ordinary Share capital of the Company (determined in accordance with the assumptions set out above) is not expected to change on London Admission or otherwise in connection with the Offer (if it proceeds).

3.5 The issue of up to 8,378,900 Ordinary Shares by the Company to the EBT to satisfy awards made and future awards to be made under the Share Plans and to the Chairman pursuant to the Chairman's Award, will dilute the Shareholders by 1.1 per cent.

3.6 The nominal value of each Ordinary Share is £0.05. The Ordinary Shares are denominated in pounds sterling.

3.7 As described in paragraph 4 below, the Ordinary Shares have pre-emption rights in respect of any future issues of Ordinary Shares. The provisions of section 561 of the Companies Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 560 of the Companies Act) which are, or are to be, paid up in cash and apply to the Ordinary Share capital of the Company except to the extent disapplied by the resolution referred to in paragraph 3.3(b) above.

3.8 Save as disclosed in this Part XI:

(a) there has been no change in the amount of the share or loan capital of the Company since its incorporation and no material change in the amount of the share or loan capital of any of its subsidiaries (other than intra group issues by wholly owned subsidiaries) in the three years preceding the date of this document;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the allotment of any share or loan capital of the Company or any of its subsidiaries in the three years preceding the date of this document; and

(c) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

3.9 The Company understands that certain employees, senior management and Directors of EnQuest, including Amjad Bseisu and James Buckee, may participate in the Offer (if it proceeds), to increase their shareholdings (either directly or through family trusts) in EnQuest, at or following London Admission. So far as the Company is aware, none of the Company's other existing Shareholders or Directors intend to subscribe for, or purchase, Ordinary Shares in the Offer (if it proceeds).

3.10 The Ordinary Shares will, on Admissions, rank *pari passu* in all respects and will in full for all dividends and other distributions (if any) thereafter declared, made or paid to holders of the Ordinary Share capital of the Company.

3.11 The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Ordinary Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Ordinary Shares are held in CREST or Euroclear Sweden, the relevant CREST or Euroclear Sweden stock account of the registered members will be credited.

4. SUMMARY OF THE ARTICLES OF ASSOCIATION

4.1 The Articles of the Company provide that the Company's principal object is to carry on the business of a general commercial company. The objects of the Company are set out in full in the Articles which are available for inspection at the address specified in paragraph 23 of this Part XI.

4.2 The Articles contain provisions, *inter alia*, to the following effect:

(a) **Voting rights in respect of Ordinary Shares**

(i) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

(ii) No member shall be entitled to vote either in person or by proxy at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph 4.2(b) below.

(b) **Restrictions on Ordinary Shares**

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 793 of the Companies Act and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice the Company may serve on such member or on any such person a notice (a "**restriction notice**") in respect of the shares in relation to which the default occurred (the "**Default Shares**") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the Company. Where the Default shares represent at least 0.25 per cent in nominal value of the issued shares of the Company of the same class the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the Default Shares shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which is the subject of the transfer is a restricted share.

(c) **Variation of Class Rights**

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the certain company law acts as defined in the Companies Act (for the purposes of this paragraph 4 only, the "**Statutes**"), be modified, abrogated or varied either with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Chapter 3 of part 13 of the Companies Act (save as stated in sections 334(2) to (3)) and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

(d) **Alteration of capital**

(i) The Company may by ordinary resolution increase its share capital, consolidate all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

(ii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

(iii) Subject to the provisions of the Statutes, any shares may be allotted on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.

(iv) Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares).

(e) **Transfer of Ordinary Shares**

(i) Subject to paragraph 4.2(e)(ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List of the Financial Services Authority or admitted to AIM, such discretion may not be exercised in a way which the Financial Services Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on

his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.

(ii) Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the CREST Regulations) such as CREST.

(f) **General Meetings**

(i) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than 21 clear days' notice, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than 14 clear days' notice. The notice shall specify the place, the day and time of meeting and, in the case of any special business, the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass an extraordinary resolution or a special resolution as the case may be shall specify the intention to propose the resolution as such.

(ii) The accidental omission to give notice of a meeting, or to issue an invitation to appoint a proxy with a notice where required by these Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.

(iii) All shareholders present in person or by duly appointed corporate representative, and their duly appointed proxy or proxies shall be entitled to attend all general meetings of the Company.

(g) **Directors**

(i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not more than 16 and not less than two. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.

(ii) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a seller, buyer or otherwise. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.

(iii) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(C) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;

(D) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he does not hold an interest (within the meaning of sections 820-825 of the Companies Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

(E) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company which does not accord him any privilege or benefit not generally accorded to the employees to whom the scheme relates; and

(F) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors.

(iv) If any question shall arise at any meeting as to the materiality of an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

(v) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement, transaction or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(vi) Each of the directors shall be paid a fee at such rate as may from time to time be determined by the Directors, but the aggregate of all such fees so paid to the directors shall not exceed US$5 million per annum or such larger amount as may from time to time be decided by ordinary resolution of the Company. Any director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, shall be entitled to receive such remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each director may be paid his reasonable travelling, hotel and other expenses incurred in attending and returning from meetings of the Directors, or any committee of the Directors or of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. The Articles do not permit a director to vote on, or be counted in the quorum in relation to, any resolution of the board concerning his own appointment.

(vii) There shall be no age limit for Directors.

(viii) Each Director shall have the power at any time to appoint as an alternate Director either (A) another director or (B) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(ix) Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring Director shall be eligible for re-election.

(x) The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, *inter alia*, any Directors, ex directors, employees or ex employees of the Company or of any subsidiary undertaking or parent undertaking of the Company or to

the wives, widows, children, other relations and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

(h) **Borrowing Powers**

(i) The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(ii) The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed a sum equal to the higher of US $1,000,000,000 or three times the aggregate of (A) the amount paid up on the issued share capital of the Company and (B) the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve and credit balance on the profit and loss or retained earnings account) in each case, whether or not such amounts are available for distribution, all as shown in the latest audited and consolidated balance sheet of the Group but after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

(i) **Dividends and Distributions on Liquidation to Shareholders**

(i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the Statutes and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

(ii) Subject to the provisions of the Statutes, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.

(iii) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(iv) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(v) On a liquidation, the liquidator may, subject to the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(j) **Non-United Kingdom Shareholders**

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

5. **EMPLOYEES**

The table below sets out the average number of people (full-time equivalents) employed by each of the LNS Group and the PEDL Group in each of the last three financial years:

	2009	2008	2007
Activity/Division			
LNS Group [(1)]			
Drilling and Well Operations	3	4	3
Engineering and Projects	1	9	1
Exploration and Subsurface	8	11	4
Finance and Commercial	9	1	9
Operations	1	9	1
Management	8	—	8
Total	**30**	**34**	**25**
PEDL Group [(2)]			
Aberdeen			
Engineering and Projects	1	2	2
Subsurface	1	3	4
Finance and Commercial	—	1	2
Operations	—	—	1
Management	—	—	—
Support	—	—	1
London			
Engineering and Projects	—	—	—
Subsurface	—	—	—
Finance and Commercial	1	2	2
Operations	—	—	—
Management	1	1	1
Support	1	3	4
Total	**5**	**12**	**17**

Notes:

(1) During the period covered by the table above, all employees of the LNS Group were based in Aberdeen.

(2) The PEDL Group does not directly employ personnel and for the years covered by the table above, PEDL had in place an arrangement with PSL regarding the provision of personnel. The arrangement between PEDL and PSL regarding provision of personnel will terminate with immediate effect from the completion of the Proposals.

6. **SHARE PLANS**

The Company intends to operate the EnQuest PLC Performance Share Plan (the "**PSP**"), the EnQuest PLC Deferred Bonus Share Plan (the "**DBSP**") and the EnQuest PLC Restricted Share Plan (the "**RSP**" and together, the "**Share Plans**"). The Share Plans were adopted and approved by Shareholders on 18 March 2010. The key terms of the Share Plans are summarised in paragraphs 6.2 to 6.4 below.

6.1 (a) Awards over Ordinary Shares will be granted prior to London Admission under the RSP. Such awards will vest as to such proportions as the Remuneration Committee shall determine on the second, third and fourth anniversaries of the date of grant, save in relation to Nigel Hares' awards of which one-quarter will vest on the first anniversary of the date of grant. Details of awards to be granted to Directors and Senior Managers are set out below:

	Number of Ordinary Shares over which awards are to be granted
Director	
Amjad Bseisu	1,609,063
Jonathan Swinney	536,354
Nigel Hares	1,072,709
Senior Managers	
Paul Lindop	187,724
Craig Matthew	92,038
Brian Fraser	134,088

The Company intends to issue 6,962,020 Ordinary Shares to an employee benefit trust prior to London Admission to satisfy these awards and future awards made under the Share Plans.

(b) A one-off award over 1,416,880 Ordinary Shares will be made to the Chairman, prior to London Admission, on substantially the same terms as the RSP, which will vest in such proportions as the Remuneration Committee shall determine on the third, fourth and fifth anniversaries of the date of grant (the "**Chairman's Award**").

(c) Following London Admission, it is intended that further awards may be made under the RSP and DBSP to those employees of the Company who were previously employed by Lundin Britain and PSL and whose awards under the Lundin Petroleum AB Unit Bonus Plan or under the Petrofac share plans have vested early or lapsed as a result of the Acquisitions (the "**Linked Awards**"). The number of Ordinary Shares over which Linked Awards will be granted will be determined based on various components, and the price of an Ordinary Share when Linked Awards are granted.

The Directors and Senior Managers named in the table in paragraph 6.1(a) above, with the exception of Nigel Hares, will be eligible for the grant of Linked Awards.

6.2 **The EnQuest PLC Performance Share Plan (PSP)**

(a) ***Introduction***

Under the PSP, participants may be granted contingent awards over, or other interests in, Ordinary Shares.

(b) ***Eligibility***

Awards will be made to employees and executive directors selected by the Remuneration Committee at its discretion.

(c) ***Awards***

Awards granted under the PSP ("**Awards**") may comprise (a) contingent awards ("**Conditional Awards**") of Ordinary Shares and (b) interests ("**Interests**") in Ordinary Shares.

(i) *Conditional Awards*

Conditional Awards will vest free of charge subject (in normal circumstances) to the continued employment of the participant and to the extent that performance conditions have been satisfied. On the vesting of a Conditional Award, the participant becomes entitled to receive the Ordinary Shares to which the Conditional Award relates.

As an alternative, the Remuneration Committee may grant a nil-cost option, which would become exercisable following vesting until the expiry of ten years from the date the Award was granted.

(ii) *Interests*

The PSP may be operated in conjunction with an employee benefit trust ("**EBT**") to permit the award of interests in Ordinary Shares to be held jointly by PSP participants with the trustees of the EBT.

An Interest permits the participant to benefit from a proportion of the increase (if any) in the value of Ordinary Shares in the Company over the period the Interest is held. The amount of the increase from which the Participant will benefit will be determined by reference to a hurdle (the "**Hurdle**") and performance conditions. The Hurdle will be determined on the date that the Interest is awarded and will be equal to or at a premium to the market value of the Ordinary Shares at that time. An Interest therefore entitles the participant to participate in a proportion, subject to continuing employment within the Group and the achievement of the performance conditions, of the growth in value of the Ordinary Shares above the Hurdle.

Participants may be required to pay an amount at the date of grant to acquire their Interests, in which case, the amount payable will be equal to the amount that the Remuneration Committee considers to be the unrestricted market value of each Interest at the date of grant. Alternatively, participants may not be required to make any payment for their Interests. In such circumstances, a participant will be liable to pay income tax on the unrestricted market value of an Interest at the date of grant.

(d) ***Overall Limit***

No Award may be granted under the PSP on any date if, as a result, either of the following limits would be exceeded:

(i) the aggregate number of Ordinary Shares issued or remaining issuable pursuant to Awards made after the Ordinary Shares became listed on the London Stock Exchange under the PSP and pursuant to grants or appropriations made after the Ordinary Shares became so listed during the previous ten years under any share incentive plan would exceed ten per cent. of the issued Ordinary Share capital of the Company on that date; or

(ii) the aggregate number of Ordinary Shares issued or remaining issuable pursuant to Awards made after the Ordinary Shares became listed on the London Stock Exchange under the PSP and pursuant to grants or appropriations made after the Ordinary Shares become so listed during the previous ten years under any discretionary share incentive plan would exceed five per cent. of the issued Ordinary Share capital of the Company on that date.

(e) ***Vesting***

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an Award. It is currently intended that, provided the participant is still employed by the Group, Awards will vest on the third anniversary of the date of grant to the extent that testing performance criteria, determined by the Remuneration Committee at the date of grant, have been satisfied. In determining performance conditions, the Remuneration Committee will take into account the prevailing views of institutional investors and current market practice.

(f) ***Cessation of Employment***

If a participant dies, his Award will vest in full and the relevant number of Ordinary Shares will be transferred to his personal representatives as soon as practicable. Such vesting will not be subject to the satisfaction of the performance conditions.

If a participant's employment ceases before the end of the vesting period, he will not automatically forfeit his Award provided he leaves by reason of injury, ill-health, disability, redundancy, retirement, as a result of the company by which he is employed being transferred outside the Group, or in other circumstances which, in the view of the Remuneration Committee, justify him being treated as a good leaver. In such cases, the maximum number of Ordinary Shares which a participant may receive will usually be determined on a pro-rated basis by reference to the time elapsed since the date of the Award. However, vesting will not be accelerated as a result of leaving and such vesting will be subject to the satisfaction of the

performance conditions at the end of the relevant performance period unless the Remuneration Committee, in its discretion, determines otherwise.

Cessation of employment for any other reason will cause all unvested Awards to be forfeited.

(g) ***Change of Control***

The vesting of Awards on a change of control or a demerger will usually be determined on a pro-rated basis. However, vesting will be subject to the discretion of the Remuneration Committee, having regard inter alia to the progress to date in meeting the performance conditions.

(h) ***Variation of Capital***

If there is a reconstruction, amalgamation, reorganisation, demerger or other change affecting the Company's issued share capital, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an Award.

(i) ***Source of Ordinary Shares***

Awards may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares.

6.3 **The EnQuest PLC Deferred Bonus Share Plan (DBSP)**

(a) ***Introduction***

Under the DBSP, participants may volunteer or may be required to invest a proportion of their annual bonuses in Ordinary Shares or to agree to acquire (out of their own resources) and retain Ordinary Shares, if the Remuneration Committee so permits. The Company will then grant matching awards over Ordinary Shares.

(b) ***Eligibility***

Employees and executive directors will be eligible to participate in the DBSP. Participation will be at the discretion of the Remuneration Committee.

(c) ***Awards***

Two types of award will be made under the DBSP.

If the Plan is operated in any year and a bonus is payable, the Remuneration Committee may determine that part of a participant's annual bonus is delivered in Ordinary Shares or may invite selected employees to elect to receive part of their bonus in Ordinary Shares. These shares will be known as Invested Shares comprised in Invested Awards.

If the Remuneration Committee so permits, participants may instead pledge Ordinary Shares they own as Invested Shares. A further award will then be granted over a number of Ordinary Shares bearing a specified ratio to the number of Invested Shares. These further awards are referred to below as Matching Awards.

(d) ***Overall Limit***

No award may be granted under the DBSP on any date if, as a result, either of the following limits would be exceeded:

(i) the aggregate number of Ordinary Shares issued or remaining issuable pursuant to awards made after the Ordinary Shares become listed on the London Stock Exchange under the DBSP and pursuant to grants or appropriations made after the Ordinary Shares become so listed during the previous ten years under any share incentive plan would exceed ten per cent. of the issued Ordinary Share capital of the Company on that date; or

(ii) the aggregate number of Ordinary Shares issued pursuant to awards made after the Ordinary Shares become listed on the London Stock Exchange under the DBSP and pursuant to grants or appropriations made after the Ordinary Shares become so listed during the previous ten years under any discretionary share incentive plan would exceed five per cent. of the issued Ordinary Share capital of the Company on that date.

(e) ***Vesting***

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. It is currently intended that awards will vest between one and three years after grant (in such proportions as the Remuneration Committee may determine at the date of grant), provided that the participant remains in employment (subject to certain good leaver exceptions (see below)). In addition, the vesting of Matching Awards may be subject to the satisfaction of performance conditions.

(f) ***Cessation of Employment***

If a participant dies, his awards will vest in full. If a participant is a good leaver his Invested Awards will vest in full and his Matching Awards will vest on a pro-rated basis. Vesting of Matching Awards which are subject to performance conditions will be subject to satisfaction of those conditions at the end of the relevant performance period unless the Remuneration Committee, in its discretion, determines otherwise. Cessation of employment for any other reason will cause all unvested awards to be forfeited.

(g) ***Change of Control***

In the event of a change of control or a demerger, Invested Awards will vest in full but Matching Awards will usually vest on a pro-rated basis and taking into account the extent to which any performance conditions have been met. However, this is subject to the discretion of the Remuneration Committee to permit a greater number of Matching Awards to vest in exceptional circumstances.

(h) ***Variation of Capital***

If there is a reconstruction, amalgamation, reorganisation, demerger or other change affecting the Company's issued share capital, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award.

(i) ***Source of Ordinary Shares***

Awards granted under the DBSP may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares.

6.4 **The EnQuest PLC Restricted Share Plan (RSP)**

(a) ***Introduction***

It is intended that selected employees will be granted awards under the RSP of Ordinary Shares on an ad hoc basis throughout the year, at the discretion of the Remuneration Committee. It is not intended that awards granted under the RSP will be subject to performance conditions.

(b) ***Eligibility***

Employees and Executive Directors will be eligible to participate in the RSP. Participation will be at the discretion of the Remuneration Committee.

(c) ***Awards***

Awards granted under the RSP ("**Awards**") may comprise (a) contingent awards ("**Conditional Awards**") of Ordinary Shares and (b) interests ("**Interests**") in Ordinary Shares.

(i) *Conditional Awards*

Conditional Awards will vest free of charge subject (in normal circumstances) to the continued employment of the participant and to the extent that performance conditions (where applicable) have been satisfied. On the vesting of a Conditional Award, the participant becomes entitled to receive the Ordinary Shares to which the Conditional Award relates.

As an alternative, the Remuneration Committee may grant a nil-cost option, which would become exercisable following vesting until the expiry of ten years from the date the Award was granted.

(ii) *Interests*

The RSP may be operated in conjunction with an employee benefit trust ("**EBT**") to permit the award interests in Ordinary Shares to be held jointly by RSP participants with the trustees of the EBT.

An Interest permits the participant to benefit from a proportion of the increase (if any) in the value of Ordinary Shares in the Company over the period the Interest is held. The amount of the increase from which the Participant will benefit will be determined by reference to a hurdle (the "**Hurdle**") and, if applicable, performance conditions. The Hurdle will be determined on the date that the Interest is awarded and will be equal to or at a premium to the market value of the Ordinary Shares at that time, or in the case of Awards granted on or prior to London Admission, if the Remuneration Committee so permits, the Offer Price. An Interest therefore entitles the participant to participate in a proportion, subject to continuing employment within the Group and the achievement of the performance conditions (where applicable), of the growth in value of the Shares above the Hurdle.

Participants may be required to pay an amount at the date of grant to acquire their Interests, in which case, the amount payable will be equal to the amount that the Remuneration Committee considers to be the unrestricted market value of each Interest at the date of grant. Alternatively, participants may not be required to make any payment for their Interests. In such circumstances, a participant will be liable to pay income tax on the unrestricted market value of an Interest at the date of grant.

(d) ***Overall Limit***

No Award may be granted under the RSP on any date if, as a result, either of the following limits would be exceeded:

(i) the aggregate number of Ordinary Shares issued or remaining issuable pursuant to Awards made after the Ordinary Shares become listed on the London Stock Exchange under the RSP and pursuant to grants or appropriations made after the Ordinary Shares become so listed during the previous ten years under any share incentive plan would exceed ten per cent. of the issued Ordinary Share capital of the Company on that date; or

(ii) the aggregate number of Ordinary Shares issued or remaining issuable pursuant to Awards made after the Ordinary Shares became listed on the London Stock Exchange under the RSP and pursuant to grants or appropriations made after the Ordinary Shares became so listed during the previous ten years under any discretionary share incentive plan would exceed five per cent. of the issued Ordinary Share capital of the Company on that date.

(e) ***Vesting***

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an Award. It is currently intended that Awards will vest on the second, third and fourth anniversaries of the date of grant (in such proportions as the Remuneration Committee may determine at the date of grant), provided that the participant remains in employment (subject to certain good leaver provisions (see below)).

(f) ***Cessation of Employment***

If a participant dies, his Award will vest in full and the relevant number of Ordinary Shares will be transferred to his personal representatives as soon as practicable.

If a participant's employment ceases before the end of the vesting period, he will not automatically forfeit his Award provided he leaves by reason of injury, ill-health, disability, redundancy, retirement, as a result of the company by which he is employed being transferred outside the Group, or in other circumstances which, in the view of the Remuneration Committee, justify him being treated as a good leaver. In such cases, the maximum number of Ordinary Shares which a participant may receive will usually be determined on a pro-rated basis by reference to the time elapsed since the date of the Award. However, vesting will not be accelerated as a result of leaving and such vesting will be subject, where applicable, to the

satisfaction of the performance conditions at the end of the relevant performance period unless the Remuneration Committee, in its discretion, determines otherwise.

Cessation of employment for any other reason will cause all unvested Awards to be forfeited.

(g) ***Change of Control***

The vesting of Awards on a change of control or a demerger will usually be determined on a pro-rated basis, subject to the discretion of the Remuneration Committee to permit a greater number of Awards to vest in exceptional circumstances.

(h) ***Variation of Capital***

If there is a reconstruction, amalgamation, reorganisation, demerger or other change affecting the Company's issued share capital, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an Award.

(i) ***Source of Ordinary Shares***

Awards granted under the RSP may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares. It is anticipated that Awards under the RSP will generally be satisfied by the transfer of existing Ordinary Shares.

6.5 **Employee Benefit Trust**

Prior to London Admission, the Company will establish an Employee Benefit Trust (the **"EBT"**) which it is intended will be used in conjunction with the PSP, the RSP and the DBSP. The trustee of the EBT (the "**Trustee**") will be independent of the Company and the intention is that the initial Trustee will be based offshore.

The beneficiaries of the EBT will be employees and former employees of the Group and their dependants. It is currently intended that the EBT will be funded by way of loans from the Company to acquire Ordinary Shares to be used for the purposes of the PSP, the RSP and the DBSP. The Trustee will have the power to subscribe for new Ordinary Shares or to acquire Ordinary Shares in the market but will not be permitted to hold more than five per cent. of the Company's issued Ordinary Share capital at any one time (other than in a nominee capacity) without the prior approval of the Shareholders.

The EBT will terminate on the earlier of 80 years from the date of the trust deed establishing the EBT (the "**EBT Deed**") and such earlier date as the Trustee shall specify (provided such date shall not fall within any period during which the Trustee is or may be required to transfer Ordinary Shares pursuant to any obligation entered into by the Trustee pursuant to the EBT Deed).

The EBT Deed may be amended by deed between the Company and the Trustee provided that no such amendment shall (i) prevent section 86 of the Inheritance Tax Act 1984 applying to the trusts created by the EBT Deed, (ii) prejudice the status of the trusts created by the EBT Deed as an employees' shares scheme, or (iii) confer on the Company any right to benefit or possibility of benefit in or out of the trust fund or income thereof.

7. **DIRECTORS AND SENIOR MANAGERS**

7.1 The full names of each of the Directors and the Senior Managers and their functions in the Company are set out in the table below:

Directors

Name	Function
Dr. James Buckee	Non-executive Chairman
Amjad Bseisu	Chief Executive Officer
Jonathan Swinney	Chief Financial Officer
Nigel Hares	Chief Operating Officer
Helmut Langanger	Non-executive Director
Jock Lennox	Non-executive Director
Robin Pinchbeck	Non-executive Director
Alexandre Schneiter	Non-executive Director

Senior Managers

Name	Function
Paul Lindop	UKCS General Manager
Craig Matthew	Deputy General Manager and Asset Manager, Thistle
Brian Fraser	Finance and Commercial Manager

The business address of each of the Directors and the Senior Managers, and a detailed biography for each of the Directors and the Senior Managers, is set out in paragraph 1 of Part II of this document.

7.2 Save as set out below, none of the Directors nor any of the Senior Managers has been a member of the administrative, management or supervisory bodies or partner, of any company or partnership (other than the Company and other members of the Group), at any time in the previous five years, preceding the date of this document:

Directors	Current directorships and partnerships	Previous directorships and partnerships
Dr. James Buckee	Cairn Energy Plc	BFW Capital Management Limited BFW Drilling Limited Rodinia Oil Corporation Calgary Australian Exploration Company KERN Private Equity NorthWest Energy
Amjad Bseisu	Petrofac Limited Petrofac (Malaysia-PM 304) Limited Mecon Holdings Company WLL Mecon (Middle East Consultancy Center) The Amjad and Suha Bseisu Foundation Petrofac Energy Developments International Limited Petrofac Energy Developments Ohanet Jersey Limited Petrofac Energy Developments Ohanet LLC Petrofac FPF1 Limited Petrokyrgyzstan Limited Kyrgyz Petroleum Company	Serica Energy Plc Stratic Energy Corporation
Jonathan Swinney	Ursa Major Carbon Dioxide Reduction LLP	—
Nigel Hares	—	Talisman Energy Inc.
Helmut Langanger	OMV	—

Directors	Current directorships and partnerships	Previous directorships and partnerships
Jock Lennox	Golden Lane Housing Limited Oxford Instruments Plc Hill & Smith Holdings Plc Tall Ships Youth Trust	Ernst & Young LLP
Robin Pinchbeck	Sparrows Offshore Group Limited Energy Cranes International Limited SLR Management Limited Arranco 2 Limited Arranco 3 Limited Arranco 4 Limited	RGIT Ethos Health and Safety Limited Sondex Limited Montrose Park Hotels Limited Petrofac Training Group Limited Petrofac Training Holdings Limited Petrofac Training Limited Petrofac Facilities Management Group Limited
Alexandre Schneiter	ShaMaran Petroleum Corporation Lundin Holdings SA Lundin International SA Lundin Petroleum SA Lundin Norway AS Lundin Services BV Lundin Russia BV Lundin Russia Services BV Lundin Lagansky BV Lundin Indonesia Holding BV Lundin Exploration BV Lundin Tunisia BV Lundin Munir BV Lundin Marine BV Lundin Banyumas BV Lundin Blora BV Lundin Indonesia BV Lundin Lematang BV Lundin Oil & Gas BV Lundin Sareba BV Lundin South East Asia BV Lundin Rangkas BV Lundin Cakalang BV Lundin Baronang BV Lundin Vietnam BV Lundin Malaysia BV Lundin Cambodia BV Lundin Netherlands BV Lundin Netherlands Facilities BV Lundin Data Service BV	Lundin UK Exploration Limited[1] Lundin Ireland Ltd[2] Lundin Block 5B BV[2] Lundin Sudan BV[2] Lundin Nigeria Limited[2] Lundin Albania BV[2] Lundin Investments Ltd[2] Lundin Sudan (Halaib) Ltd[2] Lundin Petroleum Holdings Ltd[2] Lundin Technical Services Ltd[2] Lundin Munir Ltd[2] Lundin Sudan Ltd[2] Lundin Sudan (Block 5B) Ltd[2] Lundin East Africa BV Lundin Kenya BV Lundin Latina De Petroleos, S.A. Lundin International BV

Senior Managers	Current directorships and partnerships	Previous directorships and partnerships
Paul Lindop	—	—
Craig Matthew	Craig Matthew Consulting Limited	—
Brian Fraser	—	Unocal International Limited[3] Lundin UK Exploration Limited[1]

Notes:

1. Dissolved on 29 November 2008.
2. Since Mr. Schneiter's resignation, the company has been put into voluntary liquidation.
3. Under proposal to be struck off.

7.3 Save as set out in paragraph 7.2 above, none of the Directors nor any of the Senior Managers has been a member of the administrative, management or supervisory bodies or partner, of any company or partnership at the time of its bankruptcy, receivership or liquidation, in the previous five years, preceding the date of this document.

7.4 None of the Directors nor any of the Senior Managers has, within the previous five years received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) and have not 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 a company.

7.5 None of the Directors nor any of the Senior Managers has any potential conflicts of interests between his duties to the Company and his private interests or other duties, and there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person was selected as a member of the administrative, management or supervisory bodies or as a member of senior management.

7.6 None of the Directors nor any of the Senior Managers has convictions relating to fraudulent offences within the last five years.

7.7 Save as disclosed in this document, none of the Directors nor any of the Senior Managers has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately proceeding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

7.8 There are no outstanding loans granted by any member of the Group to any Director or senior manager, nor has any guarantee been provided by any member of the Group for their benefit.

7.9 There are no family relationships between the Directors and the Senior Managers.

7.10 For details of the restrictions agreed by the Directors in the disposal of their Ordinary Shares, see paragraph 15.2 of this Part XI.

8. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT, REMUNERATION AND OTHER MATTERS

8.1 The terms of the Directors' service contracts and letters of appointment are summarised in the table below:

	Date of contract/letter	Notice period	Current annual salary/fees	Other material benefits
			(£)	*(£)*
Chairman				
Dr. James Buckee	8 March 2010	3 months	£100,000 per annum (gross)	Entitlement to receive £100,000 of value of Ordinary Shares in the Company
Executive Directors				
Amjad Bseisu	To be entered into prior to London Admission	12 months	£375,000 per annum (gross)	£40,000 benefit allowance
Jonathan Swinney	To be entered into prior to London Admission	12 months	£220,000 per annum (gross)	£30,000 benefit allowance
Nigel Hares	To be entered into prior to London Admission	12 months	£285,000 per annum (gross)	£30,000 benefit allowance
Non-executive Directors				
Helmut Langanger	9 March 2010	3 months	£45,000 per annum (gross)	£8,000 for chairing the Remuneration Committee
Jock Lennox	2 March 2010	3 months	£45,000 per annum (gross)	£8,000 for chairing the Audit Committee
Robin Pinchbeck	4 March 2010	3 months	£45,000 per annum (gross)	—
Alexandre Schneiter	4 March 2010	3 months	£45,000 per annum (gross)	—

8.2 A detailed description of the service contracts and letters of appointment entered into with each Director is set out below.

Executive Directors: Service Contracts

Amjad Bseisu. Prior to London Admission, Mr. Bseisu will enter into a service agreement with Lundin Britain, conditional upon and effective from London Admission pursuant to which he will serve as the Chief Executive Officer and an Executive Director of the Company. Mr. Bseisu's basic salary will be £375,000 per annum (less appropriate tax and other statutory deductions) and he will be entitled to a benefit allowance of £40,000 per annum. Lundin Britain will offer Mr. Bseisu private health insurance and life assurance cover. The service agreement will be terminable by either party giving to the other at least 12 months' notice in writing at any time. Lundin Britain will have the discretion to terminate Mr. Bseisu's employment with immediate effect by paying him certain contractual sums in lieu of his notice period or any remainder of his notice period. The service agreement will contain a "garden leave" clause entitling Lundin Britain to require Mr. Bseisu to remain away from work during his notice period. The service agreement will also contain provisions protecting the Group's intellectual property and confidential information during his employment and after its termination.

Jonathan Swinney. Prior to London Admission, Mr. Swinney will enter into a service agreement with Lundin Britain, conditional upon and effective from London Admission pursuant to which he will serve as the Chief Financial Officer and an Executive Director of the Company. Mr. Swinney's basic salary will be £220,000 per annum (less appropriate tax and other statutory deductions) and he will be entitled to a benefit allowance of £30,000 per annum. Lundin Britain will offer Mr. Swinney private health insurance and life assurance cover. The service agreement will be terminable by either party giving to the other at least 12 months' notice in writing at any time. Lundin Britain will have the discretion to terminate Mr. Swinney's employment with immediate effect by paying him certain contractual sums in lieu of his notice period or any remainder of his notice period. The service agreement will contain a "garden leave" clause entitling Lundin Britain to require Mr. Swinney to remain away from work during his notice period. The service agreement will also contain provisions protecting the Group's intellectual property and confidential information during his employment and after its termination.

Nigel Hares. Prior to London Admission, Mr. Hares will enter into a service agreement with Lundin Britain, conditional upon and effective from London Admission pursuant to which he will serve as the Chief Operating Officer and an Executive Director of the Company. Mr. Hares' basic salary will be £285,000 per annum (less appropriate tax and other statutory deductions) and he will be entitled to a benefit allowance of £30,000 per annum. Lundin Britain will offer Mr. Hares private health insurance and life assurance cover. The service agreement will be terminable by either party giving to the other at least 12 months' notice in writing at any time. Lundin Britain will have the discretion to terminate Mr. Hares' employment with immediate effect by paying him certain contractual sums in lieu of his notice period or any remainder of his notice period. The service agreement will contain a "garden leave" clause entitling Lundin Britain to require Mr. Hares to remain away from work during his notice period. The service agreement will also contain provisions protecting the Group's intellectual property and confidential information during his employment and after its termination.

Non-executive Directors: Letters of Appointment

Dr. James Buckee. Dr. Buckee has entered into a letter of appointment with the Company dated 8 March 2010, conditional upon London Admission to serve as Non-executive Chairman with effect from 22 February 2010. Dr. Buckee has also been appointed as a member of the Remuneration and Audit Committee and chairman of the Nomination Committee. Dr. Buckee is paid a basic fee of £100,000 per annum (less tax and any necessary statutory deductions) and is entitled to receive £100,000 of value of Ordinary Shares in the Company each year, with the first award of the Ordinary Shares to take effect on the first anniversary of the date of London Admission. This fee is inclusive of any fees payable for any membership and chairmanship of committees of the Board. Dr. Buckee will retire from office and offer himself for re-election at the Company's first annual general meeting. Subject to being re-elected by the Company's Shareholders, Dr. Buckee's appointment will be renewable by the Board on the second anniversary of his appointment and thereafter for a further three-year term by mutual agreement with the Board. Dr. Buckee's appointment can be terminated by three months' written notice from either party. The Company may terminate the appointment by

making a payment in lieu of fees for the notice period. If Dr. Buckee is not re-elected as a Director by the Company's Shareholders at any time, the appointment will automatically terminate with immediate effect and he shall only be entitled to such fees as have accrued to the termination date.

Helmut Langanger. Mr Langanger has entered into a letter of appointment with the Company dated 9 March 2010, to serve as a Non-Executive Director with effect from 16 March 2010, conditional upon London Admission. Mr. Langanger will also be a member of the Audit and Nomination Committees and the chairman of the Remuneration Committee. From the date of London Admission, Mr. Langanger will be paid a gross fee of £45,000 per annum. This fee is inclusive of any fees payable for any membership of committees of the Board, except that he will receive an additional gross fee of £8,000 per annum for chairing the Remuneration Committee.

Mr Langanger will retire from office and offer himself for re-election at the Company's first annual general meeting. Subject to being re-elected by the Company's Shareholders, his appointment will be renewable thereafter for a further term of three years by mutual consent with the Board. The appointment may be terminated earlier by either party serving three months' written notice on the other or by the Company making to the director a payment in lieu of the fees due for the notice period. If Mr Langanger is not re-elected as a director by the Company's Shareholders at any time, the appointment will automatically terminate with immediate effect and he shall only be entitled to such fees as shall have accrued up to the date of termination.

Jock Lennox. Mr. Lennox has entered into a letter of appointment with the Company dated 2 March 2010 to serve as a Non-Executive Director with effect from 22 February 2010, conditional upon London Admission. Mr. Lennox will also be a member of the Remuneration and Nomination Committees and the chairman of the Audit Committee. From the date of London Admission, Mr. Lennox will be paid a gross fee of £45,000 per annum. This fee is inclusive of any fees payable for any membership of committees of the Board, except that he will receive an additional gross fee of £8,000 per annum for chairing the Audit Committee.

Mr Lennox will retire from office and offer himself for re-election at the Company's first annual general meeting. Subject to being re-elected by the Company's Shareholders his appointment will be renewable thereafter for a further term of three years by mutual agreement with the Board. The appointment may be terminated earlier by either party serving three months' written notice on the other or by the Company making to the director a payment in lieu of the fees due for the notice period. If Mr Lennox is not re-elected as a director by the Company's Shareholders at any time, the appointment will automatically terminate with immediate effect and he shall only be entitled to such fees as shall have accrued up to the date of termination.

Robin Pinchbeck. Mr Pinchbeck has entered into a letter of appointment with the Company dated 4 March 2010 to serve as a Non-Executive Director with effect from 22 February 2010, conditional upon London Admission. From the date of London Admission, Mr. Pinchbeck will be paid a gross fee of £45,000 per annum.

Mr Pinchbeck will retire from office and offer himself for re-election at the Company's first annual general meeting. Subject to being re-elected by the Company's Shareholders his appointment will until continue until the second anniversary of his appointment, when it will terminate. The appointment may be terminated earlier by either party serving three months' written notice on the other or by the Company making to the director a payment in lieu of the fees due for the notice period. If Mr Pinchbeck is not re-elected as a director by the Company's Shareholders at any time, the appointment will automatically terminate with immediate effect and he shall only be entitled to such fees as shall have accrued up to the date of termination.

Alexandre Schneiter. Mr Schneiter has entered into a letter of appointment with the Company dated 4 March 2010, to serve as a Non-Executive Director with effect from 22 February 2010, conditional upon London Admission. From the date of London Admission, Mr. Schneiter will be paid a gross fee of £45,000 per annum.

Mr Schneiter will retire from office and offer himself for re-election at the Company's first annual general meeting. Subject to being re-elected by the Company's shareholders, his appointment will continue until the second anniversary of his appointment when his appointment will be reviewed by the Board. The appointment may be terminated earlier by either party serving three months' written notice on the other or by the Company making to the director a payment in lieu of the fees due for the notice period. If Mr Schneiter is not re-elected as a director by the Company's Shareholders at

any time, the appointment will automatically terminate with immediate effect and he shall only be entitled to such fees as shall have accrued up to the date of termination.

8.3 The total emoluments receivable by the Directors and payable by the Company in respect of the year ending 31 December 2010 under the arrangements in force at the date of this document and under the arrangements expected to be in force prior to London Admission, are estimated not to exceed £1,276,000. The total emoluments receivable by the Senior Managers and payable by the Company in respect of the year ending 31 December 2010 under the arrangements in force at the date of this document are estimated not to exceed £506,293. This includes compensation in all the capacities in which the Directors and the Senior Managers serve or are employed by the Group, but does not include any amounts in respect of discretionary bonus, pension contributions and other similar benefits payable by the Company to the Directors and/ or the Senior Managers.

8.4 There is no arrangement under which any of the Directors have agreed to waive future emoluments nor have any such waivers been proposed.

8.5 Except as set out above, there are no existing or proposed, service contracts between the Company or any of its subsidiary undertakings and any Director providing for liquidated damages or other compensation or benefits payable by the Company upon termination of the Directors' service contracts.

8.6 The total amount set aside or accrued by the Group to provide pension, retirement or similar benefits in aggregate, in the year ended 31 December 2009, was nil.

9. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

9.1 As at 17 March 2010 (being the latest practicable date prior to the date of publication of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors and the Senior Managers in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or senior manager) interests of a person connected (within the meaning of section 252 of the Companies Act) with them, and the existence of which was known to or could, with reasonable diligence, be ascertained by the Directors and the Senior Managers as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) are as follows:

	As at 17 March 2010(1)	
Directors	**Number of Ordinary Shares**	**% of existing issued share capital**
Dr. James Buckee	—	—
Amjad Bseisu(2)	17,898,149	2.3
Jonathan Swinney	11,715	—
Nigel Hares	—	—
Helmut Langanger	—	—
Jock Lennox	—	—
Robin Pinchbeck	1,020,000	0.1
Alexandre Schneiter	121,266	—
Senior Managers		
Paul Lindop	—	—
Craig Mathews	—	—
Brian Fraser	—	—

Notes:

(1) The number of Ordinary Shares held as at 17 March 2010 is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company upon completion of the Proposals and at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac, between the date of this document and the completion of the Petrofac Demerger.

(2) Includes family interests to which Amjad Bseisu will become interested on or prior to completion of the Proposals.

9.2 Save as disclosed in paragraph 6.1(a) and in this paragraph 9, none of the Directors nor any of the Senior Managers, nor any person connected (within the meaning of section 252 of the Companies Act) with them, has any interest (beneficial or non beneficial) in the share capital of the Company or any of its subsidiaries.

9.3 For details of the Directors' and the Senior Managers' Share options, see paragraph 6.1 of this Part XI regarding the Share Plans.

10. SIGNIFICANT SHAREHOLDERS

10.1 So far as is known to the Company, as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document), the names of persons (other than a Director and a senior manager) who are, directly or indirectly, interested in three per cent. or more of the voting rights in the Company, and the amount of such person's interest, is as follows:

	As at 17 March 2010[1]	
Shareholder	**Number of Ordinary Shares**	**% of voting rights in respect of existing issued share capital**
Lundin family and associated entities[2]	135,718,878	17.5
Ayman Asfari and family[3]	53,782,114	6.9
Maroun Semaan[4]	30,607,676	3.9

Notes:

(1) The number of Ordinary Shares held as at 17 March 2010 is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company upon completion of the Proposals and at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac, between the date of this document and the completion of the Petrofac Demerger.

(2) Includes the interests of Lorito Holdings (Guernsey) Limited.

(3) Includes the interests of Lamia Trust and LAM Trust.

(4) Includes the interests of Nola Trust.

Save as set out in this paragraph, the Company is not aware of any person who as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document), based on the assumptions set out in note 1 above, has a notifiable interest in respect of three per cent. or more of the issued share capital of the Company.

10.2 Save as set out in paragraph 16.11 in this Part XI, the Company is not aware of any person who either as at the date of this document or immediately following the Admissions exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is aware of any other arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.3 None of the major Shareholders of the Company set out in this paragraph 10 has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

11. SELLING SHAREHOLDERS

Subject to London Admission occurring, certain of the largest shareholders of Petrofac (including family trusts associated with Ayman Asfari and Maroun Semaan, both directors of Petrofac) and one of the largest shareholders of Lundin (Lorito Holdings (Guernsey) Limited, being a corporate entity associated with the Lundin family), may sell up to 48,130,326 Ordinary Shares in aggregate, held by them in EnQuest, pursuant to the Offer.

Up to 48,130,326 Ordinary Shares to be sold by the Selling Shareholders in the Offer represent 6.2 per cent. of the issued Ordinary Share capital as at the date of this document, assuming there is no exercise of the Over-allotment Option. If the Over-allotment Option is over a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer and it is exercised in full, a further 7,219,548 Ordinary Shares will be sold. The Selling Shareholders may sell such Ordinary

Shares at a maximum Offer Price of 118p per Ordinary Share, representing a maximum aggregate value of £57 million (assuming there is no exercise of the Over-allotment Option).

The Selling Shareholders reserve the right not to proceed with the Offer in the event that they are not satisfied with the proposed Offer Price achieved in the book building process. Any decision not to proceed with the Offer (together with any other outstanding information) will be set out in a pricing statement or other announcement on a Regulatory Information Service, expected to be published on or around 30 March 2010.

The following table sets out the interests of each Selling Shareholder in the Ordinary Shares as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document), reflecting such interests as are assumed to be held following completion of the Proposals but prior to completion of the Offer (if it proceeds).

	As at 17 March 2010[(1)]		Immediately following completion of the Offer[(2)]			
Selling Shareholder	**Number of Ordinary Shares owned**	**% of existing issued share capital owned**	**Number of Ordinary Shares owned (assuming no exercise of the Over-allotment Option)**	**% of share capital owned (assuming no exercise of the Over-allotment Option)**	**Number of Ordinary Shares owned (assuming full exercise of the Over-allotment Option)[(3)]**	**% of voting share capital owned (assuming full exercise of the Over-allotment Option)[(3)]**
Lamia Trust	33,282,114	4.3	17,238,672	2.2	17,238,672	2.2
Lorito Holdings (Guernsey) Limited .	102,864,417	13.3	78,799,254	10.2	75,189,480	9.7
LAM Trust	9,000,000	1.2	9,000,000	1.2	6,593,484	0.9
Nola Trust	30,068,799	3.9	22,047,078	2.8	20,843,020	2.7

Notes:

(1) The number of Ordinary Shares held as at 17 March 2010 is based on the assumptions that: (i) the Proposals have completed; (ii) 6,962,020 Ordinary Shares have been issued by the Company to the EBT to satisfy awards made, and future awards to be made, under the Share Plans; (iii) the issued ordinary share capital of Petrofac as at 17 March 2010 (being the latest practicable date prior to the date of publication of this document) is 345,629,656, which number of shares will constitute approximately 45 per cent. of the issued Ordinary Share capital of the Company upon completion of the Proposals and at the time of London Admission; and (iv) no options are exercised under share option plans of Petrofac which may result in the issue of further ordinary shares in Petrofac, between the date of this document and the completion of the Petrofac Demerger.

(2) Assuming that the maximum number of Ordinary Shares are sold in the Offer.

(3) Assuming that the Over-allotment Option is over a maximum of 15 per cent. of the total number of Ordinary Shares comprised in the Offer.

12. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES IN RELATION TO ORDINARY SHARES

On London Admission, the Takeover Code will apply to the Company. Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

12.1 Mandatory bid

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for interests in Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

12.2 **Squeeze-out Rules**

Under the Companies Act, if an offeror were to make an offer to acquire all of the Ordinary Shares in the Company not already owned by it and was to acquire 90 per cent. of the Ordinary Shares to which such offer related it could then compulsorily acquire the remaining ten per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would deliver a transfer of the outstanding Ordinary Shares in its favour to the Company which would execute the transfers on behalf of the relevant Shareholders, and pay the consideration to the Company which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under this procedure must in general, be the same as the consideration that was available under the original offer unless a Shareholder can show that the offer value is unfair.

12.3 **Sell-out Rules**

The Companies Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares.

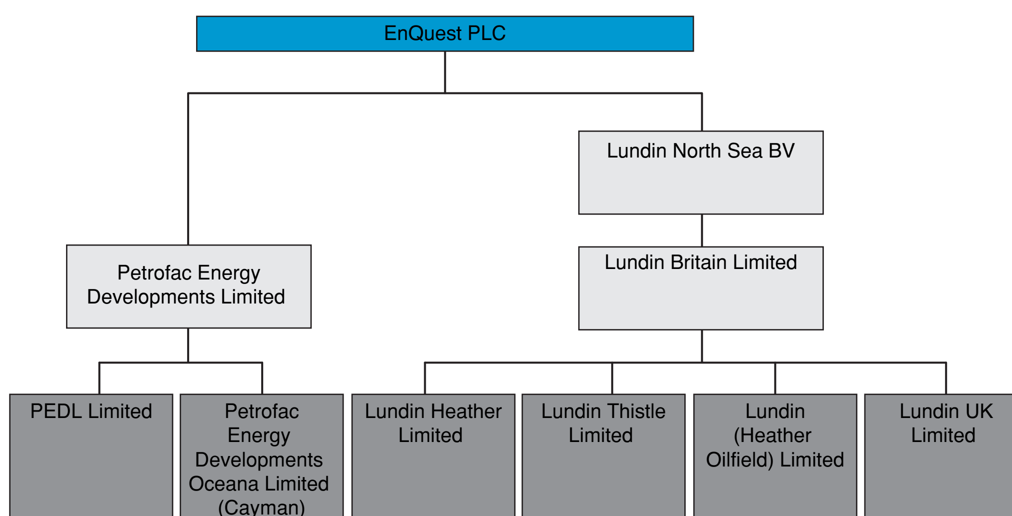
The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on Shareholders notifying them of their sell-out rights. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

12.4 **Public takeover bids**

The Company is not aware of the existence of any takeover bid pursuant to the rules of the Takeover Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.

13. SUBSIDIARY UNDERTAKINGS

13.1 A simplified structure chart for the Group is as follows:



13.2 The Company acts as the holding company of the Group, the principal activities of which are the production and development of oil and gas assets. As at 17 March 2010 the (the latest practicable date prior to the date of publication of this document), the Company had the following significant subsidiary undertakings all of which are wholly owned private limited companies.

Name	Country of incorporation	Proportion of ownership interest	Principal activity
Lundin North Sea BV	The Netherlands	100%	Extraction of petroleum and natural gas
Lundin Britain Limited	United Kingdom	100%	Extraction of petroleum and natural gas
Lundin Heather Limited	United Kingdom	100%	Extraction of petroleum and natural gas
Lundin Thistle Limited	United Kingdom	100%	Extraction of petroleum and natural gas
Lundin (Heather Oilfield) Limited(1)	United Kingdom	100%	Extraction of petroleum and natural gas
Lundin UK Limited	United Kingdom	100%	Extraction of petroleum and natural gas
Petrofac Energy Developments Limited	United Kingdom	100%	Extraction of petroleum and natural gas
Petrofac Energy Developments Oceania Limited	Cayman Islands	100%	Extraction of petroleum and natural gas
PEDL Limited	United Kingdom	100%	Development and operation of oil and gas production facilities

Note:

(1) In voluntary liquidation.

14. PROPERTY, PLANT AND EQUIPMENT

14.1 In addition to the material tangible fixed assets described in Part I of this document, the Group has the following material tangible assets, including leasehold properties:

Location	Use	Tenure	Tenant	Term	Charges
5th Floor Consort House, Stell Road Aberdeen, AB11 5QR	Offices	Leasehold	Lundin Britain	14 January 2008– 13 January 2013	None
Basement Level 4 Car Park, Trinity Mall, Rennie's Wynd, Aberdeen	Car Park	Leasehold	Lundin Britain	28 June 2005– 13 January 2013	None
4th Floor, Rex House, 4–12 Regent Street, London, SW1Y 4PE	Offices	Leasehold	Petrofac Energy Developments Limited	23 July 2008– 14 September 2017	None
3rd Floor, Bridge View, 1 North Esplanade West, Aberdeen AB11 5QF	Offices	Licence	Petrofac Energy Developments Limited	1 January 2008– 31 December 2010	None

14.2 Save as set out in Part I of this document, there are currently no environmental issues that affect the Group's use of its tangible fixed assets.

15. UNDERWRITING, LOCK-UP AND STOCK LENDING ARRANGEMENTS

15.1 Underwriting Arrangements

The Company, Petrofac, Lundin, the Directors, the Selling Shareholders and the Managers entered into the Underwriting Agreement on 18 March 2010 (the "**Underwriting Agreement**"). Under the terms and subject to the conditions set out in the Underwriting Agreement, *inter alia*:

(a) J.P. Morgan Cazenove has agreed to act as sponsor to the Company in connection with London Admission and sole Global Co-ordinator, Joint Lead Manager and Bookrunner to the Offer. Nordea Markets has agreed to act as Joint Lead Manager for the Nordic region and Oriel Securities and RBC have agreed to act as Co-lead Managers to the Offer;

(b) the Selling Shareholders have agreed to sell Ordinary Shares pursuant to the Offer at the Offer Price;

(c) the Managers have agreed, severally and not jointly or jointly and severally, to procure purchasers for, or failing which the Underwriters have agreed severally and not jointly or jointly and severally to purchase or procure the purchase of, the Ordinary Shares to be sold pursuant to the Offer at the Offer Price;

(d) certain of the Selling Shareholders have granted the Over-allotment Option to the Stabilising Manager, pursuant to which the Stabilising Manager may, subject to certain conditions, procure purchasers for, or, failing which, may itself purchase up to such number of additional Ordinary Shares representing not more than 15 per cent. of the total number of the Ordinary Shares to be sold in the Offer, for the purposes of covering short positions resulting from any over-allocations and/or from sales of Ordinary Shares effected during the stabilising period. The Over-allotment Option is exercisable in whole or in part, only once, upon notice by the Stabilising Manager, for 30 days after the commencement of conditional trading in the Ordinary Shares on the London Stock Exchange;

(e) the Selling Shareholders have agreed to pay to the Managers a commission of 2.25 per cent. of the amount equal to the Offer Price multiplied by the number of Ordinary Shares which the Managers have agreed to procure purchasers for, or failing which the Underwriters have agreed to purchase or procure the purchase of pursuant to the terms of the Underwriting Agreement. In addition, the Selling Shareholders may, at their absolute discretion, pay to the Managers an additional commission of up to 0.5 per cent. of the amount equal to the Offer Price multiplied by the number of Ordinary Shares which the Managers have agreed to procure purchasers for, or failing which the Underwriters have agreed to purchase themselves;

(f) in the event that 2.25 per cent. of the amount equal to the Offer Price multiplied by the number of Ordinary Shares which the Managers have agreed to procure purchasers for, or failing which the Underwriters have agreed to purchase themselves, is less than US$3,000,000, the Company has agreed to pay to the Global Co-ordinator the difference between such amount and US$3,000,000;

(g) to the extent the Company's market capitalisation at the Offer Price is less than US$1,250,000,000, the Company has agreed to pay 50 per cent. of the commissions which would otherwise be payable by the Selling Shareholders;

(h) the Company has agreed to pay US$600,000 to the Global Co-ordinator which it shall divide between the Managers as agreed among them;

(i) the obligations of the Selling Shareholders to sell the Ordinary Shares and of the Managers to procure purchasers for, or failing which, the Underwriters to purchase or procure the purchase of, the Ordinary Shares are subject to certain conditions (including, amongst others, that the parties to the Underwriting Agreement enter into a pricing schedule setting at the Offer Price and the number of Ordinary Shares to be sold in the Offer, that the Acquisitions become unconditional in all respects and London Admission occurs by no later than 8.00 a.m. (London time) on 6 April 2010 or such later time and/or date as may be agreed in accordance with the Underwriting Agreement). In respect of Ordinary Shares in the Offer being delivered to investors through the VPC system at Stockholm Admission, completion of that portion of the Offer is subject to additional conditions contained in the Underwriting Agreement, including Stockholm Admission occurring and becoming effective by no later than 9.00 a.m. (Stockholm

time) on 9 April 2010, or such later date as may be determined in accordance with the Underwriting Agreement. The Global Co-ordinator may extend the time for fulfilment of any condition. The Global Co-ordinator (for itself and on behalf of each of the other Managers) has the right to terminate the Underwriting Agreement in certain circumstances that are typical for an agreement of this nature, exercisable prior to the expected date of London Admission;

(j) each of the Company, Petrofac and Lundin have agreed to orderly market arrangements with the Global Co-ordinator in connection with sales of Ordinary Shares on behalf of US shareholders of Lundin and Petrofac, as a result of the Demergers;

(k) the Company and the Selling Shareholders have agreed to pay (together with any related value added tax) certain costs, charges, fees and expenses in connection with, or incidental to, amongst others, the Offer, London Admission, Stockholm Admission or the other arrangements contemplated by the Underwriting Agreement, including (but not limited to) their own legal fees and expenses, the legal fees and expenses of the Company, the costs and expenses of the Registrar, other advisers' fees and expenses and certain of the Managers' legal fees and expenses; and

(l) the Company, the Selling Shareholders, Petrofac, Lundin and the Directors have given certain customary representations, warranties and undertakings to the Managers and the Company, Petrofac, Lundin and the Selling Shareholders have given certain indemnities to the Managers, in each case that are typical for an agreement of this nature.

15.2 **Lock-up Arrangements**

The Company has undertaken in the Underwriting Agreement, to each of the Managers, that, during a period of 12 months from London Admission in respect of issuances or sales of Ordinary Shares for cash consideration and during a period of six months from London Admission in respect of issuances or sales of Ordinary Shares for non-cash consideration, it will not, subject to an exception set out below, without the prior written consent of the Global Co-ordinator, directly or indirectly offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do any of the foregoing. The exception referred to above relates to the issue of Ordinary Shares pursuant to the exercise of options under the Share Plans described in paragraph 6 of this Part XI.

Each of the Directors and the Selling Shareholders has undertaken in the Underwriting Agreement, to each of the Managers, that, during a period of six months from London Admission he or it will not without the prior written consent of the Global Co-ordinator, subject to certain exceptions set out below, directly or indirectly offer, issue, lend, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do any of the foregoing. The exceptions referred to above include (i) in the case of the Selling Shareholders only, transfers of Ordinary Shares pursuant to the Stock Lending Agreement referred to in paragraph 15.3 below or making any loan or disposal of Ordinary Shares pursuant to the Over-allotment Option or making any loan of Ordinary Shares to another Selling Shareholder to facilitate the Offer; (ii) accepting a general offer made to all holders of issued and allotted Ordinary Shares for the time being made in accordance with the Takeover Code; (iii) executing or delivering an irrevocable commitment or undertaking to accept a general offer as referred to in paragraph (ii); (iv) selling or otherwise disposing of Ordinary Shares pursuant to an offer by the Company to purchase its own Ordinary Shares; (v) transferring or disposing of Ordinary Shares pursuant to a compromise or arrangement between the Company and its creditors or members; (vi) taking up rights granted in respect of a rights issue or other pre-emptive share offering by the Company; (vii) disposing of Ordinary Shares in accordance with any order by a court of competent jurisdiction; and (viii) in the case of the Directors or Selling Shareholders who are individuals only, transferring shares on the death of the Director or the Selling Shareholder.

If the Offer does not proceed, the Selling Shareholders will be subject to certain orderly market arrangements for a period of six months following London Admission, rather than the lock-up arrangements described above.

15.3 **Stock Lending Arrangements**

In connection with settlement and stabilisation, the Stabilising Manager expects to enter into a stock lending agreement to be dated on or around the date of the Pricing Statement with certain of the Selling Shareholders (the "**Stock Lending Agreement**"). Pursuant to the Stock Lending Agreement, the Stabilising Manager will be able to borrow Ordinary Shares to allow the Stabilising Manager to settle, on London Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be required to return equivalent securities to the lenders in accordance with the terms of the Stock Lending Agreement.

16. **MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any other member of the Group (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) (regardless of when entered into) contain provisions under which the Company or any other member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

16.1 **Underwriting Agreement**

A detailed description of the Underwriting Agreement and lock-up and stock lending arrangements are set out in paragraph 15 above.

16.2 **Lundin Sale and Purchase Agreement (the "Lundin SPA")**

Under the Lundin SPA, entered into by the Company and Lundin on 4 March 2010, Lundin will procure the sale of all the issued capital of LNS to the Company in exchange for an issue of Ordinary Shares in the Company to Lundin. It is intended that the Lundin SPA will become effective prior to London Admission.

The Lundin SPA also provides that (i) the Company will use reasonable endeavours to procure that the Remaining Lundin Group is released from any guarantee, indemnity, bond, letter of comfort or encumbrance given or incurred by them prior to Completion (as defined in the Lundin SPA) which relates in whole or in part to debts or other obligations, liabilities or responsibilities owed by such group in respect of the Group; and (ii) prior to such release, the Company will indemnify the Remaining Lundin Group for any failure to make any such repayment or any liability arising under any such guarantee, indemnity, bond, letter of comfort or encumbrance. The indemnities granted by the Company to the Remaining Lundin Group include specific indemnities against any decommissioning liabilities and environmental liabilities relating to the Group's licence interests. Under the Lundin SPA, Lundin and the Company provide the other party with certain warranties and undertakings, subject to certain limitations on liability.

The Lundin SPA is conditional upon obtaining confirmation from the Secretary of State that as a result of the change in control arising out of this transaction he will not exercise his powers to revoke any of the UK Licences (as defined in the Lundin SPA), require a further change of control in any of the Group Companies holding such UK Licences nor revoke the appointment, or require the removal of, any Group Company as operator in relation to the UK Licences. Such confirmation was obtained on 5 March 2010. The Lundin SPA is also conditional, *inter alia*, on receiving the approval of the shareholders of Lundin at an extraordinary general meeting due to be held on 22 March 2010.

16.3 **Petrofac Sale and Purchase Agreement (the "Petrofac SPA")**

Under the Petrofac SPA, entered into by the Company, Petrofac and PEDIL on 4 March 2010, Petrofac will sell all the issued capital of PEDL to the Company in exchange for an issue of Ordinary Shares in the Company to Petrofac's shareholders. It is intended that the Petrofac SPA and that Ordinary Shares in the Company will be issued to Petrofac shareholders will become effective prior to London Admission.

The Petrofac SPA also provides that (i) the Company will use reasonable endeavours to procure that the Remaining Petrofac Group is released from any guarantee, indemnity, bond, letter of comfort or encumbrance given or incurred by them prior to Completion (as defined in the Petrofac SPA) which relates in whole or in part to debts or other obligations, liabilities or responsibilities owed by such group in respect of the Group; and (ii) prior to such release, the Company will indemnify the Remaining Petrofac Group (other than Petrofac) for any failure to make any such repayment or any liability arising under any such guarantee, indemnity, bond, letter of comfort or encumbrance. The indemnities granted by the Company to the Remaining Petrofac Group include specific indemnities against any decommissioning liabilities and environmental liabilities relating to the Group's licence interests. Under the Petrofac SPA, Petrofac and the Company provide certain warranties and undertakings, subject to certain limitations on liability.

The Petrofac SPA is conditional upon obtaining confirmation from the Secretary of State that as a result of the change in control arising out of this transaction he will not exercise his powers to revoke any of the UK Licences (as defined in the Petrofac SPA), require a further change of control in any of the Group Companies holding such UK Licences nor revoke the appointment, or require the removal of, any Group Company as operator in relation to the UK Licences. Such confirmation was obtained on 5 March 2010. The Petrofac SPA is also conditional, *inter alia*, on receiving the approval of the shareholders of Petrofac at an extraordinary general meeting due to be held on 29 March 2010.

16.4 **Transitional Services Agreement (the "TSA")**

For a transitional period following completion of the Acquisitions, the Group will be dependent on the provision of certain services by the Remaining Petrofac Group, pursuant to the TSA.

Under the TSA, Lundin Services BV will provide data migration services and software user support; and PSL, PFM and PEDIL will, between them, provide certain accounting, technical and commercial services to the Company, LNS, PEDL and certain of their subsidiaries (together, for purposes of this paragraph only, the "**Company Subsidiaries**"). These services will be provided to enable the Company and the Company Subsidiaries to continue to undertake their day-to-day operations, conduct their businesses and perform their various obligations, in materially the same manner as prior to London Admission (unless the Company agrees otherwise). More particularly, the services to be provided comprise, *inter alia*, data migration services, software user support, accounting and tax support, communications support, IT support and information management transition, sub-surface services, website management and data centre management and maintenance and document management. The TSA also provides for the Company to make desk space at its offices in London available to the Remaining Petrofac Group for a transitional period. Facilities management and functional support for the Company Subsidiaries will continue to be provided outside the TSA, on established terms agreed prior to the Acquisitions.

The TSA anticipates the Company and Company Subsidiaries becoming independent of these transitional services before the end of March 2011, although it provides that their provision may continue beyond that if necessary. Additionally, the TSA requires the service providers to assist the Company and Company Subsidiaries in becoming independent of them.

The Group will pay for the transitional services on arm's length terms.

16.5 **Heather Field Arrangements**

The current arrangements in respect of the Heather field result from a number of agreements dating from late 1999. These agreements enabled Lundin Heather to continue production in the Heather field whilst providing that BGGB and CNS did not incur any additional expenditure other than for decommissioning.

The Heather Field Decommissioning Security Agreement and the Heather Field Arrangement Agreement

The Heather Field Decommissioning Security Agreement (the "**DSA**") was entered into between Lundin Heather, CNS, BGGB and DNO ASA (now Lundin Petroleum) on 15 September 1999. The DSA makes provision for each party's share of the costs of decommissioning the Heather facilities and prescribes the provision of security for those costs. Lundin Heather has elected, under the terms of the DSA, to provide security for its decommissioning cost by way of a standby irrevocable letter of

credit for US$30 million and a parent company guarantee. Under the terms of the Heather Field Arrangement Agreement (the "**HFAA**"), BGGB and CNS each retain liability for 31.25 per cent. of the decommissioning liabilities for the Heather facilities. However, material decommissioning costs arising out of Heather field operations after 1 October 1999 which are over and above those which BGGB, CNS, and Lundin Heather would have incurred had Heather field operations not continued beyond that date (excluding certain costs arising out of regulation) are to be borne by Lundin Heather.

Under the terms of the DSA, completion of the Lundin Acquisition gives rise to a change of control of Lundin Heather, the effect of which is that the Company is required to provide security for its full pro-rated share of decommissioning costs.

The Unocal Agreement

When Lundin purchased Lundin Britain, Lundin Heather and Lundin Thistle in 2004, it entered into the Unocal Agreement with Unocal International Corporation and DNO ASA. The Unocal Agreement provides for the assumption and performance by Lundin of certain obligations of DNO ASA in respect of Lundin Heather which DNO ASA owed under a share purchase agreement between DNO ASA and Unocal International Corporation dated 16 May 1997. These obligations include the provision of a letter of credit and an indemnity in respect of Lundin Heather's decommissioning liabilities in the Heather Field.

Under the Lundin SPA, the Company provides back-to-back indemnities to Lundin in respect of any loss, damage or liability it incurs which arises out of, or in connection with, any decommissioning or abandonment liability or obligation, in each case under the Unocal Agreement.

16.6 **Thistle and Deveron Field Arrangements**

In September 2002, Lundin Thistle signed agreements with Britoil, Conoco and BP Exploration under which it acquired interests held by those parties in the Thistle and Deveron fields and related assets. As part of that transaction, the parties agreed that these interests would be retransferred back to Britoil, Conoco and BP Exploration at a future date. The parties also entered into agreements relating to the (i) intervening period in which Lundin Thistle has control of the interests, and (ii) future decommissioning liabilities relating to the Thistle and Deveron fields. There are four principal agreements relating to this transaction: (i) the Initial Sale and Purchase Agreement ("**ISPA**"); (ii) the Intervening Period Agreement ("**IPA**"); (iii) the Retransfer Sale and Purchase Agreement ("**RSPA**"); and (iv) the Decommissioning Liability Agreement ("**DLA**", and together the "**Thistle and Deveron Field Arrangement Agreements**").

Initial Sale and Purchase Agreement

Under the ISPA, Lundin Thistle acquired from Britoil and Conoco their interests in the Thistle and Deveron fields (for purposes of this paragraph 16.6 only, the "**Thistle Interests**"). Under the ISPA, Lundin Thistle has indemnified Britoil, Conoco and BP Exploration against any environmental liabilities (excluding decommissioning liabilities) arising on or after 1 May 2002. Lundin Thistle has also indemnified Britoil, BP Exploration and Conoco against any liabilities they incur as a result of Lundin Thistle failing to re-transfer the Thistle Interest to them (other than in circumstances beyond its control). Lundin Thistle's liability under this indemnity is limited to £20 million, although the other parties retain the right to make a separate claim for sums in excess of this. As security for this indemnity, Lundin Thistle has granted Britoil and Conoco security over its interests (by way of debenture) and Lundin has provided a parent company guarantee in favour of Britoil, Conoco and BP Exploration (the "**Thistle Interests Parent Company Guarantee**").

Under the Lundin SPA, EnQuest provides Lundin with an indemnity in respect of any cost that Lundin incurs arising out of, or in connection with, that parent company guarantee.

Intervening Period Agreement

The IPA sets out the rights and obligations of Lundin Thistle in relation to the Thistle Interests during the period between 1 January 2003 and the re-transfer of the Thistle Interests to Britoil, Conoco and BP Exploration at a future date in accordance with the RSPA and a termination notice being duly served under the IPA. Britoil and Conoco may serve a joint termination notice on Lundin

Thistle with 12 month's notice. The IPA does not provide Lundin Thistle with a specific right of compensation following such termination for monies spent on the field. Ownership of field equipment transferred to Lundin Thistle under the ISPA (including replaced equipment), reverts to Britoil and Conoco upon re-transfer of the Thistle Interests for no additional consideration. Lundin Thistle owns equipment which it has purchased for field operations since completion of the ISPA. If the Group's interests in the Thistle and Deveron fields are loss making for at least three months and losses exceed £1.5 million, the re-transfer may be effected without compensating the Group, otherwise compensation is based on estimated future cash flows. Thistle and Britoil each have a 50 per cent. voting interest in the Thistle Interests in respect of certain reserved matters, notwithstanding that Lundin Thistle's working interest is 99 per cent. These reserved matters include the decommissioning of unit property operated by Lundin Thistle, the approval of the annual programme and budget relating to major structural repairs and items noted as reserved matters in the DLA.

Retransfer Sale and Purchase Agreement

The RSPA provides the arrangements for the retransfer of the Thistle Interests by Lundin Thistle back to Britoil, Conoco and BP Exploration of the interests transferred under the ISPA.

Decommissioning Liability Agreement

The DLA is dated 1 January 2003. The parties are Britoil, Conoco and Lundin Thistle. The DLA apportions liability between these parties for the decommissioning of the Thistle and Deveron fields' facilities and provides for security to be given by the parties in respect of such liabilities. If re-transfer of the Thistle Interests does not take place (other than in circumstances beyond Lundin Thistle's control) then Britoil and Conoco will not have any liability under this agreement for decommissioning costs. Britoil and Conoco are liable for field decommissioning costs, which are the costs of decommissioning or removing the project (other than property Lundin Thistle purchased for field operations since completion of the ISPA) together with site reinstatement. Lundin Thistle is liable for 99 per cent., and Britoil is liable for one per cent., of any costs incurred in carrying decommissioning to the extent they arise solely as a result of the decommissioning of property Lundin Thistle purchased for field operations since completion of the ISPA. Britoil and Conoco may request that Lundin Thistle to undertake field decommissioning during the intervening period, with Britoil and Conoco liable for the costs of such work.

IPA Consent Agreement

As required under the IPA, Britoil, BP Exploration and Conoco provided their conditional consent to the change of control of Lundin Thistle pursuant to an agreement entered into with Lundin Thistle, Lundin Britain, Lundin, Petrofac, PEDL and the Company dated 4 March 2010 (the "**IPA Consent Agreement**").

Under the terms of the IPA Consent Agreement, Britoil, BP Exploration and Conoco's consent is conditional upon the fulfilment, by 30 May 2010, of various conditions precedent. These conditions include (i) Lundin re-issuing the Thistle Interest Parent Company Guarantee amended to state that following the Lundin Acquisition, Lundin Thistle will no longer be a subsidiary of Lundin and capping liability thereunder at £20 million; (ii) the Company providing Britoil, BP Exploration and Conoco with a guarantee substantially in the form of the Thistle Interest Parent Company Guarantee amended to cap the liability thereunder at £20 million; (iii) all necessary governmental and regulatory consents to the Lundin Acquisition and Petrofac Acquisition being obtained; and (iv) Petrofac providing Lundin Britain and Lundin with a guarantee substantially in the same form as the Don Fields Group Guarantee (as defined below).

Simultaneously with the grant of consent, Lundin Thistle is required to indemnify Britoil, BP Exploration and Conoco for all costs associated with a future retransfer of employees, as required by the RSPA. In addition, the parties to the IPA Consent Agreement agree to undertake a full review of the terms of the Thistle and Deveron Field Arrangement Agreements. Failure to resolve issues arising from this review to the satisfaction of Britoil, BP Exploration and Conoco will result in the Company being required to procure the provision of an irrevocable letter of credit in an amount of £20 million in respect of Lundin Thistle and Lundin Britain's obligations under the Thistle and Deveron Field Arrangement Agreements. Under the Lundin SPA, Lundin has agreed to procure the

provision of this letter of credit for a period of two years following the Lundin Acquisition. At the end of this two-year period, EnQuest will be subject to the obligation of providing the requisite security. In the event that the letter of credit is issued by Lundin, it shall be entitled, at its option, to be released from the Thistle Interests Parent Company Guarantee.

16.7 **Don Fields Transportation Arrangements**

The current arrangements for the transportation of production from the Don fields to the Sullom Voe Terminal were entered into on 26 February 2010. Prior to the entry into these arrangements, production from the Don fields was exported from the Northern Producer FPF to offshore tankers via the Single Anchor Leg offloading system.

Thistle Platform Transportation Agreement

On 26 February 2010, PEDL, PEDOL, Valiant North Sea Limited, Nippon Oil Exploration and Production U.K. Limited, Stratic Energy (UK) Limited and First Oil Expro Limited (for purposes of this paragraph 16.7 only, the "**Don Fields Group**") entered into an agreement with Lundin Thistle and Britoil (for purposes of this paragraph 16.7 only, the "**Thistle Group**") for the provision of transportation services for the production from the Don fields through the Thistle facilities (the "**Thistle TA**").

The Thistle TA will terminate on 31 December 2018 unless terminated earlier in accordance with its terms. The Don Fields Group will be liable to make a termination payment to the Thistle Group in the event that the Thistle TA is terminated by the Thistle Group (except following a cessation of production in respect of the Thistle field) or by the Don Fields Group following a cessation of production in respect of the Don fields, provided that such termination occurs prior to either (i) the contracted volume of Don Fields Group liquids being delivered or (ii) service by the Thistle Group of a notice from the secretary of state approving cessation of production. The amount of the termination payment will reflect the quantity of undelivered Don Fields Group liquids.

The Don Fields Group is under a send-or-pay obligation amounting to 65 per cent. of its initial maximum daily quantity under the Thistle TA. The Don Fields Group is obliged to make shortfall payments to the extent that the actual volume of Don Fields Group liquids delivered is less than the send-or-pay volume. The Don Fields Group has provided a guarantee to the Thistle Group in respect of its decommissioning obligations under the Thistle TA (the "**Don Fields Group Guarantee**").

Under a side letter to the Thistle TA entered into between Lundin Thistle and PEDL, dated 26 February 2010, Lundin Thistle is obliged to procure a parent company guarantee from Lundin Britain in favour of the Don Fields Group in respect of certain payments which would become due from Lundin Thistle to the Don Fields Group following early termination of the Thistle TA.

Brent System Transportation Agreement

PEDL (on behalf of the Don Fields Group) and TAQA Bratani Limited (on behalf of the parties to the Brent System operating agreement (the "**Brent System Group**")) entered into an agreement for the transportation of Don fields liquids through the Brent System pipeline on 26 February 2010 (the "**Brent System TA**"). There is a send-or-pay obligation under the Brent System TA amounting to 80 per cent. of the predicted annual quantity of Don fields liquids to be delivered by the Brent System pipeline. If the Don Fields Group fails to deliver the required minimum quantity of liquids then it is liable to make a shortfall payment.

Sullom Voe Terminal Tariff Agreement

In connection with the entry into the Thistle TA and the Brent System TA, the Don Fields Group entered into a tariff agreement on 26 February 2010 with BP Exploration for the processing and/or re-delivery of production from each of the Dons fields at the Sullom Voe Terminal (the "**Sullom Voe Terminal TA**"). Under the terms of each of the Sullom Voe Terminal TAs, the Don Fields Group is responsible for its share of the core operating costs and extraordinary costs of the Sullom Voe Terminal on a through-put basis. Each member of the Don Fields Group has provided an irrevocable standby letter of credit in respect of each of its field interests in favour of BP as security against defaults and is required to provide replacement letters of credit on an annual basis.

The liability of the parties under the Brent System TA and Sullom Voe Terminal arrangements detailed above is governed by the provisions of the Sullom Voe Terminal and Related Pipelines Cross-User Liability Agreement dated 21 April 1999.

16.8 **Elke Sale and Purchase Agreement**

PEDL acquired the Elke field following its entry, on 7 May 2004, into a sale and purchase agreement in respect of the Elke field (the "**Elke SPA**"). Under the terms of the Elke SPA, PEDL is required to pay Murphy Petroleum Limited, Nexen Petroleum U.K. Limited, CIECO Exploration and Production Limited and OMV (U.K.) Limited (for purposes of this paragraph 16.8 only, the "**Original Licensees**") a royalty of 5 per cent. of the realised market value of all block 28/3 crude oil produced. This royalty is only payable, however, once production has reached 2 million stock tank barrels.

In addition, should PEDL fail to obtain Secretary of State approval to a field development plan in relation to the Elke field by 31 December 2012, or should it fail to carry out certain agreed work commitments, then PEDL may be required, at the written request of the Original Licensees, to re-assign the Elke field licence to the Original Licensees. The aggregate consideration for any such assignment would be a nominal sum of £1.

16.9 **Petrofac Facilities Management Agreements**

In April 2005, Lundin Heather and Lundin Thistle entered into separate facilities management agreements with PFM (the "**Petrofac FMA**"). Under the Petrofac FMAs, PFM acts as licence duty holder and provides full operational services to Lundin Heather and Lundin Thistle (including the provision for the requisite onshore and offshore personnel) in respect of the Heather, Broom, Thistle and Deveron fields. The Petrofac FMAs have been subject to numerous amendments (the most recent being 9 October 2009) relating to the scope of services provided and the associated cost provisions. Unless terminated earlier in accordance with their respective terms, the Petrofac FMAs continue until the cessation of production from the fields. PFM has the right, following an "unacceptable change of control" of Lundin Heather and/or Lundin Thistle, to terminate the Petrofac FMA(s). "Change of control" is defined in the Petrofac FMAs as Lundin Heather and/or Lundin Thistle ceasing to be beneficially owned (directly or indirectly) by Lundin and an "unacceptable change of control" is broadly defined as resulting in a material detrimental change to the financial/technical ability to support Lundin Heather and/or Lundin Thistle. The parties provide a broad range of indemnities, however, PFM's liability for breach or breaches of the terms of the Petrofac FMAs is limited to a maximum aggregate of no more than £1,500,000 (including for wilful misconduct).

16.10 **Agreements with PFM for Provision of Personnel to PEDL**

Since PEDL does not directly employ personnel, PEDL has entered into two services agreements with PFM for: (a) provision of personnel to PEDL, being the agreement for the supply of workers dated 28 November 2008, amended by an amendment agreement dated 12 February 2010 (the "**Professional Services Agreement**"); and (b) for the supply of functional and facilities support dated 17 April 2009 (the "**Functional and Facilities Agreement**"). Further details in respect of these agreements are set out below.

Professional Services Agreement

The Professional Services Agreement sets out the rights, obligations and charge-back mechanism of PEDL and PFM in relation to the supply of personnel including but not limited to the following disciplines: engineering, designers and document control. The number of staff provided under this agreement is variable. The Professional Services Agreement is terminable on 31 December 2010.

Either party may terminate the Professional Services Agreement on 30 days' notice or forthwith if the other party goes bankrupt. PEDL may also terminate the agreement forthwith if PFM breaches the terms of the agreement or does not perform the duties prescribed by PEDL. Under the Professional Services Agreement, personnel provided to PEDL by PFM are subject to PEDL's prior approval and PEDL may require personnel to be removed and replaced. The parties provide reciprocal indemnity protection in respect of personal injury, damage to property and pollution, and

PFM shall indemnify PEDL against any claim brought by a worker in the Employment Tribunal in the event they allege that they are employees of PEDL.

Functional and Facilities Agreement

The Functional and Facilities Agreement sets out the rights, obligations and charge-back mechanism of PEDL and PFM in relation to the supply of personnel in relation to the provision of temporary and specialist resources to assist PEDL with specific tasks. The Functional and Facilities Agreement is terminable on 31 December 2011.

Either party may terminate the Functional and Facilities Agreement on 30 days' notice or forthwith if the other party goes bankrupt. PEDL may also terminate the agreement forthwith if PFM breaches the terms of the agreement or does not perform the duties prescribed by PEDL. Under the Functional and Facilities Agreement, personnel provided to PEDL by PFM are subject to PEDL's prior approval and PEDL may require personnel to be removed and replaced. The parties provide reciprocal indemnity protection in respect of personal injury, damage to property and pollution, and PFM shall indemnify PEDL against any claim brought by a worker in the Employment Tribunal in the event they allege that they are employees of PEDL.

16.11 **Relationship Agreement**

Following the Acquisitions but before Lundin has distributed the Ordinary Shares to Lundin's shareholders, it is expected that Lundin will be the holder of 55 per cent. of the issued share capital of EnQuest. Petrofac, Lundin and EnQuest entered into a relationship agreement on 4 March 2010 (the "**Relationship Agreement**") to govern the exercise by Lundin of its rights in respect of EnQuest in the period before it distributes Ordinary Shares to Lundin's shareholders. The Relationship Agreement will provide, inter alia, that Lundin (i) will not vote in favour of, or propose, any resolution of Shareholders and will not exercise any of its rights in a manner which would be contrary to the principle of the independence of EnQuest from Lundin; (ii) undertakes to ensure that EnQuest will operate and make decisions independently of Lundin at all times; (iii) will use reasonable endeavours to procure the London Admission and Stockholm Admission and distribute Ordinary Shares to Lundin's shareholders as soon as reasonably practicable; and (iv) will conduct any transaction with EnQuest on an arm's length basis.

16.12 **Registrar Agreement**

The Company has entered into a Registrar Agreement dated 18 March 2010 with the Registrar (the "**Registrar Agreement**"), pursuant to which, conditional upon London Admission, the Registrar will provide registrar services to the Company which will entail, among other things, the Registrar having responsibility for the transfer of shares, maintenance of the share register and acting as transfer and paying agent.

The Registrar Agreement shall continue for a period of one year and thereafter, unless terminated, will automatically renew for successive periods of 12 months. The Registrar Agreement shall be terminable at the end of any relevant one year period by either party giving not less than six months written notice to the other. The Registrar Agreement may be terminated by either party if the other party is materially in breach of the Registrar Agreement and fails (in the case of a breach capable of being remedied) to remedy such breach within 45 days of receipt of a written notice from the other requiring it to do so.

The Company has agreed to indemnify the Registrar and its directors, agents, officers and employees against all and any liabilities which may be suffered or incurred by the Registrar and its directors, agents, officers and employees in connection with the performance of its duties under the Registrar Agreement save to the extent that such liabilities may be due to the wilful default or fraud of the party seeking indemnification.

16.13 **Receiving Agent Agreement**

The Company has entered into a receiving agent agreement with the Receiving Agent dated 18 March 2010 (the **"Receiving Agent Agreement"**), pursuant to which the Receiving Agent will perform receiving agent services to the Company.

The Receiving Agent Agreement shall be terminable by either party if the other party commits a material breach of its obligations under the agreement and fails (in the case of a breach capable of being remedied) to remedy such breach within 14 days of receipt of a written notice to do so from the first party.

The Company has agreed to indemnify the Receiving Agent and its directors, agents, officers and employees against all and any losses, damages, liabilities, fees and other expenses incurred by such indemnified party and arising from a breach by the Company of the terms of the Receiving Agent Agreement except where such loss is determined to have resulted solely from the fraud or wilful default of the party seeking indemnification.

17. LITIGATION

There are no, and there have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the Company's and/or the Group's financial position or profitability of the Group.

18. WORKING CAPITAL

The Company is of the opinion that, taking into account available bank facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

19. SIGNIFICANT CHANGE

19.1 Save for entering into the financing arrangements disclosed in paragraph 4 of Part V of this document, there has been no significant change in the financial or trading position of the Company since the date of its incorporation. As a result of entering into such financing arrangements (as disclosed in paragraph 4 of Part V of this document), the Company will have an additional US$280 million of liquidity, which it will partly draw down on London Admission, to finance letters of credit in respect of its decommissioning obligations, expected operating and capital expenditures, working capital obligations and expenses of the Admissions and (if it proceeds) the Offer.

19.2 There has been no significant change in the financial or trading position of the PEDL Group, since 31 December 2009, being the date of the last audited financial information of the PEDL Group contained in Part VII of this document.

19.3 There has been no significant change in the financial or trading position of the LNS Group, since 31 December 2009, being the date of the last audited financial information of the LNS Group contained in Part VI of this document.

20. RELATED PARTY TRANSACTIONS

20.1 Save as set out in note 22 in the historical financial statements of the PEDL Group for the financial years ended 31 December 2009, 2008 and 2007 and note 22 in the historical financial statements of the LNS Group for the financial years ended 31 December 2009, 2008 and 2007, there have been no related party transactions during the financial years ended 31 December 2009, 2008 and 2007.

20.2 Save for its entry into the Lundin SPA, the Petrofac SPA, the Underwriting Agreement and the Transitional Services Agreement (details of which are set out in paragraphs 16.2, 16.3, 15.1 and 16.4, respectively of this Part XI), the Company confirms that there have been no related party transactions entered into by the Group in the period between 31 December 2009 and 17 March 2010 (being the latest practicable date prior to the date of publication of this document).

21. CONSENTS

21.1 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of its accountant's report on the historical financial information of the LNS Group set out in Section A in Part VI of this document, and the references thereto in the form and context in which it appears and has authorised the contents of that part of this document which comprises its report for the purposes of rule 5.5.3(R)(2)(f) of the Prospectus Rules.

21.2 Ernst & Young has given and not withdrawn its written consent to the inclusion in this document of its accountant's report on historical financial information on the PEDL Group set out in Section A in Part VII and its report on the unaudited pro forma balance sheet of the Group in Section A in Part VIII of this document, and the references thereto in the form and context in which they appear and has authorised the contents of those parts of this document which comprise its reports for the purposes of rule 5.5.3(R)(2)(f) of the Prospectus Rules.

21.3 Gaffney, Cline & Associates Limited has given and not withdrawn its written consent to the inclusion of the CPR in Part XII of this document and/or extracts therefrom and the references thereto and to its name in the form and context in which they appear, in this document.

22. **MISCELLANEOUS**

22.1 The total costs and expenses of, and incidental to, the Offer (if it proceeds) and Admissions, payable by the Company is estimated to amount to US$8.3 million (excluding amounts in respect of VAT).

22.2 GCA has reviewed the information contained in this document which relates to information contained in the CPR and confirms that the information presented is accurate, balanced, complete, not inconsistent with the CPR and where the information in this document has been sourced and/or extracted from the CPR, that information has been properly sourced and/or extracted.

22.3 Certain information in this document has, where indicated, been sourced from third parties. This information has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by the applicable third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

22.4 Save as set out in Part I of this document, the Group is not dependent on patents or licences or industrial, commercial or financial contracts or new manufacturing processes which are material to its business or profitability.

22.5 Save as set out in Part V of this document, the Company has no principal investments for each financial year covered by the historical financial information set out in Section B in Part VI and Section B in Part VII, respectively, of this document and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.

22.6 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

22.7 Pursuant to Chapter 5 of the United Kingdom Listing Authority Disclosure and Transparency Rules (the Disclosure and Transparency Rules) a person must notify the Company of the percentage of its voting rights he holds as a shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent., and each 1 per cent. threshold thereafter up to 100 per cent. as result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure and Transparency Rules. Certain voting rights held by investment managers, unit trusts, OEICS and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

22.8 The Ordinary Shares are in registered form and are capable of being held in certificated form and uncertificated form (that is, in CREST, or the VPC system). It is expected that CREST accounts will be updated as applicable on the date of London Admission and Euroclear Sweden accounts on the date of Stockholm Admission. Temporary documents of title will not be issued in relation to the Ordinary Shares. The register of members is maintained by the Company's Registrars. The ISIN for the Ordinary Shares is GB00B635TG28 and the SEDOL number for the Ordinary Shares is B635TG2.

22.9 None of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the applications for the Ordinary Shares to be admitted to the Official List and NASDAQ OMX Stockholm.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA from the date of this document up to and including 9 April 2010:

(a) the Articles;

(b) the reports set out in Section A in Part VI, Section A in Part VII and Section A in Part VIII of this document;

(c) the Competent Person's Report set out in Part XII of this document;

(d) the letters of consent referred to in paragraph 21 above; and

(e) this document.

Date: 18 March 2010

GCA GAFFNEY, CLINE & ASSOCIATES

COMPETENT PERSON'S REPORT

Prepared for

EnQuest

MARCH, 2010

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Dear Sirs,

COMPETENT PERSON'S REPORT

INTRODUCTION

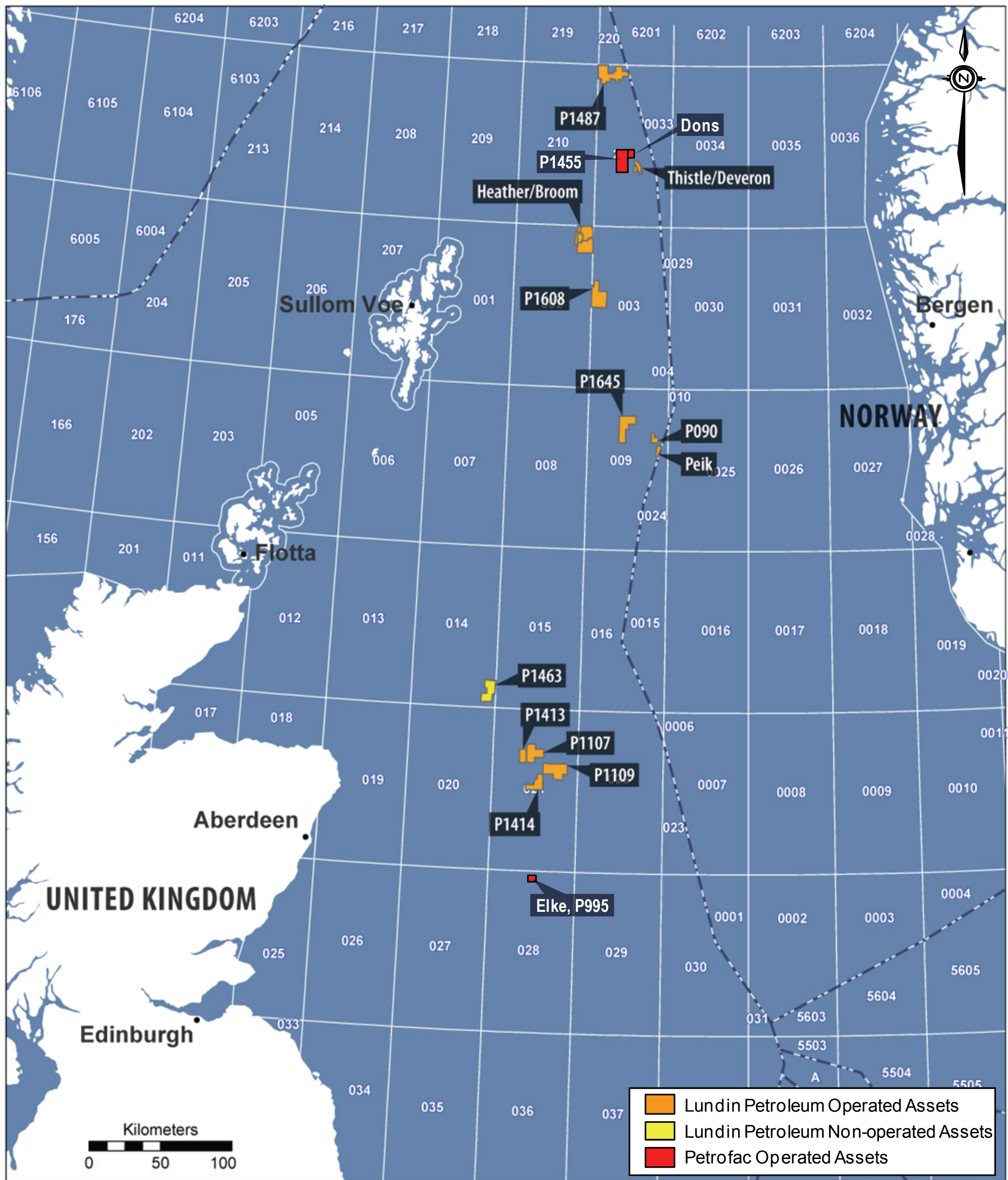
In accordance with the instructions of EnQuest, Gaffney, Cline & Associates Ltd (GCA) has reviewed and audited the North Sea interests owned by Lundin Britain Ltd. (Lundin) and Petrofac Energy Developments (Petrofac) in the U.K. (see Figure 0.1) that are to be transferred to EnQuest. The Reserves, Contingent Resources and Prospective Resources audited by GCA consist of recoverable hydrocarbon volumes associated with offshore assets within the North Viking Graben, Central Graben and Central North Sea. Reserves are reported as at 1st January 2010. The assets include the duly licensed producing properties, fields under development and relevant exploration interests.

EnQuest requested GCA to assess a range of reference post-tax net Present Values (NPVs) at different oil prices and discount rates for those assets where Reserves have been attributed. This evaluation has been completed as part of this Competent Person's Report.

EnQuest has made available to GCA data sets of technical information including geological, geophysical, petrophysical, engineering data and financial data as well as the fiscal terms applicable to the various assets. In carrying out this review GCA has relied on the accuracy and completeness of this information. Site visits were not undertaken by GCA for the purposes of this Report. GCA had recently conducted a Reserves Audit as at 31st December, 2009 for Lundin. Ryder Scott (a USA based consultancy) had conducted a Reserves Audit as at 31st December, 2009 for Petrofac.

FIGURE 0.1

GENERAL LOCATION MAP, UK NORTH SEA BLOCKS



Any differences herein from those reports are attributed to revisions that reflect the implementation of EnQuest's own business plan for the collective assets within this evaluation.

GCA's review of the procedures adopted by EnQuest for estimating and documenting Reserves, Contingent and Prospective Resources confirms that such estimates have been calculated

on a basis consistent with Industry standards. This includes the evaluation of future production performance through the application of decline curve analysis, along with the use of reservoir simulation. The application of the latter to producing assets is supported by history-matched engineering models. For those assets currently under development, the use of reservoir simulation has incorporated probabilistic and deterministic methods. Meetings were also held with EnQuest to discuss and review its own business plan for taking the assets forward.

A Glossary of abbreviations, some of which are used in this report, is attached as Appendix I. The Reserves concluded in this report are those considered Proved, Probable and Possible under the 2007 Petroleum Resources Management System (SPE PRMS) Guidelines of the Society of Petroleum Engineers (SPE), World Petroleum Council (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE), a summary of which is included as Appendix II of this report.

In all cases, EnQuest's interest Reserves are quoted on the basis of the Company's participating working interest in the relevant properties. All oil, gas and condensate volumes appearing in this report have been quoted at standard conditions.

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable from known accumulations from a given date forward. Specifically, to qualify as Reserves, volumes must be discovered, recoverable, remaining and commercial. In this context, discovered means that a well has tested hydrocarbons at commercial rates, remaining means that the volumes will be recovered after the date of the assessment, and commercial means there is a firm intention to develop the volumes (usually demonstrated by there being an approved development plan in place).

Contingent Resources are those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. The reasons for Contingent Resources not being considered commercially recoverable may be economic (a higher price and/or lower costs are needed), technical (new technology to improve recovery and/or rates is needed) or it may be that development planning is immature at this point. The key difference between Reserves and Contingent Resources is maturity; for Contingent Resources there are one or more issues that prevent such volumes, at the time of the assessment, from being considered commercial. There is, therefore, some risk, albeit small in many cases, that the volumes will not mature into revenue generating projects. Contingent Resources in this report are those considered 'most likely' under a best estimate or 2C scenario according to SPE PRMS Guidelines.

Prospective Resources are those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. The key descriptor here is undiscovered, and this term distinguishes Prospective from Contingent Resources. There is a significantly higher risk, with Prospective relative to Contingent Resources that the identified volumes will not mature into revenue generating projects. Prospective Resource volumes are quoted with an associated Geological Chance of Success (GCoS): this is defined as the estimated chance that the feature does (to be proved or otherwise by drilling and testing to the surface) contain hydrocarbons. In effect, the GCoS is the chance of a Prospective Resource maturing into a Contingent Resource.

It should be noted that the reported Reserve and Resource volumes and production rates are based on professional engineering judgement and are subject to future revisions, upward or downward, as a result of future operations or as additional data become available.

It should be clearly understood that the NPV of future revenue potential of a petroleum property, such as those discussed in this report, does not necessarily represent the market value of that property, or any interest in it. In assessing a likely market value, it may be necessary to take into account a number of additional factors including: Reserves risk (i.e. that Proved and or Probable

Reserves may not be realised within the anticipated timeframe for their exploitation); perceptions of economic and sovereign risk; potential upside, such as in this case exploitation of Reserves beyond the Proved and Probable level; other benefits, encumbrances or charges that may pertain to a particular interest and the competitive state of the market at the time. GCA has explicitly not taken such factors into account in deriving the NPVs presented herein.

GCA is an independent energy consultancy specialising in petroleum reservoir evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with Lundin, Petrofac and EnQuest. The management of GCA have been, and continue to be, independent of Lundin, Petrofac and EnQuest in the services they provide to Lundin, Petrofac and EnQuest, including the provision of the opinion expressed in this review. Furthermore, the management of GCA have no interest in any assets or share capital of Lundin, Petrofac or EnQuest, or in the promotion of Lundin, Petrofac or EnQuest.

This report must only be used for the purpose for which it was intended.

SUMMARY

Certain offshore UK assets in the North Sea sector are to be transferred to EnQuest with an effective date of 1st January 2010. These oil producing assets and undeveloped projects and some discoveries partly include interests owned by Lundin. These are located in the central and northern sections of the North Sea, where Lundin was Operator with production from the Broom, Heather, Thistle and Deveron oilfields. Thistle and Heather are older producing fields currently undergoing a redevelopment stage. The other assets were owned by Petrofac, with Operated interests in West Don and Don SW oilfields in the northern North Sea that are producing oil, and also undergoing further development. Lundin held an interest in the SW Heather, Peik gas/condensate and Scolty discoveries. Peik straddles the Norway/UK median line and may be developed with first gas production estimated in 2014. Petrofac held an interest in the Elke discovery.

Drilling

EnQuest has presented a drilling programme for its best estimate scenario that identifies the individual planned activities until 2014. This comprises platform drilling on Thistle and Deveron until the end of 2011, with the drilling crew moving on to Heather and Broom until the end of 2012.

Semi-submersible rigs are to be hired to drill 9 wells (including side-tracks) during 2010 and 2011 in the West Don, Don SW and Broom areas.

An extended drilling programme to include the Contingent Resources may be considered.

Reserves Summary

Table 0.1 summarises the Reserves attributed by GCA by field on a gross basis and an EnQuest participating net working interest basis. These are shown for the Proved, Proved plus Probable and Proved plus Probable plus Possible categories.

For the purposes of this evaluation, the Reserves evaluation was based on assumptions on prices and costs provided by EnQuest. A Brent oil price of U.S.$75.00 per barrel, escalated at 2% p.a. beyond 2011, was applied as the base case for the Economic Limit Test (ELT) of each asset for the purposes of Reserves calculation. A base exchange rate of U.S.$1.65/GB£ was also applied.

Economic limit tests have been conducted for each asset in accordance with the 2007 SPE PRMS Guidelines. GCA was additionally requested by EnQuest to estimate reference NPV's at the base Brent oil price of U.S.$75.00 per barrel, as well as at a "low" oil price of U.S.$65.00/Bbl and

"high" oil price of U.S.$85.00/Bbl. GCA was also requested to consider in its sensitivity analysis an exchange rate of U.S.$1.55/GB£.

TABLE 0.1

SUMMARY OF GROSS AND NET ENQUEST WORKING INTEREST RESERVES (AS AT 1ST JANUARY 2010) OIL AND NGL

Field	Gross Oil and NGL Reserves, MMBbl			EnQuest Working Interest (%)	EnQuest Interest Oil and NGL Reserves, MMBbl		
	Proved	Proved plus Probable	Proved plus Probable plus Possible		Proved	Proved plus Probable	Proved plus Probable plus Possible
Thistle	14.10	29.50	47.85	99	13.96	29.20	47.37
Deveron	1.55	2.37	5.17	99	1.53	2.35	5.12
Heather	4.51	20.54	48.29	100	4.51	20.54	48.29
Broom (West Heather)	9.25	19.56	30.05	55	5.09	10.76	16.53
West Don	8.56	13.59	18.95	27.7	2.37	3.76	5.25
Don SW	14.27	23.15	34.63	60	8.56	13.89	20.78
Totals	**52.23**	**108.71**	**184.95**		**36.02**	**80.50**	**143.34**

Notes:

1. There are no attributed gas Reserves for any of these assets.
2. The above Reserves are reported after being subjected to an Economic Limit Test.

Appendix III shows the input files used to determine the economic limits of the various properties that were assessed, including estimates of future operating and capital costs.

Net Present Value Summary

NPVs have been assigned only to Reserves. The results of the cashflow analyses for the (i) Proved, (ii) Proved plus Probable and (iii) Proved plus Probable plus Possible cases under the **Base Case Price Deck** (U.S.$75/bbl Brent, escalated from 2011) are summarised below. The Price Decks and cost inflation factors included in this report have been provided to GCA by EnQuest. While GCA has not produced these Price Decks, they are considered to be reasonable for the purpose of examining a range of monetary values that could be attributable to the assets. All NPVs quoted are those attributable to EnQuest's interests in the properties reviewed.

EnQuest's aggregate Post-Tax reference NPVs as at 1st January, 2010 are presented in Table 0.2.

TABLE 0.2

ENQUEST POST TAX NET PRESENT VALUES AS AT 1ST JANUARY, 2010 (U.S.$ MM)

Discount Rate %	Proved	Proved plus Probable	Proved plus Probable plus Possible
7.0	434.8	1,073.4	2,038.7
8.0	427.1	1,041.1	1,946.4
9.0	419.5	1,010.4	1,862.6
10.0	412.1	981.2	1,786.2

Notes:

1. Base oil price U.S.$75.00/Bbl
2. Exchange Rate U.S.$1.65/GB£

Contingent Resources Summary

There are a number of oil and gas discoveries in both developed areas and exploration licenses for which there are no current development plans. GCA has audited the estimates of Contingent Resources as of 1st January, 2010 for these discoveries which are summarised in Tables 0.3 and 0.4. The Contingent Resource volumes reported here are the 2C or "Best Estimate" values.

TABLE 0.3

SUMMARY OF GROSS AND ENQUEST NET WORKING INTEREST OIL CONTINGENT RESOURCES AS AT 1ST JANUARY 2010

Block	Discovery	Reservoir	Gross Contingent Resources MMBbl	EnQuest Working Interest %	Net EnQuest Contingent Resources MMBbl
			2C		2C
211/18a	Thistle	Brent	8.2	99	8.1
211/18a	Deveron	Brent	6.9	99	6.8
2/5	Heather	Brent	7.3	100	7.3
2/5	Heather	Triassic	9.3	100	9.3
2/4a & 2/5	Broom NW Terrace	Brent/Emerald	3.3	55	1.8
2/5	Broom N Terrace	Brent	7.2	55	4.0
2/5	Broom Area 15E	Brent	3.2	55	1.8
2/5	SW Heather	Emerald, Brent & Triassic	6.9	55	3.8
211/18a	Don SW Area 26	Brent	2.2	60	1.3
211/18a	Don SW Area 22W	Brent	6.0	60	3.6
9/15a	Peik	M. Jurassic Hugin	8.3(2)	17.66(1)	1.5
21/8a	Scolty	Paleocene	8.0	40	3.2
28/3a	Elke	Eocene	15.0	100(3)	15.0

Notes:

1. Peik Working Interest based on Unitisation Agreement, to be ratified.
2. Peik Gross Contingent Resources represent field total associated liquids, including Norway,
3. EnQuest is planning a partial Farmout of this license.
4. There may be a significant risk that accumulations containing Contingent Resources will not achieve commercial production.
5. It is inappropriate to aggregate Contingent Resource volumes, or to aggregate Contingent Resource volumes with other classes of resource (i.e. Reserves or Prospective Resources).

TABLE 0.4

SUMMARY OF GROSS AND ENQUEST NET WORKING INTEREST GAS CONTINGENT RESOURCES AS AT 1ST JANUARY 2010

Block	Discovery	Reservoir	Gross Contingent Resources BCF	EnQuest Working Interest (%)	Net EnQuest Contingent Resources BCF
			2C		2C
9/15a	Peik	Jurassic	173.3(2)	17.66(1)	30.6

Notes:

1. Peik Working Interest based on Unitisation Agreement to be ratified.
2. Peik Gross Contingent Resources represent field total gas, including Norway,
3. There may be a significant risk that accumulations containing Contingent Resources will not achieve commercial production.

Prospective Resources Summary

GCA has reviewed EnQuest's estimates for certain Prospective Resources as of 1st January, 2010 and these are discussed in Section 5 of this report and summarised in Table 0.5.

Prospective Resources have been included only for Prospects that EnQuest has indicated in its Business Plan as having firm or committed drilling programmes.

TABLE 0.5

SUMMARY OF GROSS AND NET ENQUEST OIL PROSPECTIVE RESOURCES AS AT 1ST JANUARY 2010

Block	Prospect	Reservoir	Gross Prospective Resources MMBbl	EnQuest Working Interest (%)	Net EnQuest Prospective Resources MMBbl	GCoS (%)
			Best Estimate		Best Estimate	
211/17	Ariel East	Brent	6.8	50	3.4	30
3/11a	Mouse	Eocene	17.5	100[1]	17.5	25
2/5	SW Heather	Brent	9.0	55	5.0	19
211/18a	Don SW Area 26	Brent	15.4	60	9.2	30
211/18a	Don SW Area H	Jurassic/Triassic	10.8	60	6.5	25

Notes:

1. EnQuest is planning a partial Farmout of this license.
2. The Geologic Chance of Success (GCoS) reported here represents an indicative estimate of the probability that the drilling of this prospect would result in a discovery which would warrant the re-categorisation of that volume as a Contingent Resource, and not the probability of achieving the Best Estimate. The GCoS value for a Contingent Resource is 100%. These GCoS percentage values have not been arithmetically applied within this assessment.
3. The primary Prospective Resource volume reported here is the "Best Estimate" value.
4. It is inappropriate to aggregate Prospective Resource volumes, or to aggregate Prospective Resource volumes with other classes of resource (i.e. Reserves or Contingent Resources).

DISCUSSION

1. LICENSE SUMMARY

A summary of the EnQuest's production and development assets, and potential near term development opportunities is set out in Table 1.1.

A summary of the EnQuest's current exploration interests is presented in Table 1.2. Of these license interests, GCA has reviewed only those with firm drilling plans, as discussed in this report. GCA is, therefore, unable to attest to the prospectivity of any of the other licenses.

2. REGIONAL GEOLOGY

The North Sea is a mature petroleum province. Oil production peaked in the mid-nineties (1996) when the North Sea supplied 9% of the world's oil. The North Sea hydrocarbon province consists of two main parts. The southern North Sea is a petroleum system sourced from Carboniferous coals. Gas fields dominate within the southern part of the UK sector and the whole of the Dutch sector of the North Sea.

In the Central and Northern North Sea the petroleum system is almost entirely Jurassic sourced and oil is predominant, but gas has become increasingly important. Most of EnQuest's producing assets, Contingent Resources and Prospective Resources are located in the Central and Northern North Sea. This discussion of the regional geology focuses on these two regions. These areas of interest are shown by Figure 2.1, which also shows the major oil and gas accumulations.

TABLE 1.1

LICENSE SUMMARY
ENQUEST'S PRODUCTION AND DEVELOPMENT ASSETS

License	Block/Sub-area	Field/ Development opportunity	Group's Interest (%)	Co-venturers	Start Date	Expiry Date
P902	Block 2/4a	Broom Field (part) Broom Infill drilling	55.00	Wintershall (E&P) Limited 29%. Dyas UK Ltd. 8%. Challenger Minerals (North Sea) Limited 8%.	28 April 1995	28 April 2031
P242	Block 2/5 Heather Field Area	Heather Field	100.00(1)	-	15 March 1972	15 March 2018
P242	Block 2/5 Non-Heather Field Area	Broom Field (part) South West Heather oil discovery	55.00	Wintershall (E&P) Limited 29%. Dyas UK Ltd. 8%. Challenger Minerals (North Sea) Limited 8%.	15 March 1972	15 March 2018
P236	Block 211/18a	Thistle Field (part)	99.00	Britoil Plc 1%	15 March 1972	15 March 2018
P236	Block 211/18a	Deveron Field	99.00	Britoil Plc 1%	15 March 1972	15 March 2018
P475	Block 211/19a	Thistle Field (part)	99.00	Britoil Plc 1%	13 Nov 1984	8 June 2016
P236	211/18a Don SW Area	Don Southwest Field	60.00(2)	Valiant North Sea Limited 40%	15 March 1972	15 March 2018
P236	211/18a West Don Area	West Don Field (Stage 2 development programme)	43.12(3)	First Oil Expro Limited 30%. Valiant North Sea Limited 26.88%.	15 March 1972	15 March 2018
P995	28/3a ALL	Elke discovery	100.00	-	22 December 1998 (initial term 6 years). 2nd term 12 years.	22 December 2016
P1107	Block 21/8a	Scolty discovery	40.00	Wintershall (E&P) Limited 50%. Challenger Minerals (North Sea) Limited 10%.	1 October 2007 (second term)	30 September 2011
P090	9/15a Area	Peik discovery	33.33	Centrica Resources Limited 66.67%	25 November 1965	25 November 2011

Notes:

1. The Group holds an equity interest of 37.5 per cent. in the Heather field and has beneficial ownership of the remaining 62.5%.
2. 5% of the Group's 60% interest is held through its subsidiary Poseidon Energy Developments Oceania Limited.
3. West Don is unitised. EnQuest's overall net Working Interest in the development is 27.7%.

TABLE 1.2
(Page 1 of 2)

LICENSE SUMMARY
ENQUEST'S EXPLORATION ASSETS

License/ Interest	Block/Sub-area	Group's Interest (%)	Co-Venturers	Prospects and Commitments	Start Date	Expiry Date
P090	9/10b West and East	85.00	Dana Petroleum plc 15%	Fallow discovery 9/10b-1. No outstanding commitments	25 November 1965	25 November 2011
P1414	21/13b	40.00	Wintershall (E&P) Limited 50%. Challenger Minerals (North Sea) Limited 10%.	No outstanding commitments	1 April 2007 (initial term)	31 March 2011
P1413	21/7a	40.00	Wintershall (E&P) Limited 50%. Challenger Minerals (North Sea) Limited 10%.	No outstanding commitments	1 April 2007 (initial term)	31 March 2011
P1487	211/1a, 211/2a & 211/3a	60.00	Bayerngas North Sea Limited 40%	No outstanding commitments	1 April 2007 to 31 March 2009 (initial term). 1 April 2009 (2nd term).	31 March 2013
P1608	3/11a	100.00	-	Prospects include Mouse. Commitment for a firm well to 1,500m or Top Heimdal formation.	12 February 2009 (initial term)	11 February 2013
P1645	9/8b	60.00	Norwegian Energy Company Limited 40%	No outstanding commitments	12 February 2009 (initial term)	11 February 2013
P1463	14/30a	20.00(1)	Encore Petroleum Limited 40%. Endeavour Energy UK Limited 20%. Nautical Petroleum Plc 20%.	Contingent well commitment	1 April 2007 (initial term)	31 March 2011

TABLE 1.2
(Page 2 of 2)

LICENSE SUMMARY
ENQUEST'S EXPLORATION ASSETS

License/ Interest	Block/Sub-area	Group's Interest (%)	Co-Venturers	Prospects and Commitments	Start Date	Expiry Date
P1109	21/14a & 21/15b	40	Wintershall (E&P) Limited 50%. Challenger Minerals (North Sea) Limited 10%.	No outstanding commitments	1 October 2003 to 30 September 2007 (initial term). 1 October 2011 (2nd term).	30 September 2011
P1269	211/18c	50	Valiant North Sea Limited 50%	Work Programme No Commitment.	22 December, 2005 (initial term 4 years). Second term 4 years.	22 December, 2013
P1455	211/17	50	Valiant North Sea Limited 50%	Prospects include Ariel. One firm well to be drilled by April 2011.	1 April, 2007 (initial term 4 years). Second term 4 years.	1 April, 2011

Note:
1 License P1463 is the only license in EnQuest portfolio which is non-operated.

FIGURE 2.1

UK NORTH SEA ENQUEST DEVELOPED ASSETS

The regional geology focuses upon the geology associated with EnQuest's producing assets. The discussion then shifts to other important geological times. These latter discussions are relevant to EnQuest's Contingent and Prospective Resources and have been organised in terms of geologic time, moving from oldest to youngest.

2.1 Middle Upper Jurassic

The Late Jurassic was the most crucial time interval in the evolution of the North Sea petroleum system. First, the widespread deposition of the Kimmeridge Clay Formation and its lateral equivalents occurred in late Jurassic time. This served as the source rock for the majority of North Sea fields. Secondly, during this time a series of tectonic pulses helped form the vast majority of traps, not solely for the Upper Jurassic but also for Middle Jurassic and older accumulations as well.

The Middle Jurassic Brent group constitutes the most important hydrocarbon reservoir within the Northern North Sea. The stratigraphic column for EnQuest's producing assets within the Middle Jurassic Brent group is shown by Figure 2.2. This figure also shows the lithostratigraphic units for the North-Central Province, which is relevant to a number of the Contingent and Prospective Resources identified in EnQuest's portfolio.

2.2 Other Key Geological Horizons

2.2.1 Triassic

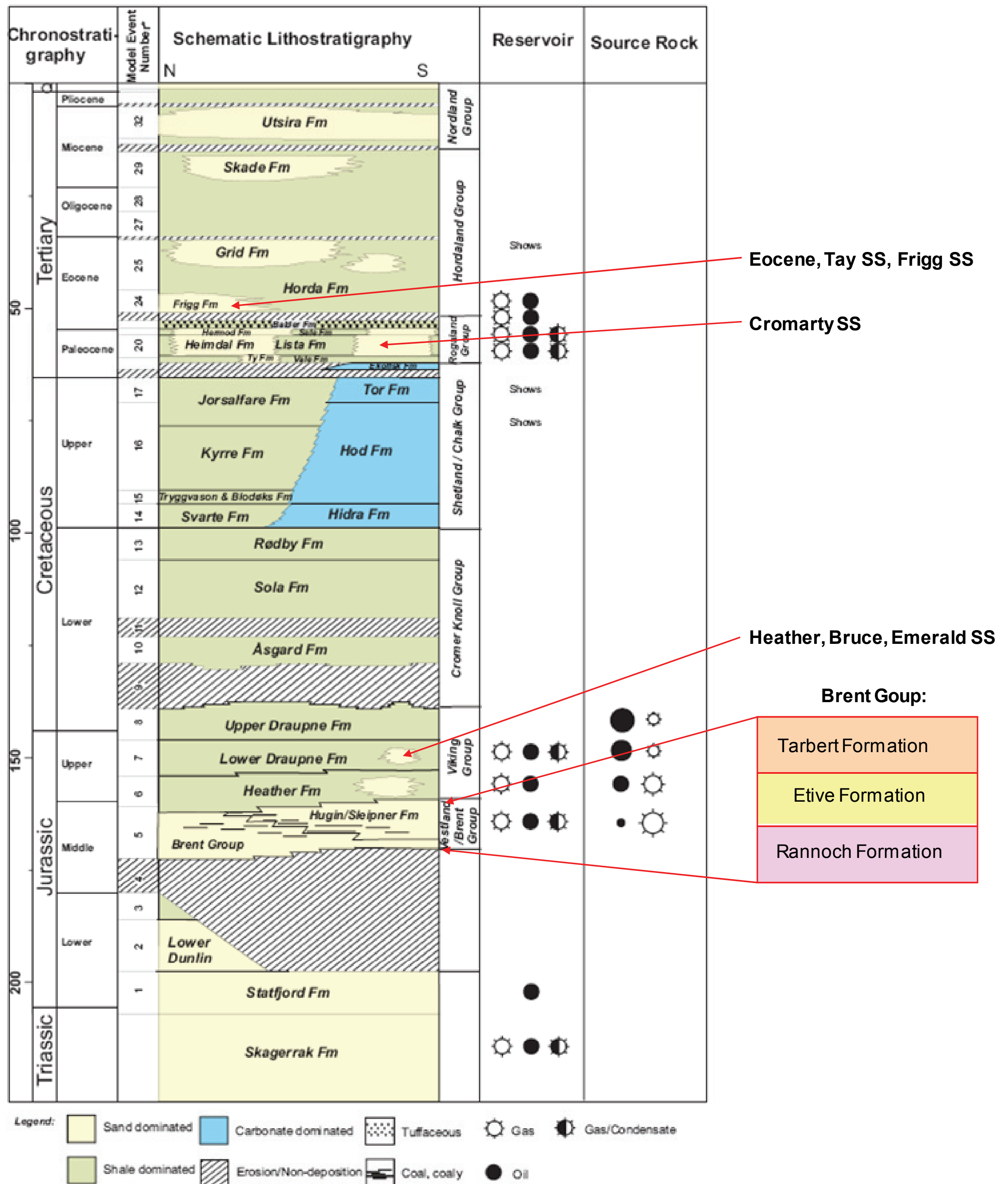
The Triassic reservoir is the target for wells planned for the Greater Heather Field area. The previous owners had not achieved commercial production rates from this zone. It is much less prolific in the North Sea than the Middle Jurassic Brent sandstones. The occurrence of reservoir-quality porosity in Triassic sandstones is primarily a function of initial depositional facies; the cleaner the sands the better the properties of the reservoir rocks. Triassic is a secondary target in South West Heather. Triassic aged reservoirs provide significant levels of Reserves and resources in the Tern, Cormorant, Alwyn and Snorre fields.

2.2.2 Tertiary

This sequence includes a number of important hydrocarbon accumulations but remains relatively less explored. The Gannet Field was the first Eocene discovery, in 1969, but the most important discovery was the giant Frigg gas field in 1969. This gas field was found within lower Eocene submarine-fan sandstones. Continuing advances in seismic processing and increasingly higher-resolution sequence stratigraphy have augmented the understanding of those factors behind the distribution of post-rift prospectivity. Scolty is reservoired in the Palaeocene sandstones.

FIGURE 2.2

REGIONAL STRATIGRAPHIC COLUMN FOR THE VIKING GRABEN



From: Justwan,H: The Petroleum Systems of the South Viking Graben; Ph D Thesis, University of Bergen, 2006

The Eocene has demonstrated reservoir potential over a rather limited area and column extent compared to the wide distribution of the Palaeocene sands. Only the Frigg gas field is as clearly imaged as the Palaeocene Forties and Andrew fans lobes. Nonetheless, over 20 Eocene fields have been developed and discoveries continue to be made. The use of four-component seismic recording utilising seabed geophones and the application of high-resolution stratigraphic interpretation techniques have led to far better risk analysis of the stratigraphic trapping mechanisms of these plays. Elke is reservoired in the Eocene sandstones.

3 ENQUEST ASSETS

3.1 Heather Field

The Heather Field is located in Block 2/5 in the Northern North Sea (Figure 2.1), approximately 90 miles to the northeast of the Shetland Islands. The field was discovered in 1973 and initial development was completed in 1978 following the installation of a 40 slot steel jacket platform, Heather Alpha. Produced oil and NGLs are exported to the Sullom Voe Terminal (SVT) in the Shetland Islands via the Brent Pipeline System. A subsea pipeline connects Heather to the adjacent Ninian Platform to enable delivery into the Ninian Pipeline System.

Heather is a highly faulted north-west plunging structure that is bounded on the eastern flank by a north-west trending fault (Figure 3.1). On the southern flank, the structure is bounded by a north-east trending fault. Middle Jurassic Brent sandstones at Heather are highly layered and faulted with fault throws typically less than 100 ft. The reservoir was initially over-pressured and contains an under-saturated crude with an estimated 33° API gravity and an average producing GOR of approximately 650 scf/stb from several fault blocks.

The Heather Field is beneficially owned 100% by EnQuest, however, the decommissioning liability is shared with the previous Heather Field owners, BG and Chevron (Texaco). Petrofac Facilities Management Limited are contracted to act as Duty Holder for the Heather Alpha Platform, responsible for the management of day-to-day production operations. EnQuest retains responsibility for the management of subsurface operations along with License Holder obligations.

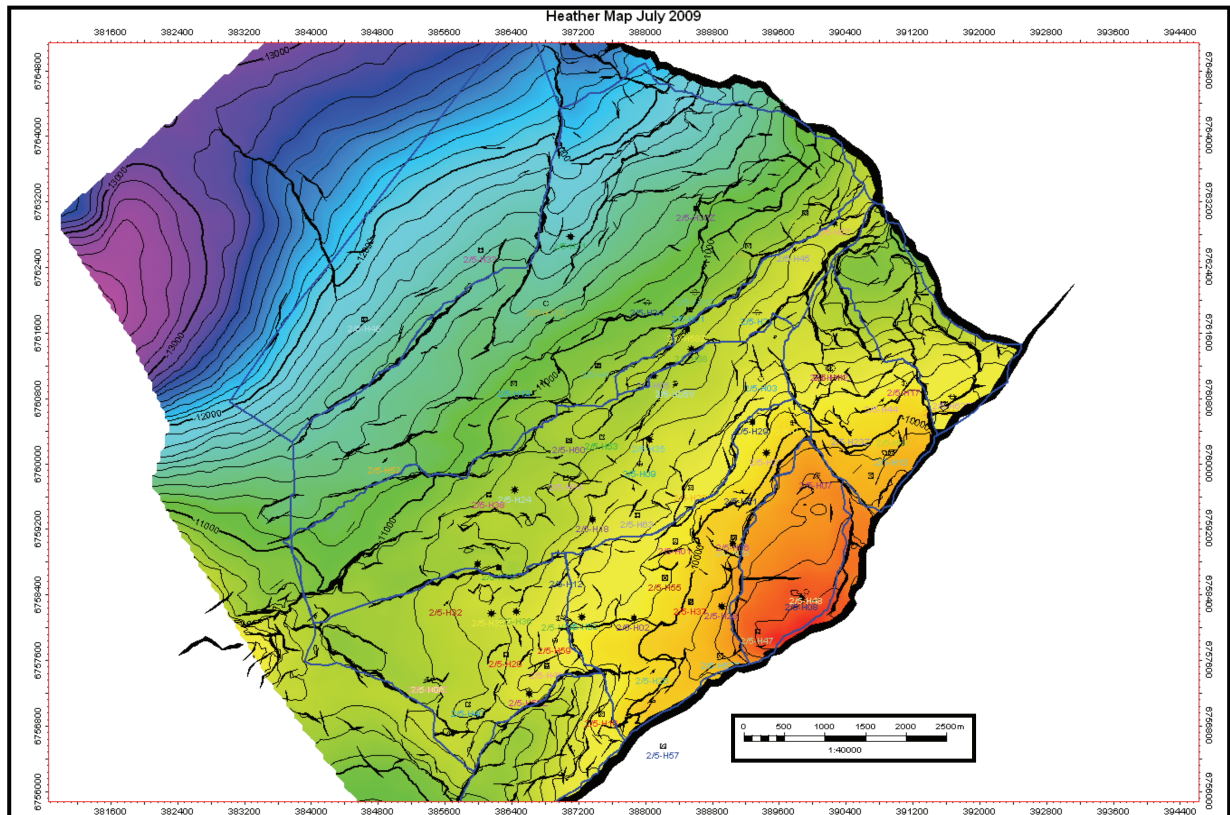
Produced gas, initially injected into the Heather Field, is now used for artificial lift and fuel gas requirements and supplement additional gas that is imported to Heather Alpha. NGL extracted from produced Heather gas is comingled with produced Heather oil into the Heather Alpha oil export stream. The estimated NGL sales volumes recovered at SVT are approximately 2.5% of produced Heather oil volumes. Hydrocarbon volumes documented herein refer to combined volumes of sales oil and sales NGL.

A modern seismic survey was acquired during 2006 covering the whole of Heather, Broom and South-West Heather areas. Seismic interpretation over the Heather Field was conducted in 2008, and in 2009 with ten horizons mapped, tied to wells to reduce the uncertainty in time-depth conversion. A production history match is based on an updated Eclipse reservoir simulation model with revised reservoir property and structure modelling from the updated 2008 geological model.

The updated simulation model has been used as the basis for identifying future infill drilling and well workover plans. New fine scale static and dynamic models are currently being built and history matched but these were not available for this review.

FIGURE 3.1

HEATHER DEPTH STRUCTURE MAP



Source: Lundin

Total Heather field oil recovery to date is approximately 26% of the estimated STOIIP. Average field production rate during 2009 was 1,850 bopd and the current field water-cut is approximately 65%. Cumulative production from Heather to 31st December, 2009 was 133 MMBbl of sales oil and NGL. Due to well integrity issues and power problems at the platform, water injection has been limited in recent years, significantly impacting production performance. An intensive workover and infill drilling campaign is now scheduled to increase production and improve water injection sweep efficiency.

3.1.1 Heather Brent Reserves

Gross Proved Reserves 4.51 MMBbl (Net 4.51 MMBbl). These are associated with decline of existing production wells, plus the benefits from two identified rig activities. Projects identified are categorised as one sidetracked infill producer; and one workover of a water injector well.

Gross Probable Reserves of 16.03 MMBbl (Net 16.03 MMBbl). These assume improved recovery from existing wells based on forecasts developed from history matched reservoir simulation models. In addition, improved field performance is expected based on five additional rig activities planned to be undertaken in or after 2012. Projects identified are categorised as one workover of an existing water injector; and four infill producers, drilled as

sidetracks of existing wells and a coiled tubing campaign (two re-perforations and two acid stimulations).

Gross Possible Reserves of 27.75 MMBbl (Net 27.75 MMBbl). These assume improved reservoir sweep efficiency from existing and new wells following implementation of all eleven identified rig and coil tubing activities. Estimated incremental recovery from improved reservoir sweep efficiency is based on reservoir simulation modelling, with an assumed greater availability of gas lift and water injection facilities.

3.1.2 Heather Brent Contingent Resources

Brent reservoir Contingent Resources were estimated using an incremental recovery factor applied to the mapped STOIIP. These resources are contingent on the results of the Proved and Probable activities and further reservoir studies.

A number of well opportunities have been identified using the current simulation model and ongoing reservoir surveillance work that has produced a maturity matrix identifying remaining mobile oil in each reservoir unit in each fault block. These opportunities will be fully evaluated, and development plans will be formulated using the new 3D reservoir model. Gross 2C Contingent Resources assigned to the Brent reservoir are 7.3 MMBbl (net 7.3 MMBbl).

3.1.3 Heather Triassic Contingent Resources

The Triassic reservoir lies below the main Brent reservoir and has been penetrated by a total of five appraisal wells within the D and E blocks in the Heather field. Drill stem tests were performed on three of these wells, though none of them flowed oil to surface. The Triassic comprises a series of inter-bedded fluvial channels and seismic data indicates that the faults observed in the Brent reservoir cut down into the Triassic, which is likely to be compartmentalised. A full oil column of more than 450 feet was encountered and no OWC has yet been established. A hydrofrac operation is envisaged to stimulate the reservoir. Horizontal wells such as those being drilled in the Cormorant Field to develop the Triassic would be an alternative option. Gross 2C Contingent Resources of 9.3 MMBbl (net 9.3 MMBbl) have been assigned to the Triassic reservoir.

3.2 <u>Broom Field</u>

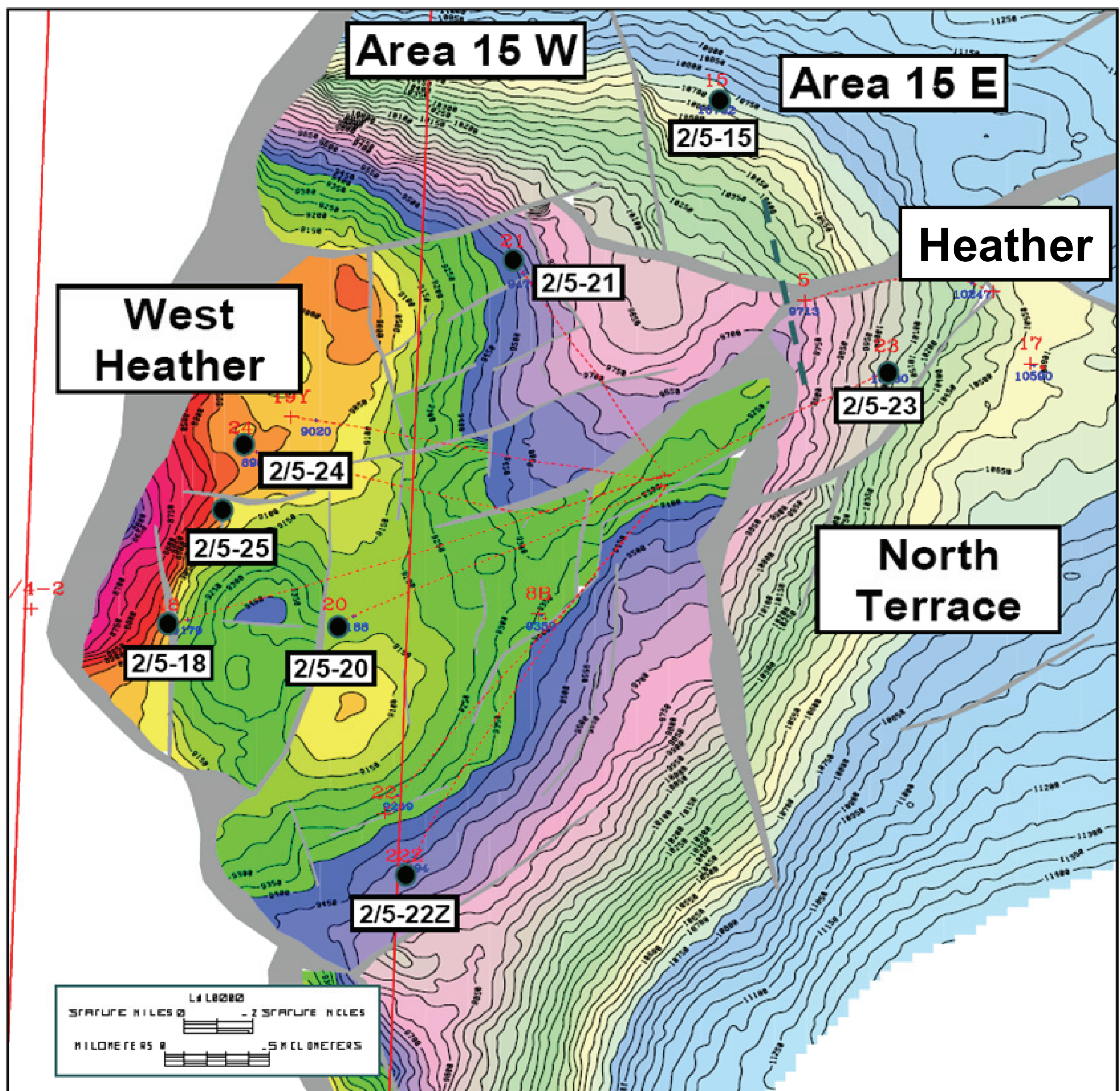
Broom lies approximately 7 km west of Heather Alpha Platform and comprises the West Heather, Area 15 and North Terrace oil accumulations (Figure 3.2). Field development consists of six subsea wells tied back to the Heather Alpha Platform. First oil production was in August, 2004.

Average 2009 production was approximately 8,300 bopd and the current field water-cut is approximately 60%. Cumulative production to 31st December, 2009 was 30.6 MMBbls (oil and NGL sales barrels).

The Broom fieldwide OWC is well-constrained (West Heather and North Terrace are well understood, but there is some upside for a deeper contact in a location designated as Area 15.) One of two 8" flowlines between Broom and Heather was shut down in July, 2009 due to corrosion. The replacement line will be 10", sufficient to handle all of the anticipated future Broom area production.

FIGURE 3.2

BROOM DEVELOPMENT AREA



Source: Lundin

3.2.1 West Heather

The West Heather accumulation is a dome-shaped structure, bounded to the west by the large East Shetland boundary fault. Dip closure to the east is broken by a prominent north-to-south fault that separates West Heather from the North Terrace accumulation. The producing reservoirs comprise both the extensively eroded Lower Jurassic Brent sequence (Broom and Rannoch) and the younger Bathonian and Callovian Emerald sands. Whilst the Upper Brent sequence (Etive, Ness and Tarbert) is present at the adjacent Heather Field and at the North Terrace accumulation to the east, it appears to be eroded in West Heather. Uncertainty exists in the interpretation of seismic and logs as to the extent and thickness of the Emerald sand across the area.

Reservoir quality is variable due to the presence of patchy calcite cement that forms permeability barriers to flow in the adjacent North Terrace and the designated Area 15 East accumulations. Higher quality sections of the Brent reservoir do exist at West Heather. The reservoir was initially normally-pressured and contains an under-saturated crude with an estimated 35° API gravity and a producing GOR of approximately 360 scf/stb.

Recent Geological modelling incorporated the results of production well 2/5-25 drilled in early 2008 along with the mapping of seismic interpreted bio-stratigraphic zones. Seismic processing has been completed to further define and map reservoir boundaries to yield a better understanding of the overall accumulations. New static and dynamic models are being developed by EnQuest.

Down-hole pressure gauges are installed in all three production wells, enabling continuous monitoring of reservoir pressure. Data analysis indicates that all producing wells are in pressure communication in addition to receiving pressure support from two water injection wells.

3.2.2 West Heather Reserves

Gross Proved Reserves of 9.25 MMBbl (Net 5.09 MMBbl). These are associated with decline of existing production wells.

Gross Probable Reserves of 10.31 MMBbl (Net 5.67 MMBbl). These are associated with improved performance from existing wells based on forecasts developed from history matched reservoir simulation models. Well NWT1, to be drilled in 2010 to test the north-western fault terraces, is assumed to be sidetracked into the main field.

Gross Possible Reserves of 10.49 MMBbl (Net 5.77 MMBbl). These are expected from an improved reservoir sweep efficiency based on reservoir simulation modelling, with a calculated 5% reduction in residual oil saturation and a greater availability of gas lift and water injection facilities.

3.2.3 West Heather Contingent Resources

Preliminary analysis of 3-D seismic data over the West Heather area indicates an extension of the accumulation towards the East Shetland bounding fault. Reservoir simulation modelling indicates that a new west flank infill producer (NWT1), located in the north-western extension of West Heather, has the potential to recover an incremental gross 2C Contingent Resource of 3.3 MMBbl (net 1.8 MMBbl) of oil. In the event that the NWT1 well does not prove up the volumes of attic oil as prognosticated, a sidetrack well is planned to be completed within the existing field boundary at the northern location.

3.2.4 North Terrace Contingent Resources

The North Terrace accumulation is located between the Heather Field and West Heather accumulation. The block is down-thrown from the West Heather accumulation. A single producing well currently exists, well 2/5-23, which flows intermittently, hence no Reserves are associated with North Terrace. The crest of the fault block to the west of this well is considered un-drained based on a history match of production data. Future development of North Terrace includes drilling additional sub-sea production wells and initiating water injection to improve reservoir sweep.

Cumulative production from North Terrace to 31st December, 2009 is 0.6 MMBbl and total field oil recovery to date is approximately 1.5% of the estimated STOIIP. Gross 2C

Contingent Resources of 7.2 MMBbl (4.0 MMBbl net) are associated with the drilling of a dual lateral producer well on the crest of the North Terrace accumulation and the drilling of a down-dip water injection well in 2012. In addition, the existing intermittent producer is planned to be converted to water injection in 2013.

3.2.5 Area 15 East Contingent Resources

The area to the north of Broom Field is interpreted to lie in a separate fault block which was appraised by well 2/5-15. The poor reservoir quality for the Brent oil accumulation discovery is attributed to the presence of cemented reservoir sands. An approximate 25 ft gross oil column was intersected over the combined Brent reservoir sands. No OWC was intersected from well 2/5-15 and as a result, a wide range in STOIIP is interpreted for the Area 15 East accumulation.

Appraisal drilling of the block is tentatively scheduled for 2014. Gross 2C Contingent Resources allocated to the Area 15 East accumulation are 3.2 MMBbl (1.8 MMBbl net) for a producer/injector pair, based on preliminary reservoir simulation modelling undertaken by EnQuest.

3.3 South West Heather

The South-West Heather discovery is approximately 12 km south-west of the Heather Alpha platform and 8 km south of the Broom sub-sea production manifold. The Field was discovered in 1979 by well 2/5-10 which flow tested oil at a total rate of approximately 5,700 bopd and established an approximate 81 ft thick net oil sand in the Middle Jurassic Brent, Emerald and Dunlin sandstones. The Field is suspected to be highly faulted, with significant faults evident from the interpretation of seismic data acquired in 2006. Major fault throws are estimated to be up to 500 ft, separating the Field into several main fault blocks.

Both the Brent and Emerald sandstones appear to thin downdip of the discovery well, 2/5-10. Brent sand quality is considered moderate, while the Emerald and Triassic sands are considered poorer quality than the Brent.

3.3.1 South-West Heather Contingent Resources

Based on interpretation of an intermediate OWC between the ODT interpreted at well 2/5-10 and the WUT interpreted at well 2/5-11, the estimated STOIIP within the 'East Flank' fault block (Emerald, Brent and Triassic) is 27 MMBbl.

Contingent on the results of further exploration and appraisal success, development options for South-West Heather consist of subsea producer and injection wells tied back via a 12 km flow line to the Heather Alpha Platform. Based on a recovery factor of 25% within the 'East Flank' fault block, a gross 2C Contingent Resource of 6.9 MMBbl (3.8 MMBbl net) is estimated for South-West Heather.

The updip fault blocks are considered Prospective Resources and are discussed in Section 5.3.

3.4 Thistle and Deveron Fields

The Thistle and Deveron fields are located approximately 130 miles northeast of the Shetland Islands (Figure 3.3). Thistle was discovered in 1973 with oil present in the Middle Jurassic Brent Group. Production commenced in 1978 from Thistle and in 1983 from Deveron. Produced oil is exported to the SVT via the Brent Pipeline System. A subsea pipeline connects Thistle to the adjacent Dunlin Platform to enable delivery into the Brent Pipeline System. A 60-slot, single steel jacket platform was installed at Thistle in 1976. The combined average oil production during 2009 from Thistle and Deveron was 3,900 bopd and the combined cumulative production to 31st December, 2009 was 431.0 MMBbl, or 46.5% of the estimated combined 926 MMBbl STOIIP. The current field water-cut is stable at 96%.

Under the terms of the existing ownership agreement, the platform facilities and near field pipelines will be handed back to BP for decommissioning when economic production can no longer be sustained. Petrofac Facilities Management Limited (Petrofac) are contracted to act as Duty Holder of the Thistle Platform, responsible for the management of day-to-day production operations. EnQuest retains responsibility for the management of subsurface operations along with License Holder obligations.

Thistle is a tilted fault block trap with both fault and dip closures. The field is fault-bounded to the north, south and west (Figure 3.3). In addition, the Field is divided into discrete pressure units due to in-field faulting. The trap is full to spill-point, being sealed by shales of the Heather Formation. The reservoir was initially over-pressured and contains an under-saturated crude with an estimated 38° API gravity and a producing GOR of approximately 300 scf/stb.

The Deveron Field is a smaller oil accumulation located approximately 3 km west of Thistle. Oil is produced via directional wells drilled from the Thistle platform and is comingled with Thistle oil prior to export to the Dunlin platform.

The Field is an eastward-dipping titled fault block downthrown to the west from the structurally higher Thistle Field. The reservoir contains the same good quality sandstones as Thistle. Correlation across the structure is, however, difficult due to the effects of faulting and erosional truncation of some reservoir units. Like Thistle, the reservoir was initially over-pressured and contains an under-saturated crude with an estimated 38° API gravity and a producing GOR of approximately 150 scf/stb.

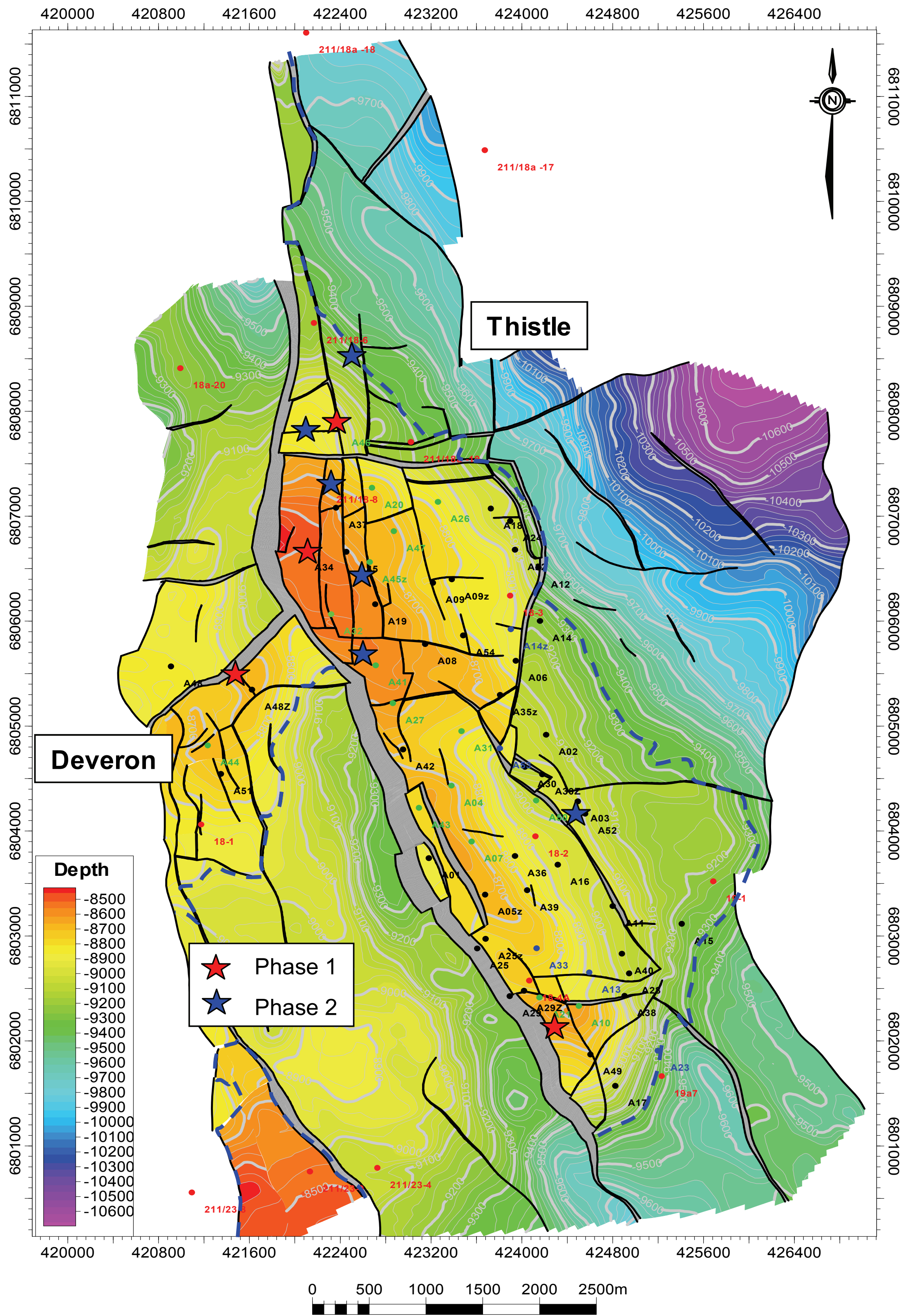
Unlike Thistle, development of Deveron has not included water injection. Aquifer support at Deveron is suspected to be weak.

A new 3-D seismic data set was acquired in 2007 over Thistle and Deveron, and high frequency processing of the seismic dataset has been subsequently performed. In 2008, new mapping was undertaken during the process of building an integrated geological model. In addition, a full reservoir engineering review, a model history match, and a well stock survey were undertaken in 2009.

Field development has focused on the management of a water-flood within the 'Thistle Main' and 'Southern' fault blocks, supplementing aquifer influx into the reservoir. A separate fault block exists to the north, 'Area 6', and this fault block is developed with one producer without water injection.

FIGURE 3.3

THISTLE AND DEVERON FIELD REDEVELOPMENT DEPTH STRUCTURE MAP



Source: Lundin

No development drilling has occurred on Thistle in the past circa 20 years however a drilling rig located on the Thistle platform is currently being re-activated and will be commissioned in early 2010. An intensive workover and infill drilling campaign targeting improved water injection sweep efficiency is planned commencing early 2010. Installation of ESP topside facilities is planned in late 2010.

3.4.1 Thistle Brent Reserves

Gross Proved Reserves of 14.10 MMBbl (net 13.96 MMBbl). These are associated with decline of existing production wells plus the benefits of two identified rig activities planned to be undertaken from 2010 to 2011 as part of a re-development of Thistle. Projects are categorised as one side-tracked producer, and one workover to install a jet pump in an inactive producer.

Gross Probable Reserves of 15.40 MMBbl (net 15.24 MMBbl). These are associated with improved performance from existing wells based on forecasts developed from history matched reservoir simulation models. In addition, improved field performance is assumed from an additional five identified rig activities planned to be undertaken from 2011 to 2014. Projects are categorised as a further three new producers drilled as sidetracks from inactive wells and two water injection wells. Two integrity workovers are included in the programme to protect the Proved plus Probable Reserves case.

Gross Possible Reserves of 18.35 MMBbl (net 18.17 MMBbl). These assume improved reservoir sweep efficiency from existing and new wells following implementation of all identified rig activities. Incremental recovery from improved reservoir sweep efficiency is estimated to increase the total Thistle Field recovery factor.

3.4.2 Deveron Brent Reserves

Gross Proved Reserves 1.55 MMBbl (net 1.53 MMBbl). These are based on future production from one existing producer.

Gross Probable Reserves 0.82 MMBbl (net 0.82 MMBbl). These are based on future production from one new producer which is planned to be sidetracked from an existing inactive producer.

Gross Possible Reserves of 2.80 MMBbl (net 2.77 MMBbl). These are based on improved performance from the existing producer plus additional recovery from the planned new producer.

3.4.3 Thistle Brent Contingent Resources

Contingent Resources are allocated to projects which were identified following a full review of existing well capabilities combined with the results of reservoir simulation modelling performed in 2009. Specific projects identified consist of two new eastern fault block producers, one new western fault block producer, and one workover on an existing oil producer well.

Gross 2C Contingent Resources associated with the combined four projects is forecast to be 8.2 MMBbl (net 8.1 MMBbl) based on the performance of analogous wells. The ultimate commitment to undertake each project is contingent on the success of prior Reserve based projects within the same or adjacent fault blocks following re-activation of the Thistle Platform rig in January 2010, along with the results from a planned water injection tracer study.

3.4.4 Deveron Brent Contingent Resources

Incremental oil recovery is attributed to two specific projects, one new water injector well and one new oil producer well. Gross 2C Contingent Resources associated with the combined projects is forecast as 6.9 MMBbl (net 6.8 MMBbl) assuming a recovery factor of 50% is achievable from a combination of drainage from un-swept fault blocks (due to an additional producer well) along with enhanced sweep within fault blocks currently under development (due to initiation of the water injection). The commitment to undertake these projects is contingent on the success of further studies including ongoing seismic interpretation and geological mapping of the reservoir.

3.5 West Don Field

The West Don field (Figure 3.4) is located about 17 km NW of the Thistle field, in a water depth of about 170m. The field was discovered by well 211/18-9, drilled by Burmah Oil in 1975, which tested oil from a Jurassic Brent reservoir at stabilised rates up to 5,000 bopd. This was appraised by well 211/13-4 in 1976, which was structurally deeper and failed to encounter hydrocarbons. A third well, 211/13b-11, drilled by BP in 1990, confirmed the discovery well and tested oil at rates up to 7,600 bopd of 34° API oil with a low GOR (223 scf/stb).

EnQuest operates West Don. Together with Don SW, West Don is a sub-sea development that is tied-back to the Northern Producer FPF. First oil was achieved on 29th April, 2009. Current production is 11,000 bopd from two horizontal production wells (W1 and W2) and the field has produced 1.9 MMBbl of oil to the end of December, 2009. One slant drilled water injector is employed. In 2010, a third production well will be drilled as subsea well, W4. In February 2010, the tanker export system was disconnected and oil will be exported into the Brent pipeline system via Thistle.

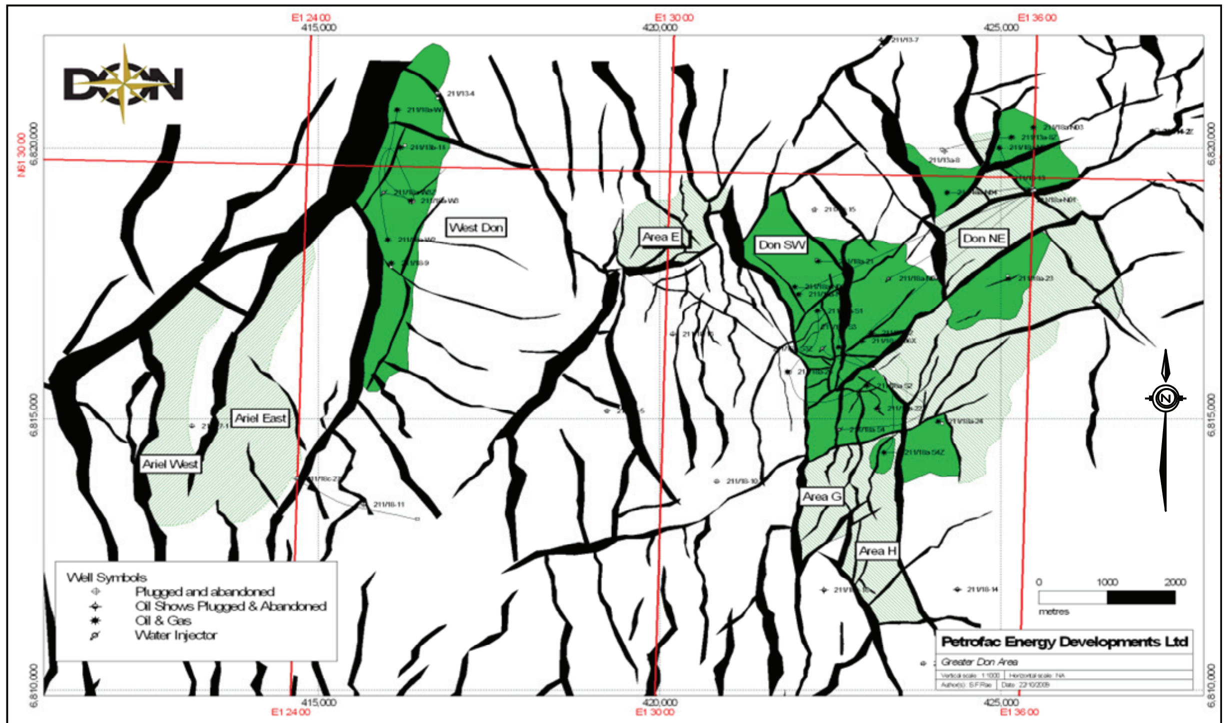
West Don is well defined by reasonable quality 3D seismic. The field is a north to south trending tilted fault block reservoir, divided into three main fault segments. The oil column extends down to the base of the Etive Formation, which has good reservoir properties. Below this, the Rannoch Formation is a poor reservoir and appears to be in the transition zone. The deeper Broom is in the water zone. The overlying Tarbert has poor reservoir properties. The OWCs interpreted from the log data in 211/13b-11 and 211/18-9 are slightly different, but taken as a whole, the wider data set supports EnQuest's interpretation of a single field-wide Free Water Level, and this has been used for the base estimate.

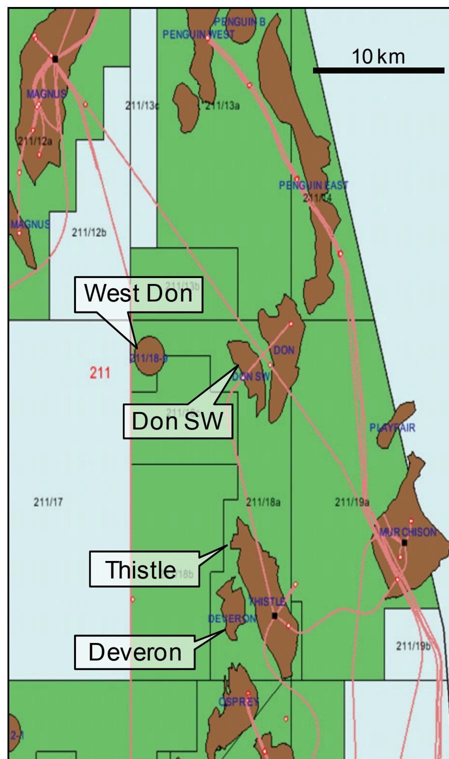
GCA has reviewed the interpreted maps and logs provided, together with EnQuest's petrophysical summary of the well data. There is some uncertainty as to the fault position and structure in the southwest of the field where newer reprocessed data appears to have better fault resolution than the original data. The main effect of this is to place the bounding fault of the southern culmination further west than originally mapped.

The main seismic horizons picked are: Base Cretaceous Unconformity, Top Brent Group and Top Dunlin. Other picks have also been made in order to map adjacent prospects. No picks are possible within the Brent Group; the intermediate reservoir horizons are mapped by adding isochores to the Top Brent. Depth conversion was based on an average velocity to the Base Cretaceous plus constant interval velocities for the Upper-Middle Jurassic plus correction grids. The depth uncertainty was small, less than 10 m.

FIGURE 3.4

DON AREA LOCATION MAP





Source: Petrofac

There is widespread faulting in the Don area. EnQuest has identified a conservative region that they consider drainable, and it excludes the flank areas as undrainable due to excessive cementation and sealing faults. The resulting drainable STOIIP is reduced from the total STOIIP, previously included in the FDP. There is uncertainty and variability in the petrophysicsal characteristics of the reservoir in the wells, and Enquest has taken this into account. GCA considers EnQuest's approach to be reasonable.

There is a considered risk that, as the field is faulted, water injection may not provide full pressure support to both areas of the field, especially the South.

There is mapped Brent prospectivity near West Don, including a down-thrown Ariel (East) Prospect which is scheduled to be drilled in 2010/2011.

3.5.1 West Don Reserves

Gross Proved Reserves 8.56 MMBbl (net 2.37 MMBbl). These are based on base field decline plus the benefits of an additional producer in 2010.

Gross Probable Reserves 5.03 MMBbl (net 1.39 MMBbl). These are based on improved STOIIP and recovery factor.

Gross Possible Reserves of 5.36 MMBbl (net 1.49 MMBbl). These are based on improved STOIIP and recovery factor.

3.6 Don Southwest Field

Don Southwest (Don SW) field was established by BP in 1981 with well 211/18a-22. It was developed as a subsea tie-back to the Thistle platform. Don SW was produced for several years until 2003, with a cumulative oil production of 8.1 MMBbl, by utilising 2 producers and one injector. The wells were drilled as long reach wells from the Don NE drill centre. The field was acquired in 2006 by Petrofac Energy Developments (60% as Operator) with partners Valiant Petroleum (40%). The license expires in 2018, and an extension may be required. Decommissioning of the Don Field facilities and wells from the previous phase of development will be undertaken by the former co-owners BP and Conoco.

Production from the field re-commenced on 30th June 2009 from one slant well, S1, in Area 5, followed up with an Area 22 well, S2, in August, 2009. Two water injection wells, S3 and S4, have been drilled and will provide pressure support to each of the two producers, once they are tied-in in Q1 2010. Well S2 was drilled into an unproductive isolated fault reservoir compartment. It has subsequently been sidetracked (S2z).

The field has a typical Brent Group reservoir, but is geologically complex with combined dip and fault closed inversion structure. The structural feature is highly dissected by sealing faults. The reservoir properties are variable. The oil properties are good with oil tested with 38° API, and a GOR of 274 scf/stb.

Reprocessing of seismic data was undertaken in 2006 to improve the structural resolution. Faults and erosion have reduced the Brent reservoir thickness in some areas. The area is dominated by NNW-SSE trending faults and perpendicular to this trend are the large NE-SW trending faults. Faults may cause additional compartmentalisation. GCA has verified the STOIIP range using parameters from the wells drilled to date and considers EnQuest's approach to be reasonable.

Formation pressure in Areas 5/6 shows depletion as a result of the pre-2003 production from Don SW Field. The initial pressure recorded in the Area 22 indicates a lack of communication with Don NE and the rest of Don SW.

Based on the evidence for widespread faulting in the Don area, EnQuest has identified a conservative region that they consider drainable while leaving the flank areas excluded as undrainable from their STOIIP. GCA has verified the STOIIP range and considers EnQuest's approach to be reasonable.

During the drilling of the Area 22 injection well, S4, the wellbore was sidetracked to an adjacent fault block, Area H, directly south of the Don SW field, to investigate the northern part of the block. The sidetracked well revealed a 60 ft oil column in the Brent formation. In addition, a pilot hole for well S3 was drilled into a horst area between Areas 5 and 6 to confirm the presence of oil in this fault block.

A second phase of the Don SW development is currently progressing, with a producer/injector pair in the Area 5 Horst block planned to be drilled and brought on-stream during the second half of 2010. Stage 3 is a further producer/injector pair in Area 6 for 2011(Figure 3.5).

Production is tied back to Northern Producer FPF. Early in 2010 the Up and Over Project (UAO) to Thistle platform will become operational, and oil will be exported via the Brent system to the terminal at Sullom Voe.

The EnQuest production forecast for Don SW increases to an average of 14,250 bopd during 2011, primarily as a result of the proposed development plan (i.e. a total of four producers). This compares with an average of about 4,000 bopd from one well during December, 2009. One of the key issues is the reservoir connectivity between the producer and injector pairs, which has not been demonstrated yet in the wells to date.

3.6.1 Don SW Reserves

Gross Proved Reserves 14.27 MMBbl (net 8.56 MMBbl). These are based on field decline plus the benefits of the S2 sidetrack plus the producer/injector pairs in fault blocks 5 and 6.

Gross Probable Reserves 8.88 MMBbl (net 5.33 MMBbl). These are based on improved STOIIP and recovery factor.

Gross Possible Reserves of 11.48 MMBbl (net 6.89 MMBbl). These are based on improved STOIIP and recovery factor.

3.7 Other Potential

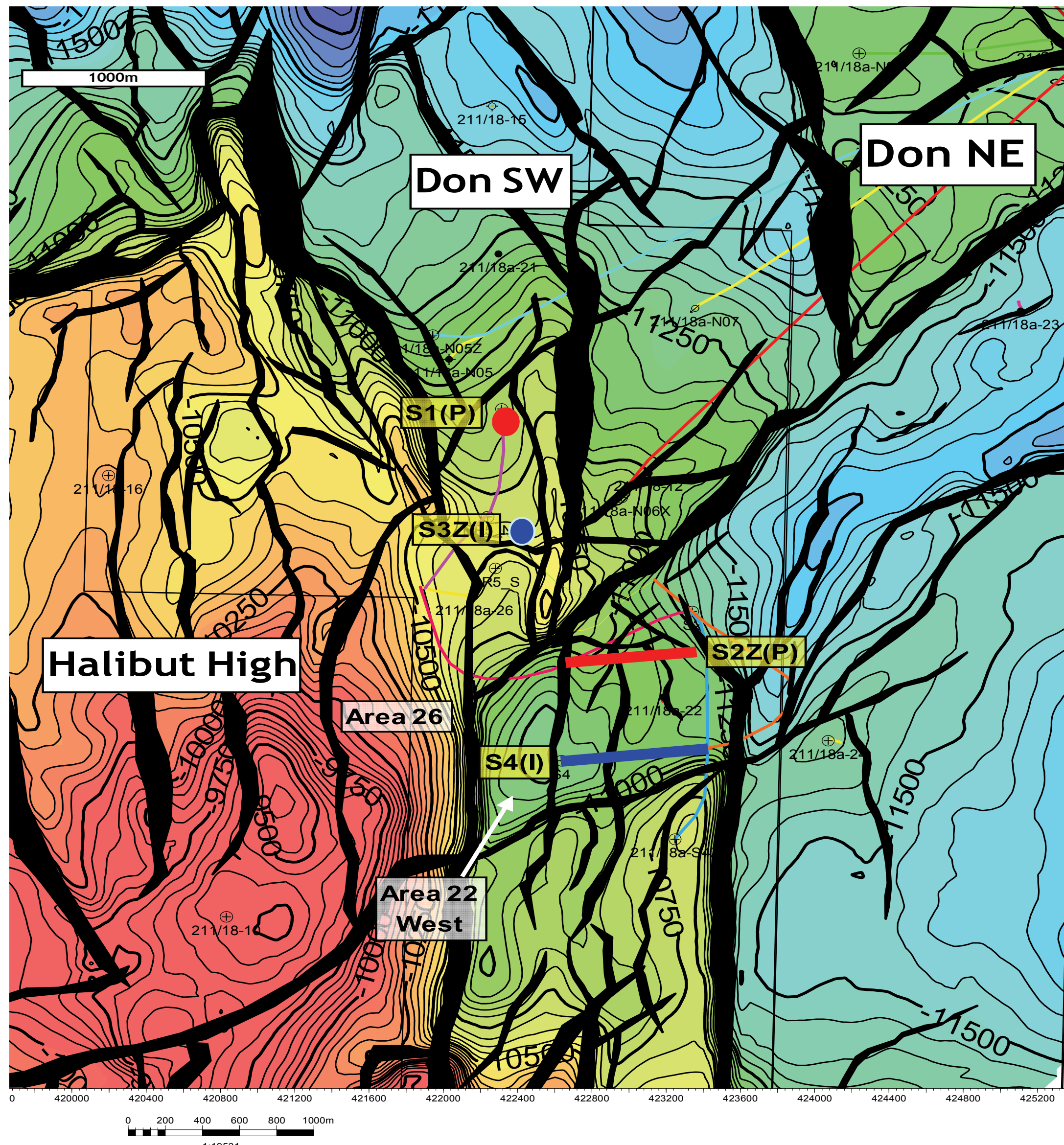
Additional fault block targets exist in the area, however additional work is required to mature these into drillable targets. These include Area E, Area 22 West and Area 26/H North. Area H South may be drilled in 2010-12 and is discussed in Section 5.4.

3.8 Area 22 West Contingent Resources

This was evaluated by well 211/18a-22 (Area 22). Due to faulting, this fault block is unlikely to be drained by the S2z producer or swept by S4 injector and requires an additional well. The estimate of STOIIP is 16.9 MMBbl combined with a recovery factor of 35.5%, gives an estimated gross 2C Contingent Resource of 6.0 MMBbl (3.6 MMBbl net).

FIGURE 3.5

DON SW BRENT DEPTH STRUCTURE MAP (ft)



Source: Petrofac

3.9 Area 26 Contingent Resources

The fault block was tested by well 211/18a-26, which found an oil accumulation. The region is considered to be highly faulted, although the fault throws are not resolved on seismic. No OWC was detected in the Jurassic/Triassic section. The area to the west of well 211/28a-6 has a mapped STOIIP of 6.0 MMBbl and an estimated gross 2C Contingent Resource of 2.2 MMBbl (1.3 MMBbl net).

4. OTHER DISCOVERIES

4.1 Scolty Discovery

EnQuest as Operator has 40% Interest in License P1107 on Block 21/8a. The discovery well 21/8-3 was drilled in late 2007 approximately 30 km west of Forties Field in the Central North Sea. There is a 3% Royalty on this License. The well encountered the Paleocene Cromarty Sand (Figure 2.2) with an oil column of 56ft. The reservoir is a massive high quality reservoir and results in a very distinct amplitude anomaly on seismic. The feature is entirely on the Block. The trap is well defined on seismic and has a structural draped component although the northwest closure is likely due to a stratigraphic pinchout of the reservoir.

The discovery is isolated and uneconomic to develop as a standalone project at present and it is contingent on the discovery of additional Resources to justify an offshore loading system or tieback. The best estimate of gross Contingent Resources is 8.0 MMBbl (3.2 MMBbl net).

4.2 Peik Discovery

Peik straddles the border between Norway and the UK (Figure 1). The field is high pressure, high temperature gas condensate, and is located in the license PL088 in Block 24/6 on the Norwegian side, and license P090 in Block 9/15a on the UK side. Gas was discovered by well 24/6-1, drilled in the southeast of the structure in 1985. The UK extension was confirmed by well 9/15-1, drilled in 1987. Both wells have been cored and tested. The hydrocarbon contacts and fluid compositions differ between the two wells, indicating that the field is compartmentalised by faulting.

Peik is subject to unitisation between Norway and the United Kingdom and GCA understands that the agreed equity split is 53% in the U.K. and 47% in Norway. This would provide EnQuest with a 17.66% net interest in the Peik field. The equity has yet to be ratified prior to submission of a Plan of Development (PDO) (Norway) and FDP (UK), planned to be completed in 2011, subject to project sanction and gas sales agreement.

A possible development of Peik would comprise three wells. First production from Peik is proposed in late 2014, subject to a U.K. license extension from DECC, and the completion of any gas transportation, processing and sales agreements.

At this juncture the best estimate gross Contingent Resources (2C) for the Peik field is 173.3 Bscf (net 30.6 Bscf) of gas plus 8.3 MMBbl (net 1.5 MMBbl) of condensate.

4.3 Elke Discovery

EnQuest has a 100% interest in Block 28/3a in the UKCS License P.995 that contains the Elke field. The shallow field was discovered in 2002 by OMV and contains approximately 170 MMBbl of heavy oil with a gravity of 14-18° API with high viscosity. The closest infrastructure is Guillemot West. The nearest similar heavy oil discoveries (Pilot and Fyne) are 15-20 km distant. EnQuest considers that Elke is uneconomic on a standalone basis and a heavy oil hub concept, that includes other discoveries and opportunities in the area, may be required. Technical challenges included subsea development, heavy oil flow assurance, high water cut and high Opex.

The trap is an oblate feature comprised a combination of draped closure and differential compaction giving an apparent four way dip closure. The reservoir is the highly porous Eocene Tay Sand deposited within a deepsea fan body.

A possible development could include three high angle producers supported by one water injector. GCA has reviewed the limited technical information available and confirmed the EnQuest

STOIIP estimate of 100 MMBbl as reasonable. Given the oil quality and a water flood development, a recovery factor of 15% is expected resulting in a Contingent Resource estimate (2C) of 15.0 MMBbl (net 15.0 MMBbl) of oil. EnQuest is planning a partial Farmout of this license.

5. PROSPECTIVE RESOURCES

The majority of the prospects are located close to the Viking Graben of the North Sea, the stratigraphy of which is given in Figure 2.2. The prospects range in age from Carboniferous to Eocene, and range in trapping style from structural four-way dip closures to purely stratigraphic traps.

For each prospect, GCA audited the estimated Prospective Resources and geological chance of success (GCoS). The key points of these prospects are discussed below.

5.1 Ariel East Prospect

The Ariel prospect lies in the Northeast corner of Block 211/17 in the East Shetland Basin. It is within close proximity to the producing West Don Field (Figure 2.1). Like the Don Fields the reservoir of interest is the Brent sandstone sequence, which has a well defined tilted fault block structure on good quality 3D seismic, allowing hydrocarbons to be trapped in three-way dip anticlines with updip sealing faults. The westward dipping faults associated with the traps show some evidence of leakage, as gas chimneys are observed in the seismic data. This leads to doubts in the depth of the OWC.

There are two wells associated with the Ariel prospect; the first is well 211/17-1 which lies in the Ariel West Block, the second is well 211/18c-27 which lies on the footwall of eastern fault bounding the East Ariel tilted fault block. Both of these wells were found water wet, leading to the mixed conclusions about the maximum OWC for the trap. The estimated values honour the fact that in well 211/17-1 the Brent sands are below the OWC and are completely water wet. The result, in GCA's opinion, is that only the upper Etive sands will be porous, oil bearing and above a shallow OWC.

GCA has estimated a range of STOIIP using volumetric methods which gives a similar result to EnQuest. GCA's Best Estimate of STOIIP is 27.0 MMBbl. Using a reasonable recovery factor of 25%, the Best Estimate gross Prospective Resource is 6.8 MMBbl (3.4 MMBbl net) with an estimated GCoS of 30%.

5.2 Mouse Prospect

Block 3/11a was a 25th Round award on 12th February, 2009 (P1608). The commitment is to acquire and reprocess 150 sq km of 3D seismic (which has been completed). Ongoing G&G studies include rock physics study and seismic inversion (results due February 2010). One firm well to 1,500m or Top Heimdal is to be drilled by the end of the initial term (12th February, 2013). The intent is to farm down to approximately 50% WI on this block and be partially carried on the exploration well costs. The largest prospect on the block is named Mouse, and an exploration well is planned to be drilled on this prospect during 2011.

The Block is located in the northern Viking Graben adjacent to the East Shetland platform and is south of Emerald (Cheviot) Field which comprised a relatively heavy 24° API oil trapped in Middle Jurassic sandstones. To the west of the block lies the 3/11-1 sub-commercial Mallory Discovery made in the Jurassic in 1974 which flowed 200 Bbl of 40° API oil.

Mouse has an Eocene Frigg sandstone reservoir comprising an east and west lobe separated by a fault. The top of the very porous reservoir has a well-recognized moderately strong amplitude anomaly on seismic and the GOC and OWC are interpreted from apparent amplitude phase changes.

The overall shape of the feature suggests that the sands were deposited within a channel and the trap is formed by partial drape and differential compaction in conjunction with a stratigraphic pinchout on the channel margins. The greatest risk lies in the faulting that separate the lobes which could have breached the top seal.

The best estimate of STOIIP is 50 MMBbl. Given the relative shallow depth 1,200-1,500 m, expected good reservoir character and compactness of the channel, a recovery factor of 35% is reasonable resulting in a gross Best Estimate Prospective Resource of 17.5 MMBbl (17.5 MMBbl net), with an estimated GCoS of 25%. EnQuest has expressed its intent to Farmout part of its interest in this license.

5.3 South-West Heather Prospect

In addition to the Contingent Resources described in Section 3.3.1, appraisal wells, 2/5-11, drilled down-dip, and 2/5-16Z, drilled up-dip in a separate fault compartment, failed to establish additional hydrocarbons. Due to borehole stability issues, limited data was acquired from well 2/5-16Z however no evidence of hydrocarbons was apparent. An exploration well within an updip fault block to the west of well 2/5-10 is currently planned for drilling in mid 2011, possibly followed by an appraisal well within the 'East Flank' fault block. Based on EnQuest's analysis, the Best Estimate of prospective STOIIP updip of the discovery well 2/5-10 and wet well 2/5-16Z in the east, central, is 30 MMBbl. Given an estimated mid case recovery factor of 30%, the Best Estimate Prospective Resources is 9.0 MMBbl (net 5.0 MMBbl) with an estimated GCoS of 19%.

5.4 Area H South Prospect

Located south of Don SW, this prospect is an updip extension of the small discovery made by the S4Z well. The updip trap is a three-way dip, one way fault closed structure in an area that appears to be relatively unfaulted. The prospect is shallower than the main Don SW field. Area H South Block, which may be drilled within two years, has a Best Estimate of STOIIP of 31 MMBbl. Assuming a 35% Recovery Factor, the gross Best Estimate Prospective Resource is 10.8 MMBbl (net 6.5 MMBbl) with a GCA estimated GCoS of 25%.

5.5 Area 26

There is additional exploration potential in the area beyond the Contingent Resources discovered by 211/18a-6. The additional gross Prospective Resource is estimated to be 15.4 MMBbl (net 9.2 MMBbl) with a GCA estimated GCoS of 30%.

6. ECONOMICS

NPVs have been evaluated for the Proved, Proved plus Probable and Proved plus Probable plus Possible Reserve categories, and have been calculated at nominal discount rates of 7%, 8%, 9% and 10%. This assessment is based upon GCA's understanding of the fiscal and contractual terms governing the assets.

The values of physical assets, i.e. plant and equipment, have not been considered separately as such values have been implicitly included in the assessment of the NPVs as part of the petroleum property rights and facilities relating to the project.

The NPVs of estimated post-tax cash flows (as at 1st January, 2010) attributable to a net economic interest in EnQuest, have been derived using the pricing and inflation assumptions as described herein. No adjustments have been made for cash balances, inventories, indebtedness or other balance sheet effects, other than those stated herein.

6.1 Fiscal Systems

The fiscal regime which currently applies to the oil and gas industry in the U.K., and pertains to the assets of EnQuest, consist of three elements:

Corporation Tax (CT): 30% of Taxable Profit derived from the company's oil and gas activities in the UK and UK continental shelf.

Supplementary Corporation Tax (SCT): Introduced from April 2002, this is an additional charge of 20% on company's taxable profits (excluding finance costs).

Petroleum Revenue Tax (PRT): It is a special tax on oil and gas production within the UK, and it is ring-fenced at field level. It is charged at 50% of field's profits but only applies to fields which were granted development consent before 16 March 1993. PRT is deductible against CT and SCT.

6.2 Cost Assumptions

GCA has based its assessment of forward capital and operating costs on the information provided by EnQuest in the course of its audit. These have been benchmarked against GCA's cost database for operations in the North Sea and found to be acceptable.

In its assessment of NPVs, GCA has also incorporated decommissioning cost liabilities as incurred by EnQuest. The decommissioning liabilities incurred prior to acquisition of the producing assets (i.e. Heather, Thistle and Deveron) are retained by the previous owners. The decommissioning cost liabilities represented by EnQuest are associated with West Don, Don SW and 37.5% of the Heather facilities, plus subsequent wells, upgrades and modifications, including Broom pipelines, the equity share of the SVT and all modifications at Thistle platform since acquisition. These cost liabilities are duly itemised in the footnotes in the Appendix III production and cost forecasts.

6.3 Oil Pricing

The price scenarios utilised for the determination of Reserves and NPVs were provided to GCA by EnQuest. While GCA has not utilised its own price deck, EnQuest scenarios are considered reasonable for the purpose of examining a range of monetary values that could be attributable to the assets.

The three Price Scenarios provided by EnQuest are detailed below:

Base Case: U.S.$75.00/bbl Brent, escalated at 2% p.a. from 2011 onwards;
Low Case: U.S.$65.00/bbl Brent, escalated at 2% p.a. from 2011 onwards; and
High Case: U.S.$85.00/bbl Brent, escalated at 2% p.a. from 2011 onwards.

These price scenarios had been adjusted to account for a U.S.$0.85/Bbl price quality differential. EnQuest has advised GCA that this is the current premium to Brent achieved by these assets' crudes.

Other relevant assumptions used during this assessment are outlined below:

1. All cash flows are discounted on a mid-year basis to 1st January, 2010;
2. Costs are inflated at 2.0% per annum from 1st January, 2011;
3. Exchange rate: U.S.$1.65 per GB£ (with a sensitivity run at U.S.$1.55 per GB£);

4. EnQuest has advised GCA that a U.S.$ 0.85/bbl premium to Dated Brent is currently applicable to the crude production from the assets;
5. Corporate Tax losses brought forward of U.S.$136.00 MM and U.S.$251.00 MM (net to EnQuest) for West Don and Don SW respectively, as advised by EnQuest;
6. A Corporate Tax Book Value brought forward of U.S.$2.48 MM (net to EnQuest) to be depreciated as per the old regime of 25% Declining Balance;
7. Of EnQuest's assets, only Heather, Thistle and Deveron are PRT liable; however, at this stage only Thistle has reached a PRT paying position;
8. PRT Remaining Oil Allowances of 2.16 and 8.84 million tonnes for Heather and Deveron respectively, as advised by EnQuest; and
9. PRT losses brought forward of U.S.$219.27 and U.S.$177.43 MM (net to EnQuest) for Heather and Thistle respectively, as advised by EnQuest.

7. NET PRESENT VALUES

The results of cash flow analysis for the Proved, Proved plus Probable and Proved plus Probable plus Possible cases are outlined below. All NPVs quoted are those attributable to EnQuest's interest in the properties that were audited by GCA.

Base Case (U.S.$ 75.00/Bbl) post-tax Nominal net Present Values (U.S.$ MM) for the assets, as at 1st January, 2010, are summarised in Table 7.1 below:

TABLE 7.1

BASE CASE SCENARIO - ENQUEST POST TAX NET PRESENT VALUES AS AT 1ST JANUARY, 2010 (U.S.$ MM)

Discount Rate %	Proved	Proved plus Probable	Proved plus Probable plus Possible
7.0	434.8	1,073.4	2,038.7
8.0	427.1	1,041.1	1,946.4
9.0	419.5	1,010.4	1,862.6
10.0	412.1	981.2	1,786.2

Notes:

1. Oil price U.S.$75.00/Bbl
2. Exchange Rate U.S.$1.65/GB£

7.1 Sensitivity Analysis

Sensitivity analysis was performed using the Low Case (U.S.$ 65.00/Bbl) and High Case (U.S.$ 85.00/Bbl) Price Decks as requested by NEWCO; additionally, GCA was requested to perform a sensitivity on exchange rate at the rate of U.S.$1.55 per GB£. Results of the Sensitivity Analysis Post-tax Nominal net Present Values (U.S.$ MM) for the assets, as at 1st January, 2010, are summarised in Tables 7.2, 7.3 and 7.4 below:

TABLE 7.2

SENSITIVITY: LOW PRICE SCENARIO - ENQUEST POST TAX NPV AS AT 1ST JANUARY, 2010 (U.S.$ MM)

Discount Rate %	Proved	Proved plus Probable	Proved plus Probable plus Possible
7.0	296.8	844.8	1,655.9
8.0	291.8	821.2	1,584.8
9.0	286.8	798.6	1,519.8
10.0	281.8	776.9	1,460.0

Notes:

1. Oil price U.S.$65.00/Bbl
2. Exchange Rate U.S.$1.65/GB£

TABLE 7.3

SENSITIVITY: HIGH PRICE SCENARIO - ENQUEST POST TAX NPV AS AT 1ST JANUARY, 2010 (U.S.$ MM)

Discount Rate %	Proved	Proved plus Probable	Proved plus Probable plus Possible
7.0	562.9	1,309.0	2,399.5
8.0	552.8	1,266.4	2,289.3
9.0	542.9	1,226.2	2,189.4
10.0	533.2	1,188.4	2,098.4

Notes:

1. Oil price U.S.$85.00/Bbl
2. Exchange Rate U.S.$1.65/GB£

TABLE 7.4

SENSITIVITY: EXCHANGE RATE - ENQUEST POST TAX NPV AS AT 1ST JANUARY, 2010 (U.S.$ MM)

Discount Rate %	Proved	Proved plus Probable	Proved plus Probable plus Possible
7.0	488.7	1,136.1	2,101.0
8.0	479.2	1,100.3	2,005.0
9.0	470.0	1,066.5	1,918.0
10.0	461.1	1,034.5	1,838.8

Notes:

1. Oil price U.S. $ 75.00/Bbl
2. E.R. U.S.$ 1.55/GB£

8. QUALIFICATIONS

GCA is an independent international energy advisory group of 45 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis. The report is based on information compiled by professional staff members who are full time employees of GCA.

Staff who participated in the compilation of this report includes Mr. William B. Cline, Mr. Geoffrey W. L. Cull, Mr. Martyn S. James, Mr. Tony Goodearl, and Mr. Rafael Duque. All hold at least a bachelor's degree in geoscience, petroleum engineering or related discipline.

Mr. Cline is a Senior Partner with GCA, with over 48 years of industry experience. He is a Chartered Engineer in the U.K. and Registered Professional Engineer in the State of Texas, U.S.A. He is also a Member of the Institute of Gas Engineers, the Society of Petroleum Engineers and the American Association of Petroleum Geologists.

Mr. Cull is a Principal Advisor with 40 years of industry experience. He is a Member of the Society of Petroleum Engineers, the Petroleum Exploration Society of Great Britain and of the Energy Institute.

Mr. Goodearl is a Senior Technical Manager with 38 years of industry experience. He is a Member of the Society of Petroleum Engineers and the Energy Institute.

Mr. James is a Senior Geologist with 32 years of industry experience. He is a Member of the American Association of Petroleum Geologists and of the Petroleum Exploration Society of Great Britain.

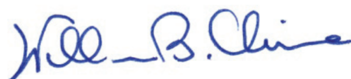
Mr. Duque is a Senior Economist with 13 years of industry experience. He is a Member of the Society of Petroleum Engineers and the Energy Institute.

9. BASIS OF OPINION

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title, financial interest relationships or encumbrances thereon for any part of the appraised properties.

It should be understood that any determination of reserve volumes and corresponding NPVs, particularly involving petroleum developments, may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

Yours sincerely,
GAFFNEY, CLINE & ASSOCIATES



William B. Cline BSc, CEng., PE

Appendices:
I: Glossary
II: PRMS
III: Gross Production and Cost Profiles – Proved plus Probable Reserves

APPENDIX I

Glossary

GLOSSARY

List of Standard Oil Industry Terms and Abbreviations

ABEX	Abandonment Expenditure
ACQ	Annual Contract Quantity
° API	Degrees API (American Petroleum Institute)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus Offset
A$	Australian Dollars
B	Billion (10^9)
Bbl	Barrels
/Bbl	per barrel
BBbl	Billion Barrels
BHA	Bottom Hole Assembly
BHC	Bottom Hole Compensated
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
Bm^3	Billion cubic metres
bcpd	Barrels of condensate per day
BHP	Bottom Hole Pressure
blpd	Barrels of liquid per day
bpd	Barrels per day
BOP	Blow Out Preventer
bopd	Barrels oil per day
bwpd	Barrels of water per day
BS&W	Bottom sediment and water
BTU	British Thermal Units
bwpd	Barrels water per day
CBM	Coal Bed Methane
CO_2	Carbon Dioxide
CAPEX	Capital Expenditure
CCGT	Combined Cycle Gas Turbine
cm	centimetres
CMM	Coal Mine Methane
CNG	Compressed Natural Gas
Cp	Centipoise (a measure of viscosity)
CSG	Coal Seam Gas
CT	Corporation Tax
DCQ	Daily Contract Quantity
Deg C	Degrees Celsius
Deg F	Degrees Fahrenheit
DHI	Direct Hydrocarbon Indicator
DST	Drill Stem Test
DWT	Dead-weight ton
E&A	Exploration & Appraisal
E&P	Exploration and Production
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement Interest
EIA	Environmental Impact Assessment
EMV	Expected Monetary Value

GLOSSARY (Cont'd.)

EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
FDP	Field Development Plan
FEED	Front End Engineering and Design
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ft	Foot/feet
Fx	Foreign Exchange Rate
g	gram
g/cc	grams per cubic centimetre
gal	gallon
gal/d	gallons per day
G&A	General and Administrative costs
GB£	Pounds Sterling
GDT	Gas Down to
GIIP	Gas initially in place
Gj	Gigajoules (one billion Joules)
GOR	Gas Oil Ratio
GTL	Gas to Liquids
GWC	Gas water contact
HDT	Hydrocarbons Down to
HSE	Health, Safety and Environment
HSFO	High Sulphur Fuel Oil
HUT	Hydrocarbons up to
H_2S	Hydrogen Sulphide
IOR	Improved Oil Recovery
IPP	Independent Power Producer
IRR	Internal Rate of Return
J	Joule (Metric measurement of energy. I kilojoule = 0.9478 BTU)
k	Permeability
KB	Kelly Bushing
KJ	Kilojoules (one Thousand Joules)
kl	Kilolitres
km	Kilometres
km^2	Square kilometres
kPa	Thousands of Pascals (measurement of pressure)
KW	Kilowatt
KWh	Kilowatt hour
LKG	Lowest Known Gas
LKH	Lowest Known Hydrocarbons
LKO	Lowest Known Oil
LNG	Liquefied Natural Gas
LoF	Life of Field
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury
LWD	Logging while drilling
m	Metres
M	Thousand
m^3	Cubic metres
Mcf or Mscf	Thousand standard cubic feet
MCM	Management Committee Meeting
MMcf or MMscf	Million standard cubic feet

GLOSSARY (Cont'd.)

m^3d	Cubic metres per day
mD	Measure of Permeability in millidarcies
MD	Measured Depth
MDT	Modular Dynamic Tester
Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
MFT	Multi Formation Tester
mg/l	milligrames per litre
MJ	Megajoules (One Million Joules)
Mm^3	Thousand Cubic metres
Mm^3d	Thousand Cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
Mode	Value that exists most frequently in a set of values = most likely
Mscfd	Thousand standard cubic feet per day
MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring While Drilling
MWh	Megawatt hour
mya	Million years ago
NGL	Natural Gas Liquids
N_2	Nitrogen
NPV	net Present Value
OBM	Oil Based Mud
OCM	Operating Committee Meeting
ODT	Oil down to
OPEX	Operating Expenditure
OWC	Oil Water Contact
p.a.	Per annum
Pa	Pascals (metric measurement of pressure)
P&A	Plugged and Abandoned
PDP	Proved Developed Non-producing
PI	Productivity Index
PJ	Petajoules (10^{15} Joules)
PSDM	Post Stack Depth Migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved Undeveloped
PVT	Pressure volume temperature
P10	10% Probability
P50	50% Probability
P90	90% Probability
Rf	Recovery factor
RFT	Repeat Formation Tester
RT	Rotary Table
R_w	Resistivity of water
SCAL	Special core analysis
cf or scf	Standard Cubic Feet
cfd or scfd	Standard Cubic Feet per day
scf/ton	Standard cubic foot per ton

GLOSSARY (Cont'd.)

SL	Straight line (for depreciation)
s_o	Oil Saturation
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
ss	Subsea
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
s_w	Water Saturation
T	Tonnes
TD	Total Depth
Te	Tonnes equivalent
THP	Tubing Head Pressure
TJ	Terajoules (10^{12} Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical Committee Meeting
TOC	Total Organic Carbon
TOP	Take or Pay
Tpd	Tonnes per day
TVD	True Vertical Depth
TVDss	True Vertical Depth Subsea
USGS	United States Geological Survey
U.S.$	United States Dollar
VSP	Vertical Seismic Profiling
WC	Water Cut
WI	Working Interest
WPC	World Petroleum Council
WTI	West Texas Intermediate
wt%	Weight percent
1H05	First half (6 months) of 2005 (example of date)
2Q06	Second quarter (3 months) of 2006 (example of date)
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
%	Percentage

APPENDIX II

PRMS

Society of Petroleum Engineers, World Petroleum Council, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers

Petroleum Resources Management System

Definitions and Guidelines ([1])

March 2007

Preamble

Petroleum resources are the estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resource assessments estimate total quantities in known and yet-to-be-discovered accumulations; resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating development projects, and presenting results within a comprehensive classification framework.

International efforts to standardize the definition of petroleum resources and how they are estimated began in the 1930s. Early guidance focused on Proved Reserves. Building on work initiated by the Society of Petroleum Evaluation Engineers (SPEE), SPE published definitions for all Reserves categories in 1987. In the same year, the World Petroleum Council (WPC, then known as the World Petroleum Congress), working independently, published Reserves definitions that were strikingly similar. In 1997, the two organizations jointly released a single set of definitions for Reserves that could be used worldwide. In 2000, the American Association of Petroleum Geologists (AAPG), SPE and WPC jointly developed a classification system for all petroleum resources. This was followed by additional supporting documents: supplemental application evaluation guidelines (2001) and a glossary of terms utilized in Resources definitions (2005). SPE also published standards for estimating and auditing reserves information (revised 2007).

These definitions and the related classification system are now in common use internationally within the petroleum industry. They provide a measure of comparability and reduce the subjective nature of resources estimation. However, the technologies employed in petroleum exploration, development, production and processing continue to evolve and improve. The SPE Oil and Gas Reserves Committee works closely with other organizations to maintain the definitions and issues periodic revisions to keep current with evolving technologies and changing commercial opportunities.

The SPE PRMS document consolidates, builds on, and replaces guidance previously contained in the 1997 Petroleum Reserves Definitions, the 2000 Petroleum Resources Classification and Definitions publications, and the 2001 "Guidelines for the Evaluation of Petroleum Reserves and Resources"; the latter document remains a valuable source of more detailed background information.,

These definitions and guidelines are designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. They are intended to improve clarity in global communications regarding petroleum resources. It is expected that SPE PRMS will be supplemented with industry education programs and application guides addressing their implementation in a wide spectrum of technical and/or commercial settings.

It is understood that these definitions and guidelines allow flexibility for users and agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein should be clearly identified. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

The full text of the SPE PRMS Definitions and Guidelines can be viewed at:
www.spe.org/specma/binary/files/6859916Petroleum_Resources_Management_System_2007.pdf

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[1] These Definitions and Guidelines are extracted from the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) Petroleum Resources Management System document ("SPE PRMS"), approved in March 2007.

RESERVES

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production

The development project is currently producing and selling petroleum to market.

The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project "chance of commerciality" can be said to be 100%. The project "decision gate" is the decision to initiate commercial production from the project.

Approved for Development

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project "decision gate" is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development

Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity's assumptions of future prices, costs, etc. ("forecast case") and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class). The project "decision gate" is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes:

(1) the area delineated by drilling and defined by fluid contacts, if any, and

(2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see "2001 Supplemental Guidelines," Chapter 8). Reserves in undeveloped locations may be classified as Proved provided that the locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher

than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate but which have not yet started producing,

(2) wells which were shut-in for market conditions or pipeline connections, or

(3) wells not capable of production for mechanical reasons.

Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future re-completion prior to start of production. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments:

(1) from new wells on undrilled acreage in known accumulations,

(2) from deepening existing wells to a different (but known) reservoir,

(3) from infill wells that will increase recovery, or

(4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to

(a) recomplete an existing well or

(b) install production or transportation facilities for primary or improved recovery projects.

CONTINGENT RESOURCES

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending

A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to “On Hold” or “Not Viable” status. The project “decision gate” is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold

A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a reclassification of the project to “Not Viable” status. The project “decision gate” is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable

A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project “decision gate” is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

PROSPECTIVE RESOURCES

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect

A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead

A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

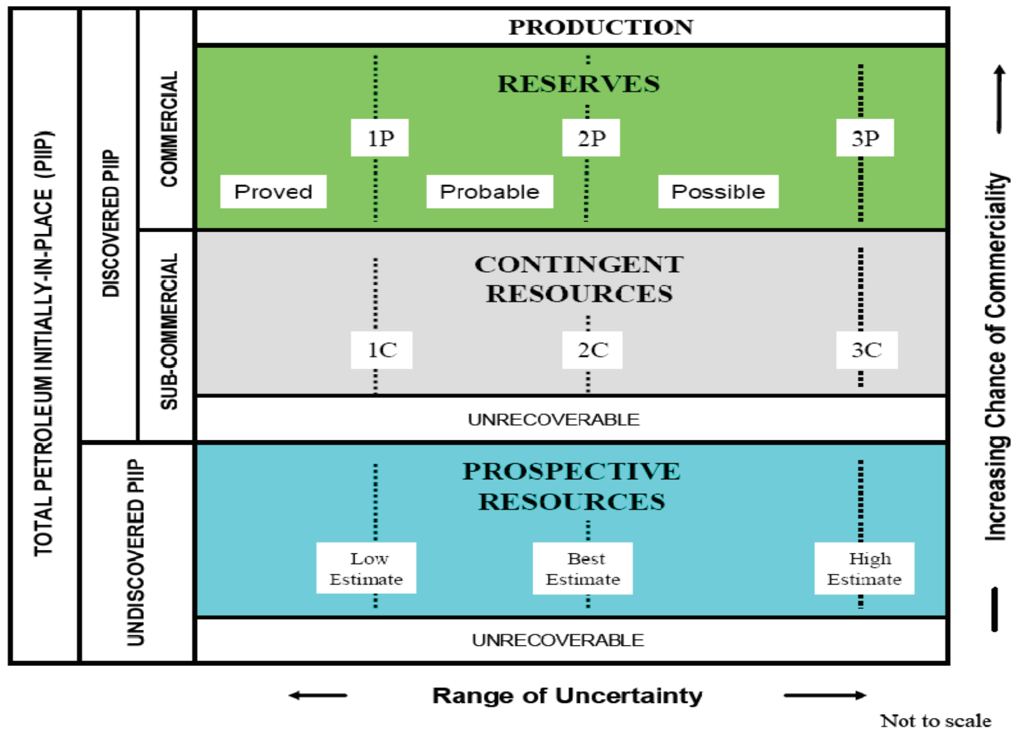
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

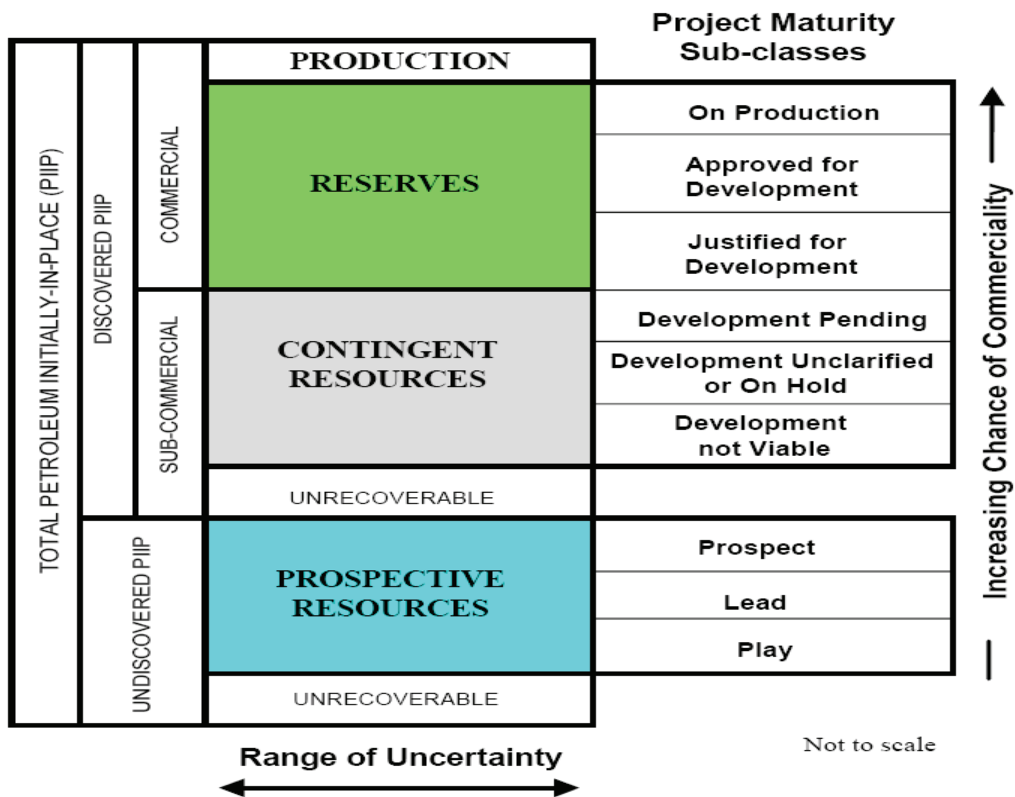
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

RESOURCES CLASSIFICATION



PROJECT MATURITY



APPENDIX III

Gross Production and Cost Profiles
Proved plus Probable Reserves

TABLE III.1

HEATHER FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	1.88	0.05	12.86	38.19	5.33
2011	1.95	0.05	1.18	32.24	7.03
2012	2.01	0.05	37.13	32.27	5.31
2013	3.48	0.09	32.99	33.64	4.09
2014	4.05	0.10	-	33.07	3.21
2015	3.85	0.10	-	32.10	2.56
2016	3.77	0.09	-	35.70	2.08
2017	3.53	0.09	-	33.01	1.69
2018	3.30	0.08	-	35.15	1.40
2019	3.14	0.08	-	36.05	1.16
2020	2.98	0.08	-	35.78	0.98
2021	2.79	0.07	-	34.94	0.83
2022	2.64	0.07	-	38.58	0.71
2023	2.53	0.06	-	36.04	0.61
2024	2.41	0.06	-	37.30	0.53
2025	2.33	0.06	-	38.33	0.46
2026	2.22	0.06	-	37.86	0.40
2027	2.11	0.05	-	33.06	0.36
2028	2.02	0.05	-	30.04	0.32
2029	1.94	0.05	-	25.89	0.28
2030	-	-	-	-	-
Total	**20.04**	**0.50**	**84.16**	**689.24**	**39.34**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. Decommissioning Cost liability to EnQuest is GB£49.8 MM (37.5% of gross GB£132.7 MM), as advised by EnQuest.

TABLE III.2

BROOM FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	6.48	0.16	32.25	24.4	-
2011	8.69	0.22	-	27.1	-
2012	6.69	0.17	-	21.3	-
2013	5.27	0.13	-	17.5	-
2014	4.22	0.11	-	14.4	-
2015	3.43	0.09	-	13.9	-
2016	2.83	0.07	-	12.8	-
2017	2.36	0.06	-	13.2	-
2018	1.98	0.05	-	11.9	-
2019	1.69	0.04	-	12.7	-
2020	1.44	0.04	-	11.2	-
2021	1.25	0.03	-	11.8	-
2022	1.09	0.03	-	10.7	-
2023	0.95	0.02	-	11.3	-
2024	0.84	0.02	-	10.6	-
2025	0.75	0.02	-	10.9	-
2026	0.67	0.02	-	9.90	-
2027	0.60	0.02	-	9.70	-
2028	0.55	0.01	-	8.40	-
2029	0.50	0.01	-	7.60	-
2030	-	-	-	-	-
Total	**19.08**	**0.48**	**32.25**	**271.41**	**-**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. Decommissioning Cost liability to EnQuest is GB£8.8 MM (55% of GB£16 MM), as advised by EnQuest.

TABLE III.3

THISTLE FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	4.81	-	28.62	47.91	7.75
2011	7.63	-	36.92	51.01	6.12
2012	8.54	-	4.09	45.99	6.92
2013	7.14	-	-	45.07	5.07
2014	6.31	-	34.84	48.83	3.73
2015	6.26	-	3.40	44.82	2.80
2016	5.57	-	-	43.42	2.17
2017	4.92	-	-	48.87	1.68
2018	4.38	-	3.40	42.89	1.21
2019	3.98	-	3.40	43.46	0.84
2020	3.45	-	-	47.83	-
2021	3.16	-	-	43.10	-
2022	2.98	-	3.40	42.27	-
2023	2.66	-	3.40	47.88	-
2024	2.49	-	-	42.06	-
2025	2.37	-	-	38.06	-
2026	2.14	-	0.85	32.55	-
2027	2.01	-	-	27.82	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
Total	**29.50**	**-**	**122.32**	**783.86**	**38.27**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. Decommissioning Cost liability to EnQuest is GB£1 MM (99% of GB£1.01 MM) only for additional PF facilities, as advised by EnQuest.

TABLE III.4

DEVERON FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	0.22	-	-	0.14	-
2011	1.22	-	11.86	0.61	-
2012	1.15	-	-	0.56	-
2013	0.81	-	-	0.38	-
2014	0.57	-	-	0.26	-
2015	0.44	-	-	0.19	-
2016	0.35	-	3.40	0.15	-
2017	0.28	-	-	0.12	-
2018	0.23	-	-	0.10	-
2019	0.20	-	-	0.09	-
2020	0.17	-	3.40	0.08	-
2021	0.15	-	-	0.07	-
2022	0.14	-	-	0.06	-
2023	0.13	-	-	0.06	-
2024	0.12	-	2.55	0.05	-
2025	0.11	-	-	0.05	-
2026	0.10	-	-	0.04	-
2027	0.10	-	-	0.04	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
Total	**2.37**	**-**	**21.21**	**3.07**	**-**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. No existing Decommissioning Cost liability, as advised by EnQuest.

TABLE III.5

W DON FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	5.88	-	37.12	25.66	-
2011	7.20	-	-	25.17	-
2012	5.44	-	-	21.06	-
2013	4.69	-	-	20.78	-
2014	3.93	-	-	20.20	-
2015	3.14	-	-	19.08	-
2016	2.49	-	-	17.99	-
2017	1.96	-	-	17.04	-
2018	1.46	-	-	16.28	-
2019	1.05	-	-	15.81	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
Total	**13.59**	**-**	**37.12**	**199.07**	**-**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. Decommissioning Cost liability to EnQuest is GB£12.6 MM (27.7% of GB£45.5 MM), as advised by EnQuest.

TABLE III.6

DON SW FIELD

	Oil Mbpd	NGL Mbpd	Capex GB£MM	Opex GB£MM	Tariff Income GB£MM
2010	9.67	-	66.92	35.22	-
2011	14.30	-	60.65	45.31	-
2012	12.56	-	-	42.42	-
2013	8.54	-	-	33.89	-
2014	5.80	-	-	27.55	-
2015	4.16	-	-	23.77	-
2016	3.15	-	-	21.54	-
2017	2.41	-	-	19.89	-
2018	1.70	-	-	18.19	-
2019	1.13	-	-	16.70	-
2020	-	-	-	-	-
2021	-	-	-	-	-
2022	-	-	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
Total	**23.15**	**-**	**127.58**	**284.49**	**-**

Notes:

1. Capex, Opex and tariff income are unescalated.
2. Production totals in MMBbl.
3. Decommissioning Cost liability to EnQuest is GB£45.6 MM (60% of GB£76 MM), as advised by EnQuest.

DEFINITIONS

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

AAPG	the American Association of Petroleum Geologists
Acquisitions	the Petrofac Acquisition and the Lundin Acquisition
Admission and Disclosure Standards	the requirements contained in the publication "Admission and Disclosure Standards" dated July 2005 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
Admissions	London Admission and Stockholm Admission
Articles	the articles of association of the Company from time to time
Audit Committee	the audit committee of the Board described in paragraph 4 of Part II of this document
BGGB	BG Great Britain Limited
Board or **Directors**	the executive and non-executive directors of the Company, as at the date of this document whose names are set out on page 32 of this document
Bookrunner	J.P. Morgan Cazenove
BP or **BP Exploration**	BP Exploration Operating Company Limited
Brent System	Brent System pipeline transporting oil from the North Sea oilfields via Cormorant Alpha to the Sullom Voe Terminal in Shetland, Scotland
Brent System Group	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
Brent System TA	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
Britoil	Britoil plc or any of its subsidiaries, as the case may be
Capita or **Capita Registrars** or **Registrars**	Capita Registrars Limited
certificated	a share or security (as appropriate) not in uncertificated form (that is, not in CREST or in the VPC system)
Chairman	the chairman for the time being of EnQuest
Chairman's Award	shall have the meaning given to it in paragraph 6.1 of Part XI of this document
CNS	Chevron North Sea Limited
Co-lead Managers	RBC and Oriel Securities
Combined Code	the UK Corporate Governance Code published in June 2008 by the UK Financial Reporting Council
Companies Act	the Companies Act 2006, as amended
Company or **EnQuest**	EnQuest PLC, a public limited company incorporated in England and Wales with registered number 7140891
ConocoPhillips or **Conoco**	ConocoPhillips (U.K.) Limited
Corporations Act	Corporations Act 2001 (Cth) of Australia

CPR or **Competent Person's Report**	the independent competent person's report produced by Gaffney, Cline & Associates, a copy of which is reproduced in Part XII of this document
Credit Facility	shall have the meaning given to it in the paragraph headed *"Financing Arrangements"* of Part V of this document
CREST	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
CREST member	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
CREST Regulations	the Uncertified Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
DBSP	the EnQuest PLC Deferred Bonus Share Plan, further details of which are set out in paragraph 6.3 of Part XI of this document
DECC	the Department of Energy and Climate Change
Demergers	the Petrofac Demerger and the Lundin Demerger, or any of them as the context shall require
Disclosure and Transparency Rules	the disclosure and transparency rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made, as published by the FSA of the United Kingdom
DLA	the Decommissioning Liability Agreement, further details of which are set out in paragraph 16.6 of Part XI of this document
DNO or **DNO Britain**	DNO Britain Limited (now known as Lundin Britain Limited)
Don Additional Facilities	shall have the meaning given to them in paragraph 6 of Part I of this document
Don fields	the Don Southwest field and the West Don field
Don Fields Group	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
Don Fields Group Guarantee	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
DSA	the Heather Field Decommissioning Security Agreement, further details of which are set out in paragraph 16.5 of Part XI of this document
EBT	the Employee Benefit Trust established by the Company, further details of which are set out in paragraph 6.5 of Part XI of this document
EBT Deed	shall have the meaning given to it in paragraph 6.5 of Part XI of this document
EEA	the European Economic Area
Elke SPA	shall have the meaning given to it in paragraph 16.8 of Part XI of this document
Ernst & Young	Ernst & Young LLP
EU	the European Union

EU ETS	European Union's Emissions Trading Scheme
Euroclear	Euroclear UK & Ireland Limited
Euroclear Sweden	Euroclear Sweden AB
Executive Directors	shall be those directors of the Company whose names are set out on page 61 of this document
Facility Agreement	shall have the meaning given to it in paragraph 4 of Part V of this document
FIEL	Financial Instruments and Exchange Law, as amended, of Japan
Financial Services Authority or **FSA**	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
FSMA	the Financial Services and Markets Act 2000, as amended
Functional and Facilities Agreement	shall have the meaning given to it in paragraph 16.10 of Part XI of this document
GAAP	generally accepted accounting practices
Gaffney, Cline & Associates or **Competent Person** or **GCA**	Gaffney, Cline & Associates Limited, an independent consultancy firm specialising in petroleum reservoir evaluation and economic analysis
Global Co-ordinator	J.P. Morgan Cazenove
Group	the Company, its subsidiaries and its subsidiary undertakings
HFAA	the Heather Field Arrangement Agreement, further details of which are set out in paragraph 16.5 of Part XI of this document
HMRC	Her Majesty's Revenue and Customs
HSE	health and safety and environment
IFRS	the International Financial Reporting Standards
IPA or **Intervening Period Agreement**	shall have the meaning given to it in paragraph 16.6 of Part XI of this document
IPA Consent Agreement	shall have the meaning given to it in paragraph 16.6 of Part XI of this document
ISPA	the Initial Sale and Purchase Agreement, further details of which are set out in paragraph 16.6 of Part XI of this document
Joint Lead Managers	J.P. Morgan Cazenove and Nordea Markets
J.P. Morgan Cazenove	J.P. Morgan Securities Ltd., in its capacity as Sponsor, Global Co-ordinator, Joint Lead Manager, Bookrunner and Stabilising Manager
Listing Rules	the rules and regulations made by the FSA in its capacity as the UK Listing Authority under FSMA, and contained in the UK Listing Authority's publication of the same name
LNS Group	LNS and its subsidiaries (as in existence, prior to the Lundin Acquisition and/or Lundin Demerger)
London Admission	the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective, in accordance with the Listing Rules and the Admission and Disclosure Standards
London Stock Exchange	London Stock Exchange plc

Lundin or **Lundin Petroleum**	Leviathan Petroleum AB, a company incorporated and registered under the laws of Sweden with registered number 556610-8055
Lundin Acquisition	the acquisition by the Company of the entire issued share capital of LNS, pursuant to the Lundin SPA, further details of which are set out in paragraph 16.2 of Part XI of this document
Lundin Britain	Lundin Britain Limited, a company incorporated and registered under the laws of England and Wales with registered number 3628497
Lundin Demerger	the proposed demerger by Lundin of LNS on the terms of and subject to the conditions of the Lundin Acquisition and Lundin Distribution, further details of which are set out in paragraph 7 of Part I of this document
Lundin Distribution	the proposed distribution of the dividend in specie by Lundin to effect the Lundin Demerger, further details of which are set out in paragraph 7 of Part I of this document
Lundin Group	Lundin Petroleum together with its subsidiaries (as in existence prior to the Lundin Demerger)
Lundin Heather	Lundin Heather Limited, a company incorporated and registered under the laws of England and Wales with registered number 2748866
Lundin North Sea or **LNS**	Lundin North Sea BV, a company incorporated and registered under the laws of The Netherlands with registered number BV 1397514
Lundin SPA	the conditional sale and purchase agreement dated 4 March 2010 pursuant to which the Company is to acquire the entire issued share capital of LNS, further details of which are set out in paragraph 16.2 of Part XI of this document
Lundin Thistle	Lundin Thistle Limited, a company incorporated and registered under the laws of England and Wales with registered number 4487223
Managers	J.P. Morgan Cazenove, Nordea Markets, RBC and Oriel Securities
Member State	a member state of the EU
Model Code	the model code on directors' dealings in securities, as set out in the Appendix to Chapter 9 of the Listing Rules
Ninian Pipeline System	Ninian pipeline running from Canadian National Resources International Ninian Central Platform to the Sullom Voe Terminal
Nomination Committee	the nomination committee of the Board described in paragraph 4 in Part II of this document
Non-executive Director	shall be those persons whose names are set out on page 32 of this document
Nordea Markets	a part of Nordea Bank AB
Northern Producer FPF	converted semi-submersible drilling rig of Aker H-3 design
Obligors	shall have the meaning given to them in the section "Risk Factors" of this document
OECD	Organisation for Economic Co-operation and Development

Offer	the possible offer for sale of up to 48,130,326 Ordinary Shares as described in Part IX of this document
Offer Price	the price at which each Ordinary Share will be sold under the Offer, to be determined and set out in the Pricing Statement
Official List	the Official List maintained by the FSA pursuant to Part VI of the FSMA
OPPC	The Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005
Ordinary Shares	ordinary shares of £0.05 each in the capital of the Company
Oriel Securities	Oriel Securities Limited
Original Licensees	shall have the meaning given to them in paragraph 16.8 of Part XI of this document
OSPAR Decision 98/3	shall have the meaning given to it in paragraph 4 of Part III of this document
OTA	Oil Taxation Act 1975
Over-allotment Option	means the option granted by the Selling Shareholders to the Stabilising Manager for the Stabilising Manager to purchase Ordinary Shares from the Selling Shareholders further details of which are set out in paragraph 4 of Part IX of this document
Over-allotment Shares	the Ordinary Shares which may be sold by the Selling Shareholders pursuant to the Over-allotment Option
p or **pence**	one hundredth part of one Sterling
PEDIL	Petrofac Energy Development International Limited
PEDL Group	PEDL and its subsidiaries (as in existence, prior to the Petrofac Acquisition and/or the Petrofac Demerger)
PEDOL	Petrofac Energy Developments Oceania Limited
Petrofac	Petrofac Limited
Petrofac Acquisition	the acquisition by the Company of the entire issued share capital of PEDL, pursuant to the Petrofac SPA, further details of which are set out in paragraph 16.3 of Part XI of this document
Petrofac Demerger	the proposed demerger by Petrofac of PEDL on the terms and subject to the conditions of the Petrofac Acquisition and Petrofac Reorganisation, further details of which are set out in paragraph 7 of Part I of this document
Petrofac Energy Developments or **PEDL**	Petrofac Energy Developments Limited
Petrofac Facilities Management or **PFM**	Petrofac Facilities Management Limited
Petrofac FMA	shall have the meaning given to it in paragraph 16.9 of Part XI of this document
Petrofac Group	Petrofac Limited together with its subsidiaries, as in existence prior to the Petrofac Demerger
Petrofac SPA	the conditional sale and purchase agreement dated 4 March 2010 pursuant to which the Company is to acquire the entire issued share capital of PEDL, further details of which are set out in paragraph 16.3 of Part XI of this document

Petrofac Reorganisation	the proposed reorganisation of Petrofac to be effected to facilitate the Petrofac Demerger, further details of which are set out in paragraph 7 of Part I of this document
Petroleum Act	the United Kingdom Petroleum Act of 1998
PPC	The Offshore Combustion Installations (Prevention and Control of Pollution) Regulations 2001
Pricing Statement	the statement expected to be published by the Company on or around 30 March 2010 detailing the Offer Price, the number of Ordinary Shares to be sold in the Offer and related information
Professional Services Agreement	shall have the meaning given to it in paragraph 16.10 of Part XI of this document
Proposals	the Acquisitions and the Demergers
Prospectus	this document relating to the Company and the Ordinary Shares prepared in accordance with the Listing Rules and the Prospectus Rules
Prospectus Directive	European Union Directive 2003/71/EC, including any applicable implementing measures in any Relevant Member State
Prospectus Rules	the prospectus rules made by the FSA under Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market (as amended from time to time)
PRT	petroleum revenue tax
PSL	Petrofac Services Limited
PSP	the EnQuest PLC Performance Share Plan, further details of which are set out in paragraph 6.2 of Part XI of this document
QIBs	qualified institutional buyers within the meaning of Rule 144A under the Securities Act
RBC	RBC Capital Markets
Receiving Agent	Capita Registrars Limited
Receiving Agent Agreement	shall have the meaning given to it in paragraph 16.13 of Part XI of this document
Registrar Agreement	shall have the meaning given to it in paragraph 16.12 of Part XI of this document
Regulation S	Regulation S promulgated by the SEC under the Securities Act
Regulatory Information Service	a Regulatory Information Service that is approved by the FSA and that is on the list of Regulatory Information Service providers maintained by the FSA
Relationship Agreement	shall have the meaning given to it in paragraph 16.11 of Part XI of this document
Relevant Member State	each member state of the EEA which has implemented the Prospectus Directive
Remaining Lundin Group	the Lundin Group without the LNS Group (as in existence, following the Lundin Demerger)
Remaining Petrofac Group	the Petrofac Group without the PEDL Group (as in existence, following the Petrofac Demerger)
Remuneration Committee	the remuneration committee of the Board described in paragraph 4 in Part II of this document

RFCT	ring fence corporation tax
RSP	the EnQuest PLC Restricted Share Plan, further details of which are set out in paragraph 6.4 of Part XI of this document
RSPA	the Retransfer Sale and Purchase Agreement, further details of which are set out in paragraph 16.6 of Part XI of this document
SDRT	shall have the meaning given to it in Part X of this document
SEC	the US Securities and Exchange Commission
Secretary of State	shall have the meaning given to it in paragraph 6 of Part I of this document
Securities Act	the US Securities Act of 1933, as amended
SEK or **Kroner**	the lawful currency for the time being of Sweden
Selling Shareholders	certain of the largest shareholders of Lundin and Petrofac (details of whom are set out in paragraph 11 of Part XI of this document), who may sell, in aggregate, up to a maximum of 48,130,326 Ordinary Shares under the Offer (assuming no exercise of the Over-allotment Option)
Senior Management	shall be the Directors and the Senior Managers, or any of them as the context may require
Senior Managers	shall be those persons whose names are set out on page 64 of this document
Shareholders	the holders of Ordinary Shares from time to time
Share Plans	the share plans of the Company, namely the EnQuest PLC Performance Share Plan, the EnQuest PLC Deferred Bonus Share Plan and the EnQuest PLC Restricted Share Plan, further details of which are set out in paragraph 6 of Part XI of this document
SPL	Sea Production Limited
Sponsor	J.P. Morgan Cazenove
Stabilising Manager	J.P. Morgan Cazenove
Stabilising Regulation	Commission Regulation No. 2273/2003 of 22 December 2003 relating to exemptions for buy-back programmes and stabilisation of financial instruments
Stasco	Shell International Trading and Shipping Company Limited
Sterling or **£** or **pound sterling**	the lawful currency for the time being of the United Kingdom
Stockholm Admission	the admission of the Ordinary Shares to trading on NASDAQ OMX Stockholm becoming effective
Stock Lending Agreement	shall have the meaning given to it in paragraph 15.3 of Part XI of this document
Sullom Voe Terminal TA	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
Takeover Code	the City Code on Takeovers and Mergers
Thistle and Deveron Field Arrangement Agreements	shall have the meaning given to it in paragraph 16.6 of Part XI of this document
Thistle Group	shall have the meaning given to it in paragraph 16.7 of Part XI of this document

Thistle Interests	shall have the meaning given to it in paragraph 16.6 of Part XI of this document
Thistle Interests Parent Company Guarantee	shall have the meaning given to it in paragraph 16.6 of Part XI of this document
Thistle TA	shall have the meaning given to it in paragraph 16.7 of Part XI of this document
Transitional Services Agreement or **TSA**	shall have the meaning given to it in paragraph 16.4 of Part XI of this document
Transocean	Transocean Offshore (U.K.) Limited
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland
UKCS	the United Kingdom Continental Shelf
UK Licence	save where specified or where the context requires otherwise, it shall have the meaning given to it in Part III of this document
UK Listing Authority or **UKLA**	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA
uncertificated	a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST or the VPC system and title to which may be transferred by means of CREST or the VPC system
UNCLOS	United Nations Convention on the Law of the Sea 1982
Underwriters	J.P. Morgan Cazenove and Nordea Markets
Underwriting Agreement	the underwriting and sponsor's agreement dated 18 March 2010, entered into between, the Company, the Selling Shareholders, Petrofac, Lundin, the Directors and the Managers, as further described in paragraph 15.1 of Part XI of this document
US or **United States**	the United States of America, its territories and possessions and all areas subject to its jurisdiction, any state of the United States of America and the District of Columbia
US dollar or **US$** or **USD**	the lawful currency for the time being of the United States
US Person	a "US person" as defined by Rule 902 of Regulation S
UUOA	Unitisation and Unit Operating Agreement
VPC system	the Swedish settlement system
Working Time Regulations	Working Time Regulations 1998
WPC	the World Petroleum Council

GLOSSARY OF TERMS

2C	best estimate contingent resources
2D seismic	seismic data that is acquired, processed and interpreted to yield a two-dimensional picture of the subsurface
3D seismic	seismic data that is acquired, processed and interpreted to yield a three-dimensional picture of the subsurface
1P	proved reserves
2P	proved plus probable reserves
3P	proved plus probable plus possible reserves
°API	Degrees API (American Petroleum Institute)
appraisal well	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field
barrel or **Bbl**	a unit of volume measurement used for petroleum and its products (7.3 barrels = 1 tonne: 6.29 barrels = 1 cubic metre)
Bcf	billion standard cubic feet
Bcfd	billion standard cubic feet per day
Bcm	billion cubic metres
bcm/well	billion cubic metres per well
boe	barrels of oil equivalent. One barrel of oil is the energy equivalent of 5,800 cf of natural gas
best estimate	generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the accumulation between the date of the estimate and the time of abandonment
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bpd	barrels per day
Brent Blend	a blend of oil that is used as an international benchmark for the prices of other crude oils
Cf	standard cubic feet
Cfd	standard cubic feet per day
commercial discovery	discovery of hydrocarbons which the company determines to be commercially viable for appraisal and development
condensate	hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons
contingent resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
discovery	an exploration well which has encountered hydrocarbons for the first time in a structure
DST	Drill Stem Test
E&A	exploration and appraisal
E&P	exploration and production

EOR	Enhanced Oil Recovery
EUR	Estimated Ultimate Recovery
fault or **faulting**	a displacement (vertical, inclined or lateral) below the earth surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons
FDP	field development plan
field	a geographical area defined by the boundary of an underlying oil or gas accumulation. Usually used in the context of a producing oil field
formation	a layer or unit of rock. A productive formation in the context of reservoir rock
FPF	floating production facility
HPHT	high pressure and high temperature
hydraulic fracturing	the artificially induced fracturing of reservoir rock to enhance productivity
hydrocarbon	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch all sense for oil, gas and condensate
kilometre or **km**	kilometre
km^2	square kilometres
Lead	exploration target which requires more data and/or analysis prior to drilling
licence	an exclusive right to search for or to develop and produce hydrocarbons within a specific area. Usually granted by the State authorities and may be time limited
limestone	a sedimentary rock containing at least 50 per cent. calcium or calcium magnesium carbonates
m or **metre**	metre
mbbl	thousand barrels (in Latin mill)
mboe	thousand barrels of oil equivalent
mboepd	thousand barrels of oil equivalent per day
mbopd	thousand barrels of oil per day
Mcf	thousand standard cubic feet
mm	million (when used to define oil volumes)
MMbbl	millions of barrels, i.e. oil barrels corresponding to 159 litres
MMboe	million barrels of oil equivalents
Mscfd	standard cubic feet per day
MMscfd	million standard cubic feet per day
MMstb	million of stock tank barrels
NGL	natural gas liquid
operator	the company that has legal authority to drill wells and undertake production of hydrocarbons. The Operator may be part of a consortium and acts on behalf of the consortium
petroleum	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products
possible reserves	those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves

probable reserves — those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves

prospect — a defined geological structure that has been surveyed and defined, usually by seismic data, that could potentially act as a trap for hydrocarbons

prospective resources — those quantities of petroleum which are estimated as of a given date to be potentially recoverable from undiscovered accumulations

proved reserves — those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations

reserves — those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories, which are defined elsewhere in this glossary

reservoir — a porous and permeable rock formation in which oil and gas has accumulated and can be produced

resources — quantities of petroleum which include both contingent resources and prospective resources, each defined elsewhere in this glossary

S_o — oil saturation

SAL — Single Anchor Leg offloading system

ss — subsea

spud — to commence drilling of a well, once the cement cellar and conductor pipe at the well-head have been constructed

stb — stock tank barrel

STOIIP — Stock Tank Oil Initially in Place

T — tonnes

tcf — trillion cubic feet

t/d — tonne per day

TD — total depth

Te — tonnes equivalent

ton — standard cubic foot per ton

tonne or **t** — Oil: 1 tonne = 7.33 barrels of oil condensate: 1 tonne = 9 barrels of condensate

unrisked — undiscovered resource volume before discounting by probability of success

WC — water cut

well log — a record of geological formation penetrated during drilling. Also "electrical log" which is a record of the formation properties and is acquired by running a logging tool in the borehole

workover — the process of performing major maintenance or remedial treatment on an existing oil or gas well

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