**12 August 2011**
**ENQUEST PLC, half year results, for the six months to 30 June 2011.**
**Strong cash flow generation, 2011 production on target.**

Unless otherwise stated, all figures are before exceptional items and depletion of fair value uplift and are in US dollars.

**Summary:** Independent UK oil development and production company, EnQuest PLC, performed strongly in the first half of 2011, with a 35% increase in production over the first half of 2010. Cash flow from operations was $338.4m, resulting in net cash of $265.7m at the end of the period. Business development momentum continues with EnQuest building up its asset positions in the Crawford development, in the Broom field and in the Crathes and Moon prospects.

| | Reported | Pro-forma*** | Reported | Change* |
|---|---|---|---|---|
| | H1'11 | H1'10 | H1'10 | % |
| **Production (Boepd)** | 25,210 | 18,708 | - | 35 |
| **Revenue ($m)** | 511.4 | 255.5 | 224.5 | 100 |
| **Gross profit ($m)** | 232.5 | 92.8 | 87.1 | 151 |
| **Profit before tax & net finance costs ($m)** | 215.2 | 87.8 | 86.2 | 145 |
| **EBITDA**** | 327.0 | 166.3 | 149.5 | 97 |
| **Cash flow from operations ($m)** | 338.4 | N/A | 133.3 | 154 |
| **Net cash flow ($m)** | 225.8 | N/A | 68.2 | 231 |
| **Realised oil price $/bbl (reflecting hedge)** | 106.72 | 78.18 | - | 37 |

* 2011 Reported business performance Vs 2010 pro-forma for production and income statement items, Vs 2010 reported for cash flow items. ** EBITDA is calculated by taking profit from operations before tax and finance income/(costs) and adding back depletion, depreciation, impairment, gain on disposal and write off of tangible and intangible oil and gas assets.

## Highlights

§ Successful drilling programme in H1'11, on track for its full year 2011 average export production target of 26,500 Boepd, a 26% increase on the 2010 equivalent
§ $338.4m cash flow from operations, resulting in $265.7m of net cash at the end of H1'11; $327.0m EBITDA in H1'11, up 97% on the pro-forma EBITDA in H1'10
§ 4.6 MMboe was produced in H1'11; this has been more than replaced by the anticipated addition of approximately 11.5 MMboe of 2P reserves, from increased working interests in Broom and Crawford and as a consequence of the success of the Area E exploration well
§ Acquired a 32% stake to take a controlling interest in the proposed development of the Crawford and Porter fields. The work programme to sanction in 2012 has now been defined
§ Increasing EnQuest's interest in the Broom field from 55% to 63%
§ Acquired a 40% interest in the Crathes and Moon prospects, close to the Scolty discovery
§ Moving towards the sanctioning of the Alma (formerly Ardmore) and Galia (formerly Duncan) field redevelopment

**EnQuest CEO Amjad Bseisu said:** "In the first half of 2011, EnQuest has again delivered a strong financial and operational performance. We have consolidated our positions by increasing our interest in the Broom field and in the Crawford block and by becoming the operator of Crawford. Across our asset base we have increased net reserves by approximately 11.5 MMboe, the equivalent of 120% of our expected full year production. Our project execution teams continue to make good progress towards the planned sanction of the Alma and Galia development in the second half of 2011 and the Crawford development in the first half of 2012. We have also farmed into and taken operatorship of the Crathes and Moon prospects, near our Scolty discovery, and will be drilling these prospects later this year.

With our on schedule drilling programme in the first half of the year, we remain confident in our ability to achieve our 2011 full year production target of 26,500 Boepd. There is significant organic growth potential from the Alma and Crawford development projects alone. We continue to pursue actively external business development opportunities in the UKCS and also further afield. All of which underpins our confidence in EnQuest's ability to sustain the delivery of our longer term growth objectives."

## Production & Development

| | Reported<br>Net daily average | Pro-forma***<br>Net daily average | Reported<br>Net cumulative | Pro-forma***<br>Net cumulative |
|---|---|---|---|---|
| | H1’11 | H1’10 | H1’11 | H1’10 |
| | (Boepd) | (Boepd) | (Bbls) | (Bbls) |
| Thistle/Deveron | 5,612 | 4,504 | 1,015,735 | 815,111 |
| The Don Fields | 14,065 | 9,144 | 2,545,831 | 1,655,123 |
| Heather/Broom | 5,533 | 5,060 | 1,001,511 | 915,848 |
| Total | 25,210 | 18,708 | 4,563,077 | 3,386,082 |

*** ‘Pro-forma’ data reflects the results for the first six calendar months of 2010, as if the assets previously owned by Petrofac Limited and Lundin Petroleum AB were owned by EnQuest throughout the period, to allow comparison with the 2011 six months to 30 June reported results. This pro-forma data is as originally reported in the 2010 half year results, which are available to view at www.enquest.com.

In H1’11, all three asset hubs showed good production growth on the equivalent period in 2010.

Thistle/Deveron
- Well A56/13 (formerly NWFB-P1) was drilled on budget and it came online in May 2011
- Well A55 (formerly SFB-P1) was perforated in an additional reservoir zone
- Well A57/58 (formerly EFB-P1) was drilled, well logs indicate that the reservoir meets prognosis

The Don Fields
- The S8Z producer and the S9 injector wells on Don Southwest were both drilled ahead of schedule and on budget and were better than prognosed
- The Area E exploration well, a prospect located near Don Southwest, was successful in Q1’11, with a record 12,710ft bit run. The discovery is now known as the Conrie field

Heather/Broom
- H1’11 production was on target and was 9% up on H1’10
- Offshore work has started on upgrading the Heather drilling rig for a drilling programme starting in 2012

## Financial
- H1’11 revenue of $511.4m was 100% higher than the pro-forma equivalent for H1’10, due mainly to the combined impact of the increase in production and an increase in the average price per barrel of oil sold, partially offset by realised oil collar hedging costs of $23.3m
- Strong cash generation, with cash flow from operations of $338.4m, resulting in net cash at the end of the period of $265.7m
- H1’11 profit from operations before tax and net finance costs was $215.2m, compared to a pro-forma equivalent of $87.8m in H1’10
- Unit production and transportation cost per barrel was $29, which was in line with expectations given the higher oil price in the first six months
- H1’11 capex of $137.2m was mainly on the six well drilling programme, two on Don Southwest, two on Thistle and two exploration/appraisal wells, including one on the near-field Area E prospect. Investment started on the Heather rig upgrade programme and also included some long lead expenditure on the proposed Alma development

## Outlook for the second half of 2011
- Production on track to meet the full year target of 26,500 Boepd
- Thistle/Deveron: Well A57/58 is scheduled to be completed and brought on stream in H2’11 and, in Q4’11, drilling is planned to start on well DEV-P1, the first development well on the Deveron field in over 20 years
- Dons/Conrie: Don Southwest well S8Z is due to come on stream very soon, Don Southwest well S9 should start injection in Q3’11 and the Conrie well 211/18a S7 is scheduled to come on stream in Q3’11
- Exploration: An exploration well is planned to be drilled in Q3’11 on the Ivy prospect, south of Heather; EnQuest has a 55% working interest and is the operator. In Q4’11, EnQuest is also planning to drill exploration wells on the Crathes and Moon prospects. These prospects are close to Scolty and EnQuest is the operator with a 40% interest. In Q4’11, an exploration well is also scheduled to be drilled on the EnCore operated Tudor Rose discovery, in which EnQuest has a 20% interest
- Alma/Galia: Aiming for approval and full sanction in H2’11

Ends

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**Presentation to Analysts and Investors**
A presentation to analysts and investors will be held at 09:30 today. The presentation and Q&A will also be accessible via an audio webcast – available from the investor relations section of the EnQuest website at www.enquest.com. A conference call facility will also be available at 09:30 on the following numbers:

| | |
|---|---|
| UK / International: | +44 (0) 20 7136 2055 |
| USA | +1 212 444 0895 |

**Notes to editors**
EnQuest is the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. It is a constituent of the FTSE 250 index and OMX Nordix index. Its assets include the Thistle, Deveron, Heather, Broom, West Don and Don Southwest producing fields. At the end of the first half of 2011, EnQuest had interests in 20 production licences covering 25 blocks or part blocks in the UKCS, of which 18 licences are operated by EnQuest.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low-risk region, which continues to benefit from an extensive installed infrastructure base and skilled labour. EnQuest believes that its assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities.

**Forward looking statements:** This announcement may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

## BUSINESS DEVELOPMENT

### Business Development Programme

EnQuest's working interest in Crawford/Porter is now 51% and EnQuest has assumed operatorship. EnQuest agreed a farm in with Fairfield Acer Limited for UKCS Block 9/28a, which contains the Crawford oil field and the 9/28a -18 Porter oil discovery. In exchange for the additional 32% interest, EnQuest has agreed to carry Fairfield for certain development costs, up to a maximum of £34.85m ($55.8m). Based on the determination as at the end of 2010, EnQuest's net 2P reserves will be increased by 8.6 MMboe.

EnQuest has also increased its interest in the Broom field to 63%. EnQuest has agreed to acquire Dyas's 8% working interest for $7.5m. This increases 2P reserves by 1.0 MMboe.

EnQuest has also farmed into the Crathes and Moon prospects, taking a 40% interest and assuming operatorship from Challenger Minerals North Sea Ltd. An exploration well is planned in Q4'11. Given the proximity of Crathes and Moon to Scolty, a successful Crathes well result could lead to a joint development of Crathes and Scolty. The farm in was for zero consideration, with limited back costs paid.

In H1'11, EnQuest completed the disposal of its Slovenian assets to Ascent Resources plc. EnQuest announced in December 2010 that it had agreed to dispose of its interest in the Petisovci Project in Slovenia, in return for an equity stake in AIM traded oil and gas company, Ascent Resources. EnQuest had acquired this interest through its acquisition of Stratic Energy Corporation in 2010.

## REVIEW OF OPERATIONS

### Production and development

#### Thistle/Deveron
(EnQuest working interest ('WI') 99%)

Production at Thistle/Deveron achieved a net 5,612 average Boepd in H1'11, up 25% on equivalent pro-forma production in H1'10. In H1'11 well A56/13 (formerly NWFB-P1) came in with higher oil saturations than predicted. The well came online towards the end of May 2011 having been completed with an electric submersible pump ('ESP') – the first ESP on Thistle. H1'11 production also benefitted from the A55 (formerly SFB-P1) southern fault block well which came on stream in Q4'10, it was perforated in an additional reservoir zone in H1'11.

In H1'11, the A57/58 (formerly EFB-P1) well logs indicated that the reservoir meets prognosis, the well is expected to come on stream in Q3'11.

In H2'11, Thistle DEV-P1 is scheduled to be drilled and is expected to come online early in 2012.

Thistle is scheduled to be shut down for about a month in Q3'11, for planned maintenance, inclusive of a planned shutdown of the oil export system.

A water injection workover is scheduled for Q3'11, to improve sweep and voidage replacement in the main area of the Thistle field.

The results of the new drilling programme on Thistle have given EnQuest increased confidence in the field's potential and therefore, as announced at the full year results, EnQuest is investing in a power upgrade project, which should ensure that security of power supply and availability of water injection is improved. The power supply upgrade project includes the installation of new power generation facilities and is scheduled to be completed by the end of 2012.

#### Don Southwest/West Don/Conrie
(Don Southwest: EnQuest WI 60%, West Don: EnQuest WI 44.95% and Conrie: EnQuest WI 60%)

Production at the Don fields achieved a net 14,065 average Boepd in H1'11, up 54% on equivalent pro-forma production in H1'10. Most of the increase was due to the full period benefits of the operational successes of 2010, including production from the S5 well on Don Southwest and the W4 well on West Don. The increase over

H1'10, was also due in part to the increase in EnQuest's working interest in West Don from 27.7% to 44.95%, following the Stratic acquisition in November 2010.

The Don Southwest S8Z producer and S9 injector wells were drilled ahead of schedule and on budget, despite challenging weather conditions. Both wells were better than prognosed.

As announced previously the Don Southwest Area 26 appraisal well found hydrocarbons but was sub-commercial.

The successful 211/18a-S7 Area E exploration well was completed in June 2011. This discovery is now known as the Conrie field and the well is scheduled to come online in Q3'11.

The Don Southwest S8Z well is planned to be online in mid-August 2011.

### Heather/Broom

(Heather: EnQuest WI 100 per cent and Broom: EnQuest WI 55% - increasing to 63% in H2'11)

Production at Heather/Broom achieved a net 5,533 average Boepd in H1'11, up 9% on equivalent pro-forma production in H1'10. The increase was due partly to the H2'10 installation of a new pipeline from Broom to Heather, which restored capacity following the failure of a pipeline in 2009.

In H1'11 hydrocyclones were successfully installed and commissioned on Heather to improve oil in produced water.

The Heather drilling rig upgrade programme started in H1'11, in preparation for a development drilling programme planned to start in 2012.

### Alma (formerly Ardmore) and Galia (formerly Duncan)

(EnQuest WI 100%)

An Environmental Statement has been issued and work continues towards the full sanction and approvals required for the development, targeting sanction in H2'11.

### Crawford and Porter

(EnQuest WI 51%)

Following the acquisition of the increased interest and the assumption of operatorship EnQuest has defined a work programme which is expected to lead to sanction in H1'12.

## FINANCIAL REVIEW

EnQuest performed strongly in the first half of 2011, with EBITDA** of $327.0m pre-exceptional items and fair value adjustments and generating cash flow from operations of $338.4m which results in a net cash position of $265.7m at 30 June 2011 (31 December 2010: $41.4m).

#### Production, Revenue and Gross Profit

Revenue increased by $255.9m to $511.4m in the six months ended 30 June 2011 compared with the pro-forma revenue for the same period last year. Group production averaged 25,210 boepd in the first half of 2011 compared with 18,708 boepd pro-forma in the first half of 2010. This increase primarily reflects improved production from the Don Southwest and West Don fields resulting from an intensive ongoing development drilling programme on Don Southwest, the West Don W4 development well which was brought onstream in Q4'10, and the increase in the Group's West Don working interest following the Stratic acquisition. Thistle/Deveron production also increased in H1'11 compared with the comparable period in 2010 following completion of the A55 well in Q4'10 and Well A56/13 in May 2011.

The Group's blended average realised price per barrel of oil sold was $106.72 in H1'11, compared with $78.18 per barrel pro-forma average realised price in H1'10, reflecting the continued increase in average market prices for Brent crude and oil collar hedging costs of $23.3m incurred in H1'11. The H1'11 average sales price per barrel of oil sold excluding oil collar hedging costs was $111.65.

Cost of sales for the Group are summarised below:

| | Reported | Pro-forma | Reported |
|---|---|---|---|
| | H1'11 | H1'10 | H1'10 |
| | $m | $m | '$m |
| Cost of sales | 279.0 | 162.7 | 137.5 |
| | $ | $ | $ |
| Unit operating cost, adjusted for underlift and inventory movements (per boe): | | | |
| Production and transportation costs | 29.12 | 28.21 | 29.13 |
| Depletion of oil & gas properties | 23.11 | 23.02 | 21.60 |
| | 52.23 | 51.23 | 50.73 |

The increase in the Group's production and transportation cost of $1.00 per barrel compared with the pro-forma cost per barrel in H1'10 is mainly due to the impact of higher oil prices as well as an increase in the USD to GBP exchange rate.

## Results for the Period

Exploration and evaluation expenses of $5.3m for H1'11 relate primarily to the write off of expenditure on the Area 26 exploration well which was uneconomic.

General and administrative expenditure (G&A) for the six months to 30 June 2011 were $8.0m compared with $5.2m pro-forma costs in the same period last year. The expenses primarily relate to the Group's general management and business development expenses and the increase in cost is mainly due to the increased levels of business development activity.

Net other expenses of $3.9m for H1'11 resulted from the revaluation of non-USD working capital balances due to exchange rate movements in the period.

Net finance costs reported for H1'11 of $6.1m include non-cash expenses of $3.8m for the unwinding of discount on the decommissioning provision and $1.0m for amortisation of the Group's bank facility arrangement fees.

The income tax charge of $140.1m for the first half of the year reflects the expected full year effective tax rate of 67% compared with 57% for the six months ended 30 June 2010.

## Exceptional Items and depletion of fair value uplift

Exceptional items in the period result in a pre-tax credit of $6.2m to the income statement. All items are non-cash and relate to:

§ a gain on disposal of $8.6m resulting from the disposal of the Slovenian Petisovci asset, which was obtained on acquisition of Stratic, to Ascent Resources plc on 11 February 2011 in return for an equity stake.

§ an impairment expense of $10.6m in relation to the accounting valuation of the Group's shareholding in Ascent Resources plc.

§ a well abandonment credit of $8.2m recognised following further review of options to recover these funds from the previous Thistle field owners.

A one-off deferred tax adjustment of $42.4m in respect of the recently enacted increase in the supplementary charge on UK oil and gas production has also been reported as an exceptional item in the period. The UK government has also announced its intention to restrict the tax relief available on decommissioning expenditure to 50% in 2012. This change is not yet substantively enacted but would be likely to give rise to a one-off exceptional additional tax charge in 2012 in the order of $20m.

Additional depletion costs of $9.2m ($3.79 per boe) have resulted from the fair value uplift of oil and gas assets on acquisition and are reported as a fair value adjustment.

## Cash Flow, Capital Investment and Liquidity

Cash flow from operating activities amounted to $338.4m (2010: $133.3m), the increase reflecting a combination of improved production volumes from the Don and Thistle assets, and higher average realised sales prices per barrel of oil.

Capital expenditure on property, plant and equipment in the period was $103.7m (2010: $72.2m). This related principally to development drilling on Don Southwest, Conrie and Thistle fields; the Heather drilling rig upgrade and pre-sanction activity for the Alma development.

Expenditure on intangible oil and gas assets in the period of $4.2m (2010: $1.5m) was incurred on the unsuccessful Area 26 exploration well.

At 30 June 2011 there were no borrowings (31 December 2010: nil) and the Group had total bank facilities of $280m, of which $125m was utilised for Letters of Credit (31 December 2010: $74m).

## Balance Sheet Review

Net deferred tax liabilities increased by $168.2m since 31 December 2010 to $454.2m as at 30 June 2011. $42.4m of this increase relates to the exceptional one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary charge on UK oil and gas production. The balance of $125.8m principally relates to temporary differences arising on accelerated capital allowances and the utilisation of brought forward corporate tax losses.

Trade and other payables have increased by $49.7m compared with 31 December 2010, to $162.9m due to an increase in the Group's over-lifted production resulting from the phasing of sales nomination volumes compared with saleable production volumes.

## Financial Risk Management

EnQuest's functional currency is US dollars. Foreign currency risk arises on purchases, and the translation of assets and liabilities denominated in currencies other than the US dollar. During the six months to 30 June 2011 and 2010 the Group did not hedge this risk.

At 30 June 2011, the Group had four outstanding oil collar contracts which were entered into in 2010 to partially hedge its exposure to fluctuations in the Brent oil price. At 30 June 2011 the oil collar hedges apply to approximately two million barrels of oil production in H2'11 and have an average floor price of US$75 per barrel and an average cap of US$100 per barrel.

## ENQUEST BOARD

On 14 June 2011, EnQuest PLC was pleased to announce the appointment of Clare Spottiswoode CBE as a non-executive Director; this appointment took effect on 1 July 2011.

Clare Spottiswoode has held a number of senior positions in the energy sector including most recently serving as a non-executive director of Tullow Oil plc in addition to previous roles as Deputy Chairman of British Energy plc and Director General of Ofgas. She is currently Chairman of Gas Strategies Consulting Ltd and EnergySolutions Inc and serves as a non-executive director at G4S plc and Ilika plc. Clare is also a member of the Independent Commission on Banking for the UK Treasury.

# HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME
## for the six months ended 30 June 2011

| | ***2011*** | | | *2010* | | |
|---|---|---|---|---|---|---|
| | ***Business performance*** | ***Exceptional items and depletion of fair value uplift (Note 4)*** | ***Reported in period*** | *Business performance* | *Exceptional items and depletion of fair value uplift (Note 4)* | *Reported in period* |
| | ***US$'000 Unaudited*** | ***US$'000 Unaudited*** | ***US$'000 Unaudited*** | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* |
| Revenue | 511,425 | - | 511,425 | 224,544 | - | 224,544 |
| Cost of sales | (278,966) | (9,233) | (288,199) | (137,465) | (6,773) | (144,238) |
| **Gross profit** | 232,459 | (9,233) | 223,226 | 87,079 | (6,773) | 80,306 |
| Exploration and evaluation expenses | (5,325) | - | (5,325) | (65) | (25,034) | (25,099) |
| Gain on disposal of asset held for sale | - | 8,644 | 8,644 | - | - | - |
| Impairment on available for sale assets | - | (10,629) | (10,629) | - | - | - |
| Well abandonment | - | 8,194 | 8,194 | - | - | - |
| General and administration expenses | (7,982) | - | (7,982) | (1,677) | (9,577) | (11,254) |
| Other income | 4,349 | - | 4,349 | 873 | - | 873 |
| Other expenses | (8,266) | - | (8,266) | - | - | - |
| **Profit from operations before tax and finance income/(costs)** | 215,235 | (3,024) | 212,211 | 86,210 | (41,384) | 44,826 |
| Finance costs | (6,700) | - | (6,700) | (4,008) | - | (4,008) |
| Finance income | 617 | - | 617 | 839 | - | 839 |
| **Profit/(loss) before tax** | 209,152 | (3,024) | 206,128 | 83,041 | (41,384) | 41,657 |
| Income tax | (140,132) | (43,308) | (183,440) | (47,250) | 23,559 | (23,691) |
| **Profit for the period attributable to owners of the parent** | 69,020 | (46,332) | 22,688 | 35,791 | (17,825) | 17,966 |
| **Other comprehensive income for the period, after tax:** | | | | | | |
| Cash flow hedges (note 13) | | | (9,080) | | | - |
| **Available for sale financial assets (note 11)** | | | - | | | - |
| **Total comprehensive income for the period, attributable to owners of the parent** | | | 13,608 | | | 17,966 |
| **Earnings per share (note 5)** | | | **US $** | | | US $ |
| Basic | | | 0.028 | | | 0.031 |
| Diluted | | | 0.028 | | | 0.030 |

# GROUP BALANCE SHEET
## as at 30 June 2011

| | Notes | ***30 June 2011 US$'000 Unaudited*** | *31 December 2010 US$'000 Audited* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | **1,181,338** | 1,136,449 |
| Goodwill | 8 | **107,959** | 107,959 |
| Intangible oil and gas assets | 9 | **12,963** | 12,302 |
| Asset held for sale | 10 | **3,954** | 9,779 |
| Investments | 11 | **8,602** | - |
| Deferred tax asset | | **2,847** | 8,871 |
| | | **1,317,663** | 1,275,360 |
| **Current assets** | | | |
| Inventories | | **16,507** | 12,404 |
| Trade and other receivables | | **112,043** | 109,487 |
| Income tax receivable | | **3,777** | **-** |
| Cash and short-term deposits | | **265,672** | 41,395 |
| | | **397,999** | 163,286 |
| **TOTAL ASSETS** | | **1,715,662** | 1,438,646 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12 | **113,433** | 113,174 |
| Merger reserve | | **662,855** | 662,855 |
| Cash flow hedge reserve | 13 | **(9,080)** | - |
| Share-based payment reserve | | **4,684** | 2,540 |
| Retained earnings | | **128,178** | 104,327 |
| | | **900,070** | 882,896 |
| **TOTAL EQUITY** | | **900,070** | 882,896 |
| **Non-current liabilities** | | | |
| Provisions | | **162,005** | 140,108 |
| Deferred tax liabilities | | **457,014** | 294,866 |
| | | **619,019** | 434,974 |
| **Current liabilities** | | | |
| Trade and other payables | | **162,906** | 113,170 |
| Other current financial liabilities | 13 | **23,895** | - |
| Income tax payable | | **9,772** | 7,606 |
| | | **196,573** | 120,776 |
| **TOTAL LIABILITIES** | | **815,592** | 555,750 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,715,662** | 1,438,646 |

# GROUP STATEMENT OF CHANGES IN EQUITY
## for the six months ended 30 June 2011

| | Share capital | Merger reserve | Cash flow hedge reserve | Other reserves | Share-based payments reserve | Available for sale reserve | Retained earnings | *Total* |
|---|---|---|---|---|---|---|---|---|
| | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* | *US$'000 Unaudited* |
| Balance at 1 January 2011 | 113,174 | 662,855 | - | - | 2,540 | - | 104,327 | 882,896 |
| Profit for the period | - | - | - | - | - | - | 22,688 | 22,688 |
| Other comprehensive income | - | - | (9,080) | - | - | - | - | (9,080) |
| Losses on valuation of available for sale financial assets | - | - | - | - | - | (10,629) | - | (10,629) |
| Reclassification adjustments for impairment of available for sale financial assets | - | - | - | - | - | 10,629 | - | 10,629 |
| Total comprehensive income for the period | - | - | (9,080) | - | - | - | 22,688 | 13,608 |
| Bonus liability accrual settled in shares granted during the period | - | - | - | - | - | - | 1,163 | 1,163 |
| Allotment of shares to Employee Benefit Trust | 259 | - | - | - | (259) | - | - | - |
| Share-based payments charge | - | - | - | - | 2,403 | - | - | 2,403 |
| **Balance at 30 June 2011** | **113,433** | **662,855** | **(9,080)** | **-** | **4,684** | **-** | **128,178** | **900,070** |
| Balance at 1 January 2010 | 32,164 | 50,785 | - | 83 | - | - | 77,168 | 160,200 |
| Profit for the period and total comprehensive income for the period | - | - | - | - | - | - | 17,966 | 17,966 |
| Issue of Ordinary shares | 26,316 | 486,850 | - | - | - | - | - | 513,166 |
| Capital contribution on assignation of debt on de-merger | **-** | 125,220 | **-** | **-** | **-** | **-** | **-** | 125,220 |
| Allotment of shares to Employee Benefit Trust | 531 | - | - | - | (531) | - | - | - |
| Share-based payments charge | - | - | - | - | 885 | - | - | 885 |
| Share option programme transfer to retained earnings | - | - | - | (83) | - | - | 83 | - |
| **Balance at 30 June 2010** | **59,011** | **662,855** | **-** | **-** | **354** | **-** | **95,217** | **817,437** |

# GROUP CASH FLOW STATEMENT
## for the six months ended 30 June 2011

| | Notes | ***2011*** ***US$'000*** ***Unaudited*** | *2010* *US$'000* *Unaudited* |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **206,128** | 41,657 |
| Depreciation | | **921** | 357 |
| Depletion | | **114,708** | 69,588 |
| Exploration costs written off | | **5,325** | 25,099 |
| Well abandonment | | **(8,194)** | - |
| Gain on disposal of asset held for sale | | **(8,644)** | - |
| Impairment on available for sale assets | | **10,629** | - |
| Share based payment charge | | **2,403** | 885 |
| Long-term incentive plan | | **-** | (614) |
| Unwinding of discount on decommissioning provision | | **3,796** | 2,114 |
| Unrealised exchange losses/(gains) | | **3,422** | (1,511) |
| Net finance costs | | **2,287** | 1,055 |
| **Operating profit before working capital changes** | | **332,781** | 138,630 |
| Trade and other receivables | | **(4,541)** | 840 |
| Inventories | | **(4,103)** | 5,036 |
| Trade and other payables | | **14,299** | (11,251) |
| **Cash generated from operations** | | **338,436** | 133,255 |
| Long-term incentive plan | | **-** | (886) |
| Income taxes paid | | **(2,681)** | (2,120) |
| **Net cash flows from operating activities** | | **335,755** | 130,249 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(103,742)** | (72,200) |
| Purchase of intangible oil & gas assets | | **(4,217)** | (1,504) |
| Acquisition of subsidiary | 8 | **-** | 16,135 |
| Acquisition of available for sale investments | 11 | **(808)** | - |
| **Net cash flows used in investing activities** | | **(108,767)** | (57,569) |
| **FINANCING ACTIVITIES** | | | |
| Interest received | | **403** | 18 |
| Interest paid | | **(1)** | (826) |
| Other finance costs paid | | **(1,541)** | (3,658) |
| **Net cash flows used in financing activities** | | **(1,139)** | (4,466) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **225,849** | 68,214 |
| Net foreign exchange on cash & cash equivalents | | **(1,572)** | 260 |
| Cash and cash equivalents at 1 January | | **41,395** | 7,893 |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | | **265,672** | 76,367 |

# NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

**1. Corporate information**

EnQuest PLC ('EnQuest' or 'the Company') is a limited liability company registered in England and is listed on the London Stock Exchange and Stockholm NASDAQ OMX market.

The Group's principal activities are the exploration for, and extraction and production of hydrocarbons in the UK Continental Shelf.

The Company was incorporated on 29 January 2010 as a holding company to effect a business combination between Lundin North Sea BV ('LNS') and Petrofac Energy Developments Limited ('PEDL').

The Group's half year condensed financial reporting for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 11 August 2011.

**2. Basis of preparation and accounting policies**

***Basis of preparation***

The Group condensed financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Statements'.

The Group half year condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2010, on which the auditors gave an unqualified audit report, have been filed with the Registrar of Companies.

***Accounting policies***

The accounting policies adopted in the preparation of the half year condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011 which are detailed in those statements and had no impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

**3. Segmental information**

Management have considered the requirements of IFRS 8, with regard to the determination of operating segments, and concluded that as the Group has only one operating segment being the exploration for, and the extraction and production of hydrocarbons in the United Kingdom Continental Shelf, no segmental information disclosures are provided in these half year condensed financial statements.

**4. Exceptional items and depletion of fair value uplift**

Exceptional items before tax disclosed separately in the six months ended 30 June 2011 are:

(i) a gain of US$8,644,000 arising on the disposal of the Slovenian Petisovci asset, obtained on the acquisition of Stratic, to Ascent Resources plc (note 10).

(ii) impairment expenses of US$10,629,000 arising on revaluation of available for sale assets (note 11).

(iii) a well abandonment credit of US$8,194,000, which has been recognised following a further review of options to recover these funds from the previous Thistle field owners.

Additional depletion arising from the fair value uplift of oil and gas assets on acquisition of US$9,233,000 before tax is included within 'cost of sales' for the six months ended 30 June 2011 (2010: US$6,773,000).

Income tax on exceptional items and depletion of fair value uplift of $43,308,000 includes $42,390,000 of exceptional tax relating to the one-off deferred tax adjustment in respect of the recently enacted increase in the supplementary charge on UK oil and gas production.

Exceptional items before tax disclosed separately in the six months ended 30 June 2010 were general and administration expenses relating to the acquisition of LNS and PEDL and the Company's listing on the London Stock Exchange and Stockholm NASDAQ OMX market of US$9,577,000 and exploration cost write offs of US$25,034,000.

Income tax has been applied on these items at the Group's effective tax rate.

**5. Earnings per share**

The calculation of earnings per share is based on the profit after tax and on the weighted average number of ordinary shares in issue during the period. The denominators for the purposes of calculating both basic and diluted earnings per share for each period have been adjusted to reflect the capital restructure in accordance with IAS 33, 'Earnings per Share'.

Basic and diluted earnings per share are calculated as follows:

| | Profit after tax Six months ended 30 June | | Weighted average number of shares Six months ended 30 June | | Earnings per share Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | *US$'000* | *US$'000* | *Million* | *Million* | *US$* | *US$* |
| | *Unaudited* | *Unaudited* | *Unaudited* | *Unaudited* | *Unaudited* | *Unaudited* |
| Basic | 22,688 | 17,966 | 800.8 | 586.70 | 0.028 | 0.031 |
| Dilutive potential of ordinary shares granted under share-based incentive schemes | - | - | 0.8 | 3.4 | | |
| Adjusted | 22,688 | 17,966 | 801.6 | 590.1 | 0.028 | 0.030 |

**6. Dividends**

No dividend was paid or proposed in the six months ended 30 June 2011 (2010: nil).

**7. Property, plant and equipment**

***Oil and gas assets***

During the six months ended 30 June 2011, the Group incurred expenditure of US$126,958,000 on oil and gas assets (2010: US$72,200,000 excluding oil and gas assets acquired through the business combination with PEDL, note 8) and changes in decommissioning provisions of US$31,503,000 were added (2010: nil).

There were no disposals of property, plant and equipment in the six months ended 30 June 2011 (2010: nil).

**8. Business combinations**

***Acquisition of Petrofac Energy Developments Limited***

The acquisition of Petrofac Energy Developments Limited ('PEDL') was completed in 2010 and the fair value allocation was accounted for using the acquisition method in 2010. The fair value allocation of the former PEDL assets and liabilities was provisional at 31 December 2010 and has been reviewed in accordance with the provisions of IFRS 3 Business Combinations (Revised).

The Group half year condensed financial statements for the six months to 30 June 2010 include the results of PEDL for the period from its acquisition date.

The initial fair values of assets and liabilities recognised on acquisition have been updated to reflect the finalisation of working capital adjustments. The changes to the fair values of the identifiable assets and liabilities of PEDL are as follows:

| | *Revised fair values US$'000 Unaudited* | *Initial fair value recognised on acquisition US$'000 Audited* | *Increase to the fair value recognised on acquisition US$'000 Unaudited* |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 500,526 | 500,526 | - |
| Deferred income tax asset | 27,310 | 27,310 | - |
| Inventories | 9,335 | 9,335 | - |
| Trade receivables | 5,626 | 4,884 | 742 |
| Joint venture receivables | 30,551 | 51,678 | (21,127) |
| Other receivables and prepayments | 21,253 | 20,051 | 1,202 |
| Cash | 16,135 | 16,135 | - |
| | 610,736 | 629,919 | (19,183) |
| **Liabilities** | | | |
| Provisions | (55,966) | (55,966) | - |
| Deferred tax liability | (40,510) | (37,665) | (2,845) |
| Trade and other payables | (69,310) | (94,183) | 24,873 |
| Accrued expenses | (29,040) | (29,040) | - |
| | (194,826) | (216,854) | 22,028 |
| Total identifiable net assets at fair value | 415,910 | 413,065 | (2,845) |
| Goodwill arising on acquisition | 97,257 | 100,102 | (2,845) |
| **Purchase consideration transferred, comprising 345,629,616 ordinary £0.05 EnQuest shares** | **513,167** | **513,167** | **-** |

No business combination expenses were incurred in the six months ended 30 June 2011 (2010: US$1,733,000 was included within exceptional items).

***Acquisition of Stratic***

The acquisition of Stratic was completed on 5 November 2010 and the provisional fair value allocation was accounted for in 2010. The provisional fair values of the identifiable assets and liabilities of Stratic are as presented in the Group's Annual Report and Accounts 2010. The review of the fair value of the assets and liabilities acquired will be completed within 12 months of the acquisition.

The fair value allocation of the former Stratic assets and liabilities was reviewed in accordance with IFRS 3 Business Combinations (Revised) resulting in a revised provisional property, plant and equipment value of US$122,600,000, increasing the provisional goodwill on acquisition to US$10,702,000.

**9. Intangible oil and gas assets**

During the period ended 30 June 2011, the Group incurred expenditure of US$9,940,000 (2010: US$1,504,000) on exploration and evaluation assets. See note 10 for details of the disposal of the held for sale asset.

During the six months ended 30 June 2011, the Area 26 exploration well at Don Southwest was drilled but was unsuccessful, resulting in a write off of expenditure of US$4,450,000. A further US$875,000 (2010: $25,034,000) of assets were written off or impaired in the period.

**10. Asset held for sale**

On 11 February 2011 the Group disposed of its held for sale interest in the Petisovci project ('Petisovci') in Slovenia in return for 150,903,958 new ordinary shares in Ascent Resources plc ('Ascent') at a market value of US$18,422,000, creating a gain of US$8,644,000 (note 4).

On 30 June 2011 US$3,954,000 of costs associated with the Group's Dutch licences were reclassified to asset held for sale following the announcement that these licences were to be sold.

**11. Investments**
Following disposal of the held for sale Petisovci asset on 11 February 2011, the Group held an investment of $18,422,000 in Ascent Resources plc (note 10). A further 10,000,000 shares were purchased during the period, increasing the value of the investment to US$19,231,000. The accounting valuation of the Group's shareholding at 30 June 2011 resulted in a non-cash impairment of US$10,629,000, reducing the investment to US$8,602,000.

**12. Share capital**
The share capital of the Company as at 30 June 2011 was US$113,433,000 (31 December 2010: US$113,174,000) comprising 802,660,757 ordinary shares of £0.05 each (31 December 2010: 799,462,905 ordinary shares of £0.05 each) and share premium of US$52,184,000 (31 December 2010: US$52,184,000).

On 14 April 2011, 3,197,852 ordinary shares of £0.05 each were issued and allotted to the Company's Employment Benefit Trust to satisfy awards made under the Company's share-based incentive schemes**.**

**13. Other current financial liabilities and cash flow hedge reserve**
At 30 June 2011, the Group held four oil collar contracts designated as cash flow hedges of expected future crude oil sales for which the Group has highly probable forecasted transactions. The terms of the oil collar contracts have been negotiated to match the terms of the forecasted crude oil sales.

The cash flow hedges of the expected future sales were assessed to be highly effective and, as at 30 June 2011, an unrealised loss of US$9,080,000 (31 December 2010: nil), net of US$14,815,000 deferred income tax relating to the hedging instrument is included in other comprehensive income.

**14. Capital commitments**
At 30 June 2011, the group had capital commitments of US$100,685,000 (31 December 2010: $78,602,000)

**15. Post balance sheet events**
Subsequent to 30 June 2011 the Group has acquired a further 8% interest in the Broom field from Dyas UK Limited for $7,500,000, increasing the Company's equity interest to 63% in the Broom field.

# Principal risks and uncertainties

The Group's risks and uncertainties are unchanged from those disclosed in the Group's Annual Report and Accounts 2010.

For the purposes of meeting the disclosure requirements of DTR 4.2.7(2) we believe that the Group's principal risks and uncertainties for the remaining six months are:

- **Health, Safety and Environment (HSE):** Oil and gas development, production and exploration activities are complex and HSE risks cover many areas including operational safety, personal health and safety, compliance with regulatory requirements and potential environmental harm.

- **Production:**
    - The Group's production is subject to a variety of risks including uncertain geology, operating in a difficult environment with mature equipment and potential for significant unplanned shutdowns and expenditure to occur.
    - Lower than expected reservoir performance may have a material impact on the Group's results.
    - The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal.

- **Reserve Replacement**: Failure to develop its contingent and prospective resources or secure new licences and/or asset acquisitions and realize their expected value could prevent the Group from executing it's strategy and creating value for shareholders.

- **Financial:** Inability to fund appraisal and development work programmes.

- **Human Resources:** The Group's success is dependent upon its ability to attract and retain key personnel.

- **Reputation:** The reputational and commercial exposures to a major offshore incident are significant.

- **Oil Price**: A material decline in oil and gas prices may adversely affect the Group's results of operations and financial condition.

- **Political and Fiscal:** Changes in the regulatory and fiscal climate could affect the Group's ability to deliver its strategy.

- **Joint Venture Partners:** Failure by joint venture parties to fund their obligations.

- **Competition**: The Group operates in a competitive environment across many areas including the acquisition of oil and gas assets, the marketing of oil and gas and the provision of oil and gas services.

We urge you to consider carefully the risks above, full details of which are contained in the Group's Annual report and Accounts 2010.

# Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed set of financial statements for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 – 'Interim Financial Reporting', and that the half year management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed financial statements.

A list of current directors is maintained on the EnQuest PLC website which can be found at www.enquest.com.

By the order of the Board

Amjad Bseisu
Chief Executive Officer

11 August 2011

# Independent review report to EnQuest PLC

**Introduction**
We have been engaged by the Company to review the condensed set of financial statements in the half-year financial report for the six months ended 30 June 2011 which comprises group statement of comprehensive income, group balance sheet, group statement of changes in equity, group cash flow statement and related notes 1 to 15. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

**Directors' Responsibilities**
The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our Responsibility**
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-year financial report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-year financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
11 August 2011