THIS DOCUMENT AND ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) (the "FSMA") if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises (i) a circular prepared in accordance with the Listing Rules of the FCA made under section 73A of the FSMA and (ii) a prospectus relating to the Company prepared in accordance with the Prospectus Rules of the FCA made under section 73A of the FSMA. This document has been approved by the FCA in accordance with section 85 of the FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Rules. This document together with the documents incorporated into it by reference (as set out in Part 13 ("*Documents Incorporated by Reference*")) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.EnQuest.com, at the Company's registered office and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2AG, United Kingdom.

If you sell or have sold or otherwise transferred or do transfer all your Existing Ordinary Shares (other than ex-rights) before 8.00 a.m. (London time) on 2 October 2018, being the date the shares are treated as "ex" the entitlement to the Rights Issue, or, in the case of the Swedish Rights Issue, before 9.00 a.m. (Stockholm time) on 25 September 2018, being the date the shares are treated as "ex" the entitlement to the Swedish Rights Issue, please forward this document together with the accompanying Form of Proxy and any provisional allotment letter or pre-printed issue account statement sent to qualifying shareholders for use in connection with the Rights Issue that you may receive as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee except that **such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities law or regulation, including, but not limited to, the United States and the Excluded Territories**. If you have sold or otherwise transferred part of your holding of Existing Ordinary Shares (other than ex-rights) prior to such date, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in Part 12 ("*Terms and Conditions of the Rights Issue*") of this document and in the Provisional Allotment Letter. If your registered holding(s) of Existing Ordinary Shares which were sold or transferred were held in uncertificated form and were sold or transferred before 6.00 p.m. on 26 September 2018, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. Instructions regarding split applications are set out in Part 12 ("*Terms and Conditions of the Rights Issue*") of this document and in the Provisional Allotment Letter.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List maintained by the FCA and traded on the London Stock Exchange plc's main market for listed securities and listed on NASDAQ Stockholm. Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on the main market. It is expected that LSE Admission will become effective and that dealings on the main market will commence in the New Ordinary Shares (nil paid) at 8.00 a.m. (London time) on 2 October 2018. Application will also be made to NASDAQ Stockholm AB for the Swedish Subscription Rights and the New Ordinary Shares to be listed on NASDAQ Stockholm. 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*). It is expected that Stockholm Rights Admission will become effective and that dealings on NASDAQ Stockholm in the Swedish Subscription Rights will commence (for normal settlement) at 9.00 a.m. (Stockholm time) on 2 October 2018 and that Stockholm Admission will become effective and that dealings on NASDAQ Stockholm in the New Ordinary Shares will commence (for normal settlement) at 9.00 a.m. (Stockholm time) on 31 October 2018.

The distribution of this document and/or any documents issued by the Company in connection with the Rights Issue and/or the accompanying documents, and/or the transfer of Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights, Paid Subscribed Shares and/or New Ordinary Shares in jurisdictions outside the United Kingdom or Sweden may be restricted by law and therefore persons into whose possession this document and/or any accompanying documents come should inform themselves about and observe such restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, subject to certain exceptions, this document and any documents issued by the Company in connection with the Rights Issue should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory. All Overseas Shareholders and any person (including, without limitation, agents, custodians, nominees or trustees) who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Rights Issue, if and when received, to a jurisdiction outside the United Kingdom or Sweden should read paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*").

The Company and the Directors, whose names appear on pages 227 to 230 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief 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 does not omit anything likely to affect the import of such information.

EnQuest PLC

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

Proposed exercise of options relating to the Magnus field and the Thistle and Deveron fields

and

Proposed 3 for 7 Rights Issue of 508,321,844 New Ordinary Shares at an Issue Price of 21 pence per New Ordinary Share or, for Qualifying Swedish Shareholders, the Swedish Krona Issue Price

and

Notice of General Meeting

BofA Merrill Lynch
Joint Bookrunner

J.P. Morgan Cazenove
Sponsor and Joint Bookrunner

The whole of the text of this document should be read in its entirety. Your attention is drawn to the letter of recommendation from the Chairman of EnQuest PLC which is set out in Part 1 ("*Letter from the Chairman of EnQuest PLC*"). Your attention is also drawn, in particular, to the section headed "*Risk Factors*" at the beginning of this document which sets out certain risks and other factors that should be taken into account by Shareholders when considering whether to take up rights under the Rights Issue.

The Rights Issue is conditional, *inter alia*, upon (i) the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree); (ii) the Magnus Call Option Deed remaining in full force and effect, not having lapsed or been or capable of being terminated prior to LSE Admission; (iii) the Company having complied with its obligations under the Underwriting Agreement and under the terms and conditions of the Rights Issue which fall to be performed on or prior to LSE Admission and such agreement having become unconditional save as otherwise agreed by the Joint Bookrunners, acting jointly, and the Underwriting Agreement not having been terminated prior to LSE Admission; and (iv) LSE Admission becoming effective by not later than 8.00 a.m. on 2 October 2018 (or such later time and/or date as the Company may agree with the Joint Bookrunners, not being later than 8.00 a.m. on 16 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on or before 16 October 2018. The New Ordinary Shares, when issued and fully paid, will rank in full for all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission of the New Ordinary Shares and will otherwise rank *pari passu* with the Existing Ordinary Shares.

In addition to this document, subject to the passing of the Resolutions, Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in any of the Excluded Territories or the United States) will be sent a Provisional Allotment Letter on 1 October 2018. Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying CREST Shareholders with registered addresses in any of the Excluded Territories or the United States), none of whom will receive a Provisional Allotment Letter, will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 2 October 2018. The Nil Paid Rights so credited are expected to be enabled for settlement as soon as practicable after LSE Admission. Qualifying Swedish Directly Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Directly Registered Shareholders with registered addresses in any of the Excluded Territories or the United States) will receive a credit to their appropriate stock accounts in the VPC System in respect of the Swedish Subscription Rights to which they are entitled on 2 October 2018 and will be sent a Pre-Printed Issue Account Statement on or about 2 October 2018. Qualifying Swedish Nominee Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Nominee Registered Shareholders with registered addresses in any of the Excluded Territories or the United States) will be provided information in relation to the Swedish Rights Issue and procedures as to how to participate in it by their respective nominees. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding action to be taken in connection with this document and the Rights Issue.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. (London time) on 19 October 2018, provided that the latest time and date for acceptance and payment in full under the Swedish Rights Issue is 5.00 p.m. (Stockholm time) on 16 October 2018. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part 12 ("*Terms and Conditions of the Rights Issue*") and, where relevant, in the Provisional Allotment Letter, in the Pre-Printed Issue Account Statement or in the Swedish Application Form.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Fractional entitlements will not be allotted to Qualifying Shareholders and, where applicable, will be rounded down to the nearest whole number of New Ordinary Shares. Such fractional entitlements will be aggregated and, if possible, issued or sold in the market for the benefit of the Company. Qualifying Shareholders with fewer than 200 Existing Ordinary Shares at the close of business on the Record Date are not entitled to any New Ordinary Shares.

Notice of a General Meeting of EnQuest PLC to be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2AG, on 1 October 2018 at 9.00 a.m. (London time), is set out at the end of this document. You will find enclosed a Form of Proxy for use at the meeting. To be valid, any Form of Proxy or other instrument appointing a proxy must be received by post or by hand (during normal business hours only) in accordance with the instructions printed on the Form of Proxy to arrive no later than 9.00 a.m. (London time) on 27 September 2018. Completion of a Form of Proxy, or other instrument appointing a proxy or any CREST proxy instruction will not preclude a member from attending and voting in person at the meeting if he/she wishes to do so. Shareholders may also submit their proxy electronically via the internet. Details on how to do this can be found on the Form of Proxy. Holders of Existing Ordinary Shares registered in the VPC system, held with a bank or other nominee must request a temporary registration of the voting rights in order to be able to participate at the General Meeting, such requests to be made in advance of 27 September 2018.

J.P. Morgan Securities plc (which conducts its investment banking activities in the United Kingdom as J.P. Morgan Cazenove, "**J.P. Morgan Cazenove**"), which is authorised by the Prudential Regulatory Authority ("**PRA**") and regulated in the UK by the Financial Conduct Authority ("**FCA**") and the PRA, is acting exclusively for the Company and no one else in connection with the contents of this document, the Rights Issue, the Proposed Transactions, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Rights Issue, the Proposed Transactions, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the contents of this document, the Rights Issue, the Proposed Transactions, Admission or any other matter or arrangement referred to in this document.

Merrill Lynch International ("**BofA Merrill Lynch**"), which is authorised by the PRA and regulated in the UK by the FCA and the PRA, is acting exclusively for the Company and no one else in connection with the contents of this document, the Rights Issue, Admission or any other matters referred to in this document and will not regard any other person (whether or not a recipient of this document) as its respective clients in relation to the Rights Issue, Admission or any other matters referred to in this document and will not be responsible for providing the protections afforded to its respective clients nor for giving advice in relation to the contents of this document, the Rights Issue, Admission or any other matter or arrangement referred to in this document.

Save for the sponsor's responsibilities of J.P. Morgan Cazenove under the FSMA, none of BofA Merrill Lynch, J.P. Morgan Cazenove or any of their respective affiliates assumes any responsibility for the accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares, the Rights Issue, the Proposed Transactions, LSE Admission, Stockholm Rights Admission or Stockholm Admission in this document. No representation or warranty, express or implied, is made by BofA Merrill Lynch, J.P. Morgan Cazenove or any of their respective affiliates as to the accuracy, completeness or verification of the information set forth in this document and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of BofA Merrill Lynch, J.P. Morgan Cazenove and their respective affiliates accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which they might otherwise have in respect of this document or any such statement.

In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

Overseas Territories

SUBJECT TO CERTAIN EXCEPTIONS THE RIGHTS ISSUE DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES OR ANY EXCLUDED TERRITORY. Neither this document nor the Provisional Allotment Letter constitutes or forms part of any offer to sell or issue, or any solicitation of any offer to acquire, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights, Paid Subscribed Shares or New Ordinary Shares offered to any person with a registered address, or who is resident or located in, any jurisdiction in which such an offer or solicitation is unlawful.

The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares have not been and will not be registered under the applicable securities laws of any Excluded Territory and may not be offered or sold in such jurisdictions or to, or for the account or benefit of, any resident of such jurisdictions. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or the New Ordinary Shares in any of the Excluded Territories.

All Overseas Shareholders and any person (including, without limitation, an agent, custodian, nominee, or trustee) who is holding Existing Ordinary Shares for the benefit of such persons or who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Rights Issue including this document or any Provisional Allotment Letter, if and when received, to a jurisdiction outside the United Kingdom, should read paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*") entitled "*Overseas Shareholders*".

Subject to certain exceptions, this document and the Provisional Allotment Letter, and the Pre-Printed Issue Account Statement and the Swedish Application Form should not be distributed, forwarded or transmitted in or into the United States or any of the Excluded Territories or in or into any jurisdiction or to any person where the extension or availability of the Rights Issue would breach any applicable law.

The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, in, into or within the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or the New Ordinary Shares in the United States. The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares made available pursuant to the Rights Issue outside the United States are being offered and sold in offshore transactions in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares and the distribution of this document, see paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*").

Until the expiry of 40 days after the commencement of the Rights Issue, an offer or sale of Nil Paid Rights, Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or New Ordinary Shares within the United States by a dealer (whether or not it is participating in the Rights Issue) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the US Securities Act.

The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions that apply to the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares as described in paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*"). Shareholders taking up their rights under the Rights Issue outside the United States will be deemed to have made the relevant representations described in Part 12 ("*Terms and Conditions of the Rights Issue*").

General Notice

In connection with the Rights Issue, BofA Merrill Lynch, J.P. Morgan Cazenove and/or any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares in the Rights Issue as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in relation to the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares, the New Ordinary Shares and/or related instruments in connection with the Rights Issue or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and New 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, placing or dealing by, BofA Merrill Lynch, J.P. Morgan Cazenove and/or any of their respective affiliates acting in such capacity. In addition, BofA Merrill Lynch, J.P. Morgan Cazenove and/or their respective affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which BofA Merrill Lynch, J.P. Morgan Cazenove and/or their affiliates may from time to time acquire, hold or dispose of Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and New Ordinary Shares. None of BofA Merrill Lynch, J.P. Morgan Cazenove and/or any of their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Joint Bookrunners and their respective affiliates have from time to time engaged in, and may in future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. They have received and will receive customary fees and commissions for these transactions and services. In addition, an affiliate of BofA Merrill Lynch and an affiliate of J.P.Morgan Cazenove are SFA Lenders (as defined herein) and each such affiliate may have performed its own credit analysis on the Company. The Company does not intend to use proceeds from the Rights Issue to repay bank debt.

Subject to the FSMA, the Listing Rules, the Prospectus Rules, the DTRs, the Swedish Financial Instruments Trading Act, the Swedish Listing Rules and the Swedish Securities Act, neither the delivery of this document nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as at any time after this date.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer of the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, the Swedish Subscription Rights and/or the Paid Subscribed Shares and determining appropriate distribution channels.

This document is dated 7 September 2018.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". The Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer (defined below). Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A—Introduction and Warnings		
A.1	**Introduction and warning to investors:**	This summary should be read as an introduction to this document. Any decision to invest in the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or the New Ordinary Shares should be based on consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the relevant member state of the European Economic Area, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document or if it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares or the New Ordinary Shares.
A.2	**Consent for intermediaries:**	Not applicable. The Company has not given its consent to the use of the document for subsequent resale or final placement of securities requiring a prospectus by financial intermediaries.

Section B—Issuer		
B.1	**Legal and commercial name:**	EnQuest PLC ("**EnQuest**" or the "**Company**").
B.2	**Domicile and legal form, applicable legislation and country of incorporation:**	The Company was incorporated and registered on 29 January 2010 in England and Wales as a public company limited by shares under the Companies Act 2006 with registered number 7140891.
B.3	**Current operations/principal activities and markets:**	EnQuest is one of the largest independent UK oil producers in the UK North Sea (as last measured for the twelve months ended 31 December 2017) and had interests in 20 UK production licences, 18 of which the Group operates, as of 30 June 2018. In addition, the Group has interests in Malaysia through the PM8/Seligi PSC and the Tanjong Baram SFRSC. The Group's average daily production on a working interest basis for the six months ended 30 June 2018 was 53,990 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2017 was 37,405 boepd and its net 2P reserves were 210 MMboe as of 31 December 2017. In the eight years since EnQuest's inception, it has increased its net 2P reserves to 210 MMboe as of 1 January 2018, representing a net 161 per cent. increase or a growth of approximately 13 per cent. per annum, and converted the equivalent of 99 per cent. of its original 81 MMboe reserves into produced oil. As of 31 December 2017, the Group's assets had a reserve life of 17 years.

		EnQuest's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focussing on operational excellence, differential capability, value enhancement and financial discipline. The Group's producing assets generated business performance revenue and EBITDA of \$635.2 million and \$303.6 million, respectively, during 2017. During the first half of 2018, the Group's producing assets generated business performance revenue of \$548.3 million, representing an increase of \$253.5 million, or 86.0 per cent., over the first half of 2017, and EBITDA of \$311.9 million, representing an increase of \$160.9 million, or 106.6 per cent., over the first half of 2017.
B.4a	**Significant recent trends affecting the Company:**	On 7 September 2018, the Company announced its 2018 Unaudited Interim Financial Statements. As disclosed therein, the Group generated business performance revenue of \$548.3 million (2017: \$294.8 million) and EBITDA of \$311.9 million (2017: \$151.0 million) for the six-month period ended 30 June 2018. This increase in revenue and EBITDA was caused by higher production volumes and market prices and was partially offset by the impact of hedging. The Group's unit cash operating costs were \$22.6/bbl (2017: \$24.9/bbl), showing no change to full year guidance. The average ICE Brent Crude oil price increased from \$75.55 as of 30 June 2018 to \$77.42 as of 31 August 2018. The Group's average daily production on a working interest basis was up 45.9 per cent., averaging 53,990 boepd in the six months to end June 2018; full year 2018 guidance of 50,000 boepd to 58,000. Following completion of the required filter maintenance at Kraken, water injection rates have significantly increased and gross production has subsequently improved. New wells at Heather, Magnus and PM8/Seligi are onstream and producing in line with the Group's expectations. Alma/Galia workovers completed in August 2018 and aggregate production increased as planned. During the six months ended 30 June 2018, the Group decreased the level of committed liquidity under the SFA by \$50 million. An additional voluntary prepayment of \$25 million was made during August 2018. A scheduled amortisation reduction under the facility of \$195 million is due in October 2018 and \$175 million is due in April 2019. In August 2018, the Kraken partners agreed a compensation settlement from Armada Kraken Pte Ltd, a wholly-owned subsidiary of Bumi Armada Berhad ("**Bumi**"), in relation to historic issues with the FPSO. Bumi has agreed to pay \$15 million to the Kraken partners, which is to be fully settled by 17 December 2018. Within this agreement, the parties agreed requirements for issuance of the Acceptance Certificate, which have now been met. As a result, the Acceptance Certificate has now been issued to Bumi. The Group has agreed \$175 million of financing with funds managed by Oz Management. The financing, which is at a lower cost than the current interest on EnQuest's existing senior credit facility, is ring-fenced on a 15 per cent. interest in the Kraken oil field and will be repaid out of the cash flows associated with the 15 per cent. ring-fenced interest over a maximum of five years.

B.5	**Description of the Group and the Company's position therein:**	The Company was incorporated in 2010 and is the ultimate parent company of the Group, which comprises the Company and its subsidiaries.
B.6	**Interests in the Company and voting rights:**	As at the Latest Practicable Date, the interests (all of which are or will be beneficial unless otherwise stated) of the Directors and Senior Managers (and their connected persons) in the share capital of the Company are as follows:

Director/ Senior Manager	Ordinary Shares held at the Latest Practicable Date[1]	Percentage of issued Ordinary Share capital at the Latest Practicable Date[1] (%)	Ordinary Shares held immediately after the Rights Issue[2]	Percentage of issued Ordinary Shares capital immediately after the Rights Issue[2] (%)
Chairman and Executive Directors				
Amjad Bseisu[3]	103,258,316	8.71	147,511,880.00	8.71
Jock Lennox	28,889	0.00	41,270.00	0.00
Jonathan Swinney	203,146	0.02	290,208.00	0.02
Non-Executive Directors				
Laurie Fitch	–	–	–	–
Philip Holland	108,332	0.01	154,760.00	0.01
Carl Hughes	20,000	0.00	28,571.00	0.00
Helmut Langanger	288,889	0.02	412,698.00	0.02
John Winterman	–	–	–	–
Senior Managers				
Stefan Ricketts	105,440	0.01	150,628.00	0.01
Faysal Hamza	587,333	0.05	839,047.00	0.05
Bob Davenport	–	–	–	–
Imran Malik	–	–	–	–
John Penrose	93,154	0.01	133,077.00	0.01
Salman Malik	154,597	0.01	220,852.00	0.01
Martin Mentiply	11,356	0.00	16,222.00	0.00

Notes:

(1) Options and awards over Ordinary Shares and interests in the long-term incentive plan held by the Directors. They are not included in the interests of the Directors shown in the table above.

(2) Assuming (i) that no awards vest or share options are exercised between the Latest Practicable Date and completion of the Rights Issue; and (ii) that the Directors and Senior Managers (and connected persons) take up their rights under the Rights Issue in full.

(3) These shares are held by Double A Limited, an entity beneficially owned by Amjad Bseisu and his extended family.

So far as the Company is aware, as at the Latest Practicable Date, the following persons (other than the Directors and Senior Managers) had notifiable interests in three per cent. or more of the issue share capital of the Company:

Shareholder	Ordinary Shares held at the Last Practicable Date	Percentage of issued Ordinary Share capital at the Last Practicable Date (%)	Ordinary Shares held immediately after the Rights Issue[2]	Percentage of issued Ordinary Shares capital immediately after the Rights Issue (%)[2]
Aberforth Partners LLP	105,292,001	8.88	150,417,144.00	8.88
Double A Limited[1]	103,141,033	8.70	147,344,332.00	8.70
Baillie Gifford & Co Ltd	69,934,972	5.90	99,907,102.00	5.90
EnQuest Employee Benefit Trust[3]	51,628,456	4.35	73,754,937.00	4.35
Hargreaves Lansdown Asset Management	51,375,063	4.33	73,392,947.00	4.33
Swedbank Robur Fonder AB	48,204,048	4.06	68,862,925.00	4.06

Shareholder	Ordinary Shares held at the Last Practicable Date	Percentage of issued Ordinary Share capital at the Last Practicable Date (%)	Ordinary Shares held after the Rights Issue[2]	Percentage of issued Ordinary Shares capital after the Rights Issue (%)[2]
Dimensional Fund Advisors	43,236,786	3.65	61,766,837.00	3.65

Note:

(1) Double A Limited is a company beneficially owned by the extended family of Amjad Bseisu.

(2) Assuming (i) that no awards vest and no share options are exercised between the Latest Practicable Date and Admission; and (ii) that each of the Shareholders listed above takes up their rights under the Rights Issue in full.

(3) EnQuest Employee Benefit Trust have agreed to take up their entitlements in full in respect of the Unallocated Shares to the extent that it receives sufficient funding from the Group.

So far as the Company is aware, no person or persons, directly or indirectly, jointly or severally own or exercise or could exercise control over the Company. There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by any other holder of Ordinary Shares.

B.7 **Selected key historical financial information:**

The tables below set out the Group’s summary financial information for the periods indicated. The consolidated financial information for the Group for each of the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 has been extracted without material adjustment from the 2015 Financial Statements, the 2016 Financial Statements and the 2017 Financial Statements, respectively. The consolidated financial information for the Group as at and for the six months ended 30 June 2018 (and comparative information for the six months ended 30 June 2017) is unaudited and has been extracted without material adjustment from the 2018 Unaudited Interim Financial Statements.

Group Statement of Comprehensive Income

	Reported in year			Reported in period	
	2015 (Audited) US$’000	2016 (Audited) US$’000	2017 (Audited) US$’000	Six months ended 30 June 2017 (Unaudited) \ US$’000	Six months ended 30 June 2018 (Unaudited) US$’000
Revenue and other operating income	908,514	798,123	627,451	342,405	550,833
Cost of sales	(748,538)	(656,366)	(564,025)	(233,922)	(448,334)
Gross profit	159,976	141,757	63,426	108,483	102,499
Profit from operations before tax and finance income/(costs)	(1,115,424)	345,079	(96,694)	13,723	146,009
Profit/(loss) before tax	(1,340,941)	217,244	(243,773)	(21,326)	19,129
Income tax	581,457	(32,032)	182,943	50,646	24,193
Profit/(loss) for the year attributable to owners of the parent	(759,484)	185,212	(60,830)	29,320	43,322
Total comprehensive income for the year, attributable to the owners of the parent	(684,672)	51,054	(60,835)	29,316	43,286

Group Balance Sheet

	As at 31 December			As at 30 June	
	2015 (Audited) US$'000	2016 (Audited) US$'000	2017 (Audited) US$'000	2017 (Unaudited) US$'000	2018 (Unaudited) US$'000
Assets					
Non-current assets	2,826,429	3,433,437	4,496,648	4,323,801	4,392,099
Current assets	950,909	492,552	541,823	358,417	616,138
Total assets	**3,777,338**	**3,925,989**	**5,038,471**	**4,682,218**	**5,008,237**
Total equity	**667,199**	**818,852**	**760,866**	**853,035**	**768,079**
Non-current liabilities	2,530,813	2,569,461	3,357,850	3,287,131	3,145,295
Current liabilities	579,326	537,676	919,755	542,052	1,094,863
Total liabilities	**3,110,139**	**3,107,137**	**4,277,605**	**3,829,183**	**4,240,158**
Total equity and liabilities	**3,777,338**	**3,925,989**	**5,038,471**	**4,682,218**	**5,008,237**

Group Statement of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2015 (Audited) US$'000	2016 (Audited) US$'000	2017 (Audited) US$'000	2017 (Unaudited) US$'000	2018 (Unaudited) US$'000
Profit/(loss) before tax	(1,340,941)	217,244	(243,773)	(21,326)	19,129
Operating profit before working capital changes	242,058	407,222	276,932	133,751	329,570
Cash generated from operations	221,694	408,247	327,034	136,921	318,251
Net cash flows from operating activities	244,553	379,461	301,781	150,603	339,199
Net cash flows used in investing activities	(753,656)	(608,736)	(363,690)	(201,217)	(125,238)
Net cash flows from financing activities	596,221	149,180	58,307	(59,356)	(195,386)
Net increase in cash and cash equivalents	87,118	(80,095)	(3,602)	(109,970)	18,495
Cash and cash equivalents at end of period	257,540	168,060	169,668	60,622	185,451

The Group's revenue during the period covered by the historical financial information was mainly derived from oil sales from its producing assets in the UKCS and Malaysia and also includes gains or losses from the Group's commodity hedging activities. While the Group's revenues declined over the period 2015 to 2017, revenues in the first half of 2018 have increased compared to the same period in 2017. This increase is primarily as a result of a material growth in production and higher market oil prices.

In recent years, the Group's average unit operating costs have declined substantially. While the Group's average unit operating costs in 2017 increased slightly to $25.6/bbl (compared to $24.6/bbl in 2016), primarily as a result of the decrease in production in 2017, they remain below the 2015 level of $29.7/bbl and well below historical levels. Average unit operating costs in the first half of 2018 were $22.6/bbl (compared to $24.9/bbl in the first half of 2017), reflecting the Group's increased production in 2018.

The Group's capital investment from 2015 to 2017 principally related to drilling campaigns at Kraken, Heather and PM8/Seligi. In light of the low oil price environment, capital investment was reduced for both the Group's development and producing assets as part of its cost optimisation programme. Capital expenditure decreased from $751.1 million in 2015 to $367.6 million in 2017, primarily as a result of the reduction in the capital expenditure budget for Kraken as the development came onstream and progressed towards completion.

On 24 January 2017, the Company's subsidiary EnQuest NNS Limited (the "**SPV**") entered into the Magnus SPA to acquire from BPEOC the 25 per cent. Interests and operatorship of the Magnus Assets. Completion of SPV's acquisition of the 25 per cent. Interests (and transfer of operatorship of the Magnus Assets from BPEOC to SPV) occurred on 1 December 2017. On 24 January 2017, SPV also entered into the Magnus Call Option Deed with BPEOC, pursuant to which SPV was granted an option to require BPEOC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests.

On 21 November 2016, the Company concluded a comprehensive financial restructuring comprising: amendments to the SFA, High Yield Notes and Retail Notes; renewal of Surety Bonds; and a placing and open offer (the "**Restructuring**"). The Restructuring significantly improved EnQuest's liquidity position

As part of the Restructuring:

- On 21 November 2016, EnQuest completed the offering of up to $982.4 million 7 per cent. PIK Toggle Senior Notes, with an initial principal of $677.5 million, due 2022 in exchange for its previously outstanding $650 million 7 per cent. senior notes due 15 April 2022 pursuant to a scheme of arrangement.
- The Company's SFA was amended and restated.
- The terms of the Original Retail Notes were amended and such amended Original Retail Notes have become the 7.00 per cent. Extendable PIK Toggle Notes originally due 15 February 2015, as extended to 15 April 2022.

Other significant financing activities during the period covered by the historical financial information include:

- The completion of the £42 million SVT Working Capital Facility and the $80 million Mercuria Prepayment Facility in 2016; and
- The Tanjong Baram Project Finance Loan was refinanced by an up to $34.6 million loan facility in 2017.

In August, the Group agreed $175 million of financing with funds managed by Oz Management. The financing is ring-fenced on a 15 per cent. interest in the Kraken oil field and will be repaid out of the cash flows associated with the 15 per cent. ring-fenced interest.

Save to the extent disclosed above, there has been no significant change in the financial condition and/or operating results of the Company or the Group during the period covered by the historical financial information and since 30 June 2018, being the date to which the last published unaudited financial statements of the Group were prepared.

B.8	Selected key pro forma financial information:	

Unaudited pro forma statement of net assets

As at 30 June 2018

	EnQuest PLC net assets as at 30 June 2018	Rights Issue	De-recognition of Financial Asset	Fair value of 75% Interests as at 30 June 2018	Acquisition consideration	Goodwill	25% acquisition uplift	Thistle option	Pro forma total
		Adjustments							
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	(Note 9)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets									
Non Current Assets									
Property, plant and equipment	3,707,505	–	–	541,334	–	–	26,937	–	4,275,775
Goodwill	189,317	–	–	–	–	275,562	–	–	464,879
Intangible Oil & Gas assets	52,509	–	–	–	–	–	–	–	52,509
Investments	90	–	–	–	–	–	–	–	90
Deferred Tax assets	432,460	–	–	–	–	–	–	–	432,460
Other financial assets	10,218	–	–	–	–	–	–	–	10,218
Current assets									
Inventory	88,304	–	–	22,285	–	–	–	–	110,589
Trade and other receivables	258,214	–	–	(21,151)	–	–	–	–	237,063
Current Tax Receivable	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	188,743	127,000	–	–	(100,000)	–	–	20,000	235,743
Other financial assets	80,887	–	(64,090)	–	–	–	–	(6,467)	10,320
Total assets	**5,008,237**	**127,000**	**(64,090)**	**542,468**	**(100,000)**	**275,562**	**26,937**	**13,533**	**5,829,646**
Non-current liabilities									
Borrowings	718,152	–	–	–	–	–	–	–	718,152
Bonds	999,902	–	–	–	–	–	–	–	999,902
Obligations under finance leases	648,953	–	–	–	–	–	–	–	648,953
Provisions	670,448	–	–	–	418,618	–	–	–	1,089,066
Trade and Other payables	20,247	–	–	–	–	–	–	–	20,247
Other financial liabilities	27,354	–	–	18,788	–	–	–	13,533	59,675
Deferred tax liabilities	60,239	–	–	216,533	–	–	10,775	–	287,547
Current liabilities									
Borrowings	470,667	–	–	–	–	–	–	–	470,667
Obligations under finance leases	100,178	–	–	–	–	–	–	–	100,178
Provisions	40,004	–	–	–	–	–	–	–	40,004
Trade and Other payables	416,414	–	–	–	–	–	–	–	416,414
Other financial liabilities	58,253	–	–	–	–	–	–	–	58,253
Current tax liabilities	9,347	–	–	–	–	–	–	–	9,347
Total liabilities	**4,240,158**	**–**	**–**	**235,322**	**418,618**	**–**	**10,775**	**13,533**	**4,918,406**
Net assets	**768,079**	**127,000**	**(64,090)**	**307,146**	**(518,618)**	**275,562**	**16,162**	**–**	**911,241**

Notes:

1. The consolidated net assets of EnQuest PLC as at 30 June 2018 have been extracted, without material adjustment, from the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018.

2. The gross proceeds of the Rights Issue of $138.0 million is calculated on the basis that the Rights Issue will be made on the basis of three New Ordinary Shares at 21 pence per Ordinary Share for every seven Existing Ordinary Shares in issue as at 6 September 2018, using an exchange rate of 1.2928 USD to 1.0000 GBP as at 6 September 2018.

   The net proceeds of $127 million include: (a) the impact of estimated expenses of $3.2 million, which will be accounted for as a reduction of equity, (b) the impact of $6.1 million of gross proceeds in relation to Employee Benefit Trust shares, which will result in a net nil impact on the cash balance and (c) the impact of estimated transaction costs of $1.7 million as a result of the Magnus Transaction and the Thistle Transaction.

3. As set out in Part 3, on 24 January 2017, EnQuest entered into the Magnus Option with BPEOC to acquire the remaining 75% Interests. As EnQuest is exercising the Magnus Option, this adjustment reflects the derecognition of the option, which was held at a fair value of $64.1 million as at 30 June 2018. The fair value is included in the calculation of goodwill (see note 6).

4. The unaudited pro-forma statement of net assets has been prepared on the basis that the acquisition of the 75% Interests by EnQuest PLC will be treated as a business combination in accordance with IFRS 3 – Business Combinations. The acquisition adjustments relate to the fair value measurements of the acquired assets and liabilities.

   The adjustments in respect of property, plant and equipment relate to the fair value of the interests in the acquired oil and gas assets. The fair value has been calculated on the basis of economic models using information currently available which includes forecast oil and gas prices, oil and gas production and production sales contracts.

Discount rates have been applied to the fair value measurement reflecting specific risks with the transaction.

Inventory and trade and other receivables adjustments reflect the carrying value of these assets at 30 June 2018, including the elimination of a receivable due from the vendor to EnQuest PLC as operator.

As part of the Magnus Transaction, EnQuest PLC has agreed to pay additional consideration in relation to the management of the physical decommissioning costs. The fair value of the financial liability represents the amount due to BP by reference to 7.5% of BP's actual decommissioning costs on Magnus on an after tax basis.

A deferred income tax liability of $216.5 million has been recognised, calculated by applying the prevailing combined corporate and supplementary tax charge rate of 40% in respect of the fair value of the property, plant and equipment recognised.

As set out in paragraph 5 of Part 1, EnQuest Heather will be the owner of the 75% Interests at completion of the Magnus Option. As a result of the cumulative tax losses in EnQuest Heather, no current income tax liability has been recognised.

5. The total consideration for the acquisition is $300 million, subject to customary adjustments in respect of working capital, and a profit share of 50% until cessation of production (COP), capped at $1 billion. Other than the initial consideration of $100 million which is paid at Completion, the remainder is deferred and contingent and reflected as an adjustment to provisions.

   The calculation of contingent consideration is also based on the same economic models prepared in respect of the fair value of the assets using information currently available which includes forecast oil and gas prices, oil and gas production, production sales contracts and other expenditure as relevant. A discount rate has been applied to the gross contingent consideration to reflect the value as at 30 June 2018. $418.6 million is recognised as an additional liability.

6. For the purposes of the pro forma statement of net assets, the excess purchase consideration and fair value of the Magnus Option over the fair value of the 75% Interests has been attributed to goodwill. The preliminary goodwill has been calculated as follows:

Purchase consideration as per note 5 (subject to working capital adjustments):	$518.6 million
Add: Fair value of Magnus Option as per note 3:	$64.1 million
Less: Fair value of 75% Interests:	$307.1 million
Goodwill:	$275.6 million

   On Completion, an exercise will be undertaken to calculate the revised purchase price adjustment under the terms of the Sale and Purchase Agreement. As a result, the adjustments shown in the pro forma may not reflect the purchase price adjustments as at Completion.

7. The acquisition of the 75% Interests is a step-up acquisition under IFRS 3 – Business Combinations. As a result, the 25% Interests originally acquired on 1 December 2017 is required to be fair valued as at 30 June 2018. The fair value of the 25% Interests has resulted in an uplift to property, plant and equipment of $27.0 million. A deferred tax liability of $10.8 million has been recognised, calculated by applying the prevailing combined corporate and supplementary tax charge rate of 40% in respect of the fair value uplift.

8. The Thistle Option will be exercised resulting in the receipt of $20 million, offset by the derecognition of the financial asset of $6.5 million and the recognition of a $13.5 million financial liability representing the liability to be paid to BPEOC representing the incremental from 4.5% to 7.5% of the decommissioning costs on the Thistle and Deveron fields.

9. In preparing the unaudited pro forma statement of net assets no account has been taken of the trading or transactions of EnQuest PLC or the 75% Interests since 30 June 2018, including the financing with OZ Management.

Unaudited Pro Forma Income Statement
For the six months ended 30 June 2018

		Adjustments			
	EnQuest PLC – Income Statement for the six months ended 30 June 2018	**75% Interests results for the six months ended 30 June 2018**	**De-recognition of Financial Asset**	**Transaction costs**	**Pro forma total**
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5, 6)
	$'000	$'000	$'000	$'000	$'000
Revenue and Other operating Income	550,833	163,154	–	–	713,987
Cost of sales	(448,334)	(122,105)	–	–	(570,439)
Gross Profit/(Loss)	**102,499**	**41,049**	**–**	**–**	**143,548**
Impairment of oil and gas assets	(6,569)	–	–	–	(6,569)
General and Administrative expenses	(6,990)	–	–	–	(6,990)
Other income	59,702	–	(41,790)	–	17,912
Other expenses	(2,633)	(1,580)	–	(1,700)	(5,913)
Profit/(Loss) from operations before tax and finance income/(costs)	**146,009**	**39,469**	**(41,790)**	**(1,700)**	**141,988**
Finance costs	(128,263)	(4,278)	–	–	(132,541)
Finance income	1,383	140	–	–	1,523
Profit/(Loss) before tax	**19,129**	**35,331**	**(41,790)**	**(1,700)**	**10,970**
Income tax	24,193	(14,532)	–	–	9,661
Profit/(Loss) for the year attributable to shareholders of the parent	**43,322**	**20,799**	**(41,790)**	**(1,700)**	**20,631**

Notes:

1. The consolidated income statement of EnQuest PLC for the six months ended 30 June 2018 has been extracted, without material adjustment, from the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018.

2. The income statement of the 75% Interests for the six months ended 30 June 2018 has been extracted from the operator's unaudited accounting records.

   The income tax expense of $14.5 million is the deferred income tax expense in relation to the 75% Interests. EnQuest Heather will be the owner of the 75% Interests at completion of the Magnus Option. As a result of the cumulative tax losses in EnQuest Heather, no current income tax has been recognised.

3. As set out in Part 3, on 24 January 2017, EnQuest PLC entered into the Magnus Option with BPEOC to acquire the remaining 75% Interests.

   As EnQuest is exercising the Magnus Option, this adjustment reflects the derecognition of the fair value movement of $41.8 million as recorded in the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018. These costs will not have a continuing impact.

4. Transaction costs expected to be incurred as a result of the Magnus Transaction and the Thistle Transaction and charged to the income statement comprise $1.7 million incurred by EnQuest PLC. These costs will not have a continuing impact.

5. In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of EnQuest PLC and the 75% Interests since 30 June 2018.

6. As at 1 January 2018, the fair value of the 75% Interests and the 25% Interests would not have resulted in a fair value uplift to property, plant and equipment and as a result there is no additional depletion costs in Cost of Sales.

B.9 **Profit forecast or estimate:** Not applicable. There is no profit forecast or estimate in this document.

B.10 **Nature of any qualifications in audit report on the historical financial information:** Not applicable. There are no qualifications included in any audit report on the historical financial information included in this document.

B.11	**Insufficient working capital**	Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

Section C— Securities		
C.1	**Type and class of the securities being offered and admitted to trading, including the security identification number:**	The Company is proposing to issue in aggregate 508,321,884 New Ordinary Shares pursuant to the Rights Issue. When admitted to trading, the New Ordinary Shares will be registered with ISIN number GB00B635TG28. The ISIN number for the Nil Paid Rights is GB00BG08MJ86 and the ISIN number for the Fully Paid Rights is GB00BG08MK91. The ISIN number for the Swedish Subscription Rights is SE0011669787 and the ISIN number for the Paid Subscribed Shares is SE0011669795.
C.2	**Currency of the securities issue:**	All New Ordinary Shares being offered will be denominated in pounds sterling. The New Ordinary Shares are being offered to Qualifying Shareholders at the Issue Price of 21 pence per New Ordinary Share in the Rights Issue and are being offered to Qualifying Swedish Shareholders at the Swedish Krona Issue Price.
C.3	**Number of shares in issue and par value:**	As at the Latest Practicable Date, the Company had 1,186,084,304 fully paid Ordinary Shares in issue. The par value of each Ordinary Share is 5 pence.
C.4	**Rights attached to the securities:**	The New Ordinary Shares, when issued and fully paid, will be identical to and rank *pari passu* with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission of the New Ordinary Shares. Shareholders are entitled to participate in the assets of the Company attributable to their Ordinary Shares on a winding-up of the Company or other return of capital attributable to the Ordinary Shares.
C.5	**Restrictions on free transferability of the securities:**	Save as described below, there are no restrictions on the free transferability of the New Ordinary Shares. However, the making of the proposed offer of New Ordinary Shares to persons located or resident in, or who are citizens of, or who have a registered address in, countries other than the United Kingdom and Sweden, may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares. *Restrictions on transfer of Ordinary Shares under the Articles* 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 FCA or admitted to AIM, such discretion may not be exercised in a way which the FCA 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.

C.6	**Admission to trading on regulated market:**	Applications will be made to: (i) the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List; (ii) the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on its main market for listed securities; and (iii) NASDAQ Stockholm for Swedish Subscription Rights and New Ordinary Shares to be admitted to listing and trading on NASDAQ Stockholm. It is expected that London Admission will become effective on 2 October 2018 and that dealings in New Ordinary Shares (nil paid) will commence on the London Stock Exchange as soon as practicable after 8.00 a.m. on that date, that Stockholm Rights Admission will become effective on 2 October 2018 and that dealings in Swedish Subscription Rights will commence (for normal settlement) on NASDAQ Stockholm as soon as practicable after 9.00 a.m. (Stockholm time) on that date, and that Stockholm Admission will become effective on 31 October 2018 and that dealings in New Ordinary Shares will commence (for normal settlement) on NASDAQ Stockholm as soon as practicable after 9.00 a.m. (Stockholm time) on that date. No application has been or is currently intended to be made by the Company for the New Ordinary Shares to be admitted to listing or trading on any other exchange.
C.7	**Dividend policy:**	The Company has not declared or paid any dividends since incorporation and does not plan to pay dividends in the near future. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and such other factors as the Board considers appropriate.

Section D—Risks		
D.1	**Key information on the key risks related to the Company and its industry:**	Volatility and decreases in oil prices could materially adversely affect the Group's business, prospects, financial condition and results of operations. No assurance can be given that oil prices will remain at levels which enable the Group to do business profitably or at levels that make it economically viable to produce from certain wells and any material decline in oil prices could result in a reduction of the Group's net production volumes and revenue, a decrease in the Group's reserves and a decrease in the valuation of the Group's exploration, appraisal, development and production properties. The levels of the Group's 2P reserves and contingent resources, their quality and production volumes may be lower than estimated or expected. If the assumptions upon which the estimates of the Group's oil reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to the Group are otherwise less than the current estimates or of lesser quality than expected, the Group may be unable to recover and produce the estimated levels or quality of oil set out in this document and this may materially adversely affect the Group's business, prospects, financial condition and results of operations. The Group faces drilling, exploration and production risks and hazards that may affect the Group's ability to produce oil at expected levels, quality and costs and that may result in additional liabilities to the Group. Should any of these risks materialise, the Group could incur legal defence costs, remedial costs and substantial losses, including those due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and

		equipment, environmental damage, unplanned production outages, clean-up responsibilities, regulatory investigations and penalties, increased public interest in the Group's operational performance and suspension of operations The Group faces significant uncertainty as to the success of project execution and delivery. The Group's success depends in part upon the successful execution and delivery of development projects and the efficient delivery of new project developments is a key feature of the Group's long-term strategy. Even if the Group's development operations lead to wells that are productive, these wells may not produce sufficient net revenues to return a profit after drilling, operating and other costs. If the Group is unable to replace the 2P reserves that it produces, the Group's reserves and revenues will decline. Any failure by the Group to successfully replace reserves, whether through further exploring and developing its existing assets or through the award or acquisition of additional assets, could materially adversely affect the Group's business, prospects, financial condition and results of operations. All of the Group's production comes from a small number of offshore assets in the UKCS and Malaysia, making it vulnerable to risks associated with having significant production in two countries and regions and only a small number of assets. Due to the concentration of the Group's assets in two regions, a number of its assets could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Group's results of operations than they might have on other companies that have a more diversified portfolio of producing assets and wider geographic exposure. Such conditions could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. Much of the Group's future growth and results depends on successful production at Kraken. A significant proportion of the Group's current production is, and the Group expects that a significant future proportion of production will be, from Kraken. Any decrease in production volumes or reserve estimates would adversely affect the Group's results of operation and financial condition. The Group relies on infrastructure such as the Sullom Voe Terminal and third-party controlled infrastructure and is subject to tariff charges that it does not control. Any decrease in the Group's ability to transport its oil through SVT or other key infrastructure could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. The Group is subject to financial covenants that may restrict its ability to fund financial commitments, maintain adequate cash flow and liquidity and/or reduce costs. If market conditions deteriorate or production falls below expectations, this could affect the Group's ability to fund financial commitments, maintain adequate cash flow and liquidity and/or reduce costs which could have a material adverse impact on its business, financial condition, prospects and results of operations. A significant proportion of third-party infrastructure upon which the Group's operations rely is old, and if it lacks proper maintenance and repair it could harm the Group's operations in the UKCS. The Group's business is subject to licensing and other regulatory requirements, which are subject to change, in the countries in which

		it operates, and it is subject to the risks of licences or other agreements being withheld, suspended, revoked or terminated and of the Group's failing to comply with relevant licences, agreements or other regulatory requirements. If the Group is unable to obtain, maintain or comply with necessary licences or comply with other applicable regulatory requirements, or if any of the licensing or other regulatory requirements to which the Group's business is subject are amended in a way that makes compliance with them more difficult or expensive, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. The Group conducts most of its operations with commercial partners which may increase the risk of delays, additional costs and the suspension or termination of the licences or the agreements that govern the Group's assets. While the Group is typically the operator of the Group's assets, the Group requires cooperation from its commercial partners in obtaining approval of field development plans and in funding the development of and production from an asset. The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations. To the extent the Group's costs in connection with decommissioning are higher than anticipated, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. The Group's commodity hedging activities may not be effective. If the Group experiences losses as a result of its hedging activities, or if it is unable to hedge its commodity price effectively in the future, this could have a material adverse effect on its business, prospects, financial condition and results of operations. The Group could incur material costs to comply with, or as a result of liabilities under, health and safety and environmental regulations. To the extent the Group incurs material costs to comply with, or as a result of liabilities, under HSE&A regulations, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. The Group's international operations will require it to comply with various regulatory regimes and subject it to the challenges of running a business with global operations. In addition, the Group's Malaysian operations are potentially subject to some or all of the following risks of doing business internationally, among others: • foreign laws and governmental regulation, including those governing tax, worker immigration and customs; • expropriation, confiscatory taxation and nationalisation of the Group's assets; • unfavourable changes in foreign monetary and tax policies, and unfavourable and inconsistent interpretation and application of foreign tax laws; and • foreign currency fluctuations and restrictions on currency repatriation. The occurrence of all or some of these risk could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. The Group may fail to realise the anticipated benefits of the Proposed Transactions. The Group may face unexpected challenges or costs and

		may not realise the anticipated potential of the Magnus Assets, which could have an adverse effect on the Group's business, financial condition, prospects or results of operations. The Rights Issue is not conditional upon completion of the Magnus Transaction; if the Rights Issue completes but the Magnus Transaction does not, the net proceeds of the Rights Issue will need to be returned to Shareholders.
D.3	**Key information on the key risks related to the New Ordinary Shares:**	The market value of listed securities may fluctuate and may not reflect the underlying asset value of the Group. Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership. There is no guarantee that there will be an active trading market for the Ordinary Shares. Any future Ordinary Share issues and sales of Ordinary Shares by major Shareholders may further dilute the holdings of current Shareholders and may also have an adverse effect on the market price of the Ordinary Shares.

Section E—Offer		
E.1	**Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors:**	The total gross proceeds of the Rights Issue are expected to be approximately £107 million (equivalent to SEK 1,257 million at exchange rate of SEK 1.00 = GBP0.0849 on 6 September 2018, the day before the announcement of the Rights Issue). The costs and expenses of, or incidental to, the Rights Issue will be payable by the Company in full and are estimated to be approximately £4 million (equivalent to SEK 48 million at exchange rate of SEK 1.00 = GBP0.0849 on 6 September 2018, the day before the announcement of the Rights Issue). No such costs will be directly charged to any investor in connection with the Rights Issue. The net proceeds receivable by the Company are therefore expected to be approximately £103 million (equivalent to SEK 1,210 million at exchange rate of SEK 1.00 = GBP0.0849 on 6 September 2018, the day before the announcement of the Rights Issue). As the proceeds of the Swedish Rights Issue will be based on the Swedish Krona Issue Price, the actual proceeds received by the Company will depend on the exchange rate between the Swedish krona and pounds sterling at 6.00 p.m. on 24 September 2018.
E.2a	**Reasons for the offer, use of proceeds and estimated net amount of proceeds:**	It is intended that the net proceeds of the Rights Issue (being approximately £103 million (equivalent to SEK 1,210 million at exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018) and after expenses in connection with the Rights Issue), will be used by the Group as consideration for the Magnus Transaction and for the drilling of the Magnus Infill Wells. Completion of the Magnus Transaction is conditional on the conditions set out in the Magnus Call Option Deed. In the event that the Magnus Transaction does not complete, the Board will consider how best to return the net proceeds of the Rights Issue to Shareholders.

E.3	**Terms and conditions of the offer:**	The Company intends to raise gross proceeds of approximately £107 million (equivalent to SEK 1,257 million at exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018, the day before the announcement of the Rights Issue) (or approximately £103 million net of estimated expenses (equivalent to SEK 1,210 million at an exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018, the day before the announcement of the Rights Issue)) through the Rights Issue. The Company is proposing to issue 508,321,844 New Ordinary Shares at the Issue Price pursuant to the Rights Issue. The Issue Price represents a 45.6 per cent. discount to the closing middle market quotation of an Ordinary Share as derived from the Daily Official List published by the London Stock Exchange of 38.60 pence per Ordinary Share on 6 September 2018, being the last Business Day before the announcement of the Rights Issue. The Swedish Krona Issue Price will be determined by converting the Issue Price into SEK at the prevailing rate as at 6.00 p.m. (London time) on 24 September 2018, such rate to be announced on 25 September 2018. Qualifying Shareholders are being given the opportunity to apply for the New Ordinary Shares at the Issue Price on and subject to the terms of the Rights Issue, *pro rata* to their holdings of Ordinary Shares at the close of business on the Record Date on the following basis: **3 New Ordinary Shares for every 7 Existing Ordinary Shares** and so in proportion for any other number of Existing Ordinary Shares then held. Qualifying Shareholders holding fewer than 200 Existing Ordinary Shares will not be entitled to any New Ordinary Shares. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number or to zero in the case of Qualifying Shareholders holding fewer than 200 Existing Ordinary Shares and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. The Rights Issue is fully underwritten (other than those New Ordinary Shares which Double A Limited and the EnQuest EBT have irrevocably undertaken to subscribe for, as described below) by the Joint Bookrunners in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Rights Issue will result in 508,321,844 New Ordinary Shares being issued (representing approximately 42.9 per cent. of the Existing Issued Share capital and 30.0 per cent. of the Enlarged Issued Share Capital immediately following completion of the Rights Issue, assuming that no additional Ordinary Shares are issued prior to completion of the Rights Issue). The Rights Issue is conditional, *inter alia*, upon: • the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree); • the Magnus Call Option Deed remaining in full force and effect, not having lapsed or been or capable of being terminated prior to LSE Admission;

- the Company having complied with its obligations under the Underwriting Agreement and under the terms and conditions of the Rights Issue which fall to be performed on or prior to LSE Admission and Stockholm Rights Admission, and such agreement having become unconditional save as otherwise agreed by the Joint Bookrunners, acting jointly, and the Underwriting Agreement not having been terminated prior to LSE Admission; and

- LSE Admission becoming effective by not later than 8.00 a.m. on 2 October 2018 (or such later time and/or date as the Company may agree with the Joint Bookrunners, not being later than 8.00 a.m. on 2 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on 16 October 2018.

The New Ordinary Shares, when issued and fully paid, will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to a record date on or after Admission of the New Ordinary Shares and will otherwise rank *pari passu* with the Existing Ordinary Shares.

Application will be made to the FCA and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. Application will also be made to NASDAQ Stockholm AB for the Swedish Subscription Rights and the New Ordinary Shares to be admitted to listing and trading on NASDAQ Stockholm.

The offer of Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights, Paid Subscribed Shares and New Ordinary Shares to persons resident in, who are citizens of or who have a registered address in a country other than the United Kingdom and Sweden may be affected by the laws of the relevant jurisdiction.

It is intended that, subject to the passing of Resolutions 1 and 5: (i) Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in any of the Excluded Territories or in the United States) on 1 October 2018; (ii) the stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying CREST Shareholders with registered addresses in any of the Excluded Territories or in the United States) will be credited in respect of the Nil Paid Rights to which they are entitled with effect from 8.00 a.m. (London time) on 2 October 2018; (iii) Pre-Printed Issue Account Statements will be despatched to Qualifying Swedish Directly Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Directly Registered Shareholders with registered addresses in any of the Excluded Territories or in the United States) together with the summary of this document on or about 2 October 2018; (iv) Qualifying Swedish Nominee Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Nominee Registered Shareholders with registered addresses in any of the Excluded Territories or in the United States) will be provided information in relation to the Swedish Rights Issue and procedures as to how to participate in it by their respective nominees; (v) the VP Accounts in the VPC System of relevant Qualifying Swedish Directly

		Registered Shareholders and of relevant nominees of Qualifying Swedish Nominee Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Directly Registered Shareholders and Qualifying Swedish Nominee Registered Shareholders with registered addresses in any of the Excluded Territories or in the United States) will be credited in respect of the Swedish Subscription Rights to which they are entitled with effect from 8.00 a.m. (Stockholm time) on 2 October 2018; (vi) the New Ordinary Shares will be credited to the stock accounts in CREST of relevant Qualifying CREST Shareholders who validly take up their rights under the Rights Issue as soon as practicable after 8.00 a.m. (London time) on 22 October 2018; (vii) the share certificates for the New Ordinary Shares to be held in certificated form will be despatched to relevant Qualifying Non-CREST Shareholders, who validly take up their rights under the Rights Issue by not later than 30 October 2018; and (viii) New Ordinary Shares will be credited to the VP Accounts in the VPC System of relevant Qualifying Swedish Directly Registered Shareholders and of relevant nominees of Qualifying Swedish Nominee Registered Shareholders who validly take up their rights under the Swedish Rights Issue on 31 October 2018.
E.4	**Interests material to the issue/offer, including conflicting interests:**	Not applicable. There are no interests material to the Rights Issue, including conflicting interests.
E.5	**Name of person offering to sell the securities and lock-up agreement details:**	There are no selling shareholders.
E.6	**Amount and percentage of immediate dilution resulting from the offer:**	Upon completion of the Rights Issue, the Enlarged Issue Share Capital is expected to be 1,694,406,148 Ordinary Shares. On this basis, the New Ordinary Shares will represent approximately 30.0 per cent. of the Enlarged Issued Share Capital. A Qualifying Shareholder that does not take up any of its rights to New Ordinary Shares under the Rights Issue (or a Shareholder in an Excluded Territory or the United States who is not eligible to participate in the Rights Issue) will experience a dilution of approximately 30.0 per cent. as a result of the Rights Issue.
E.7	**Estimated expenses charged to the investor by the Company:**	Not applicable. No expenses will be directly charged to any investor by the Company.

RISK FACTORS

Prior to investing in the Nil Paid Rights, the Fully Paid Shares and/or the New Ordinary Shares or making any decision to vote in favour of the Resolutions at the General Meeting, Shareholders should carefully consider, together with all other information included or incorporated by reference into this document, the specific factors and risks described below. Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Ordinary Shares, the Group's business and the industry in which the Group operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the Group's business. Other factors relate principally to the Proposed Transactions, the Rights Issue and an investment in the New Ordinary Shares. The Group's business, prospects, financial condition and results of operations could be materially adversely affected by any of the risks described below.

Prospective investors should note that the risks relating to the Group, its industry, the Rights Issue and the New Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The Directors consider the following risks to be material for prospective investors in the Company. However, the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, financial condition and results of operations. If any such risk, or any of the risks described below, should materialise, 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 New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's financial condition, business, prospects and results of operations.

Prospective investors should read this section in conjunction with this entire document (including the information incorporated into this document by reference).

SECTION A: RISKS RELATING TO THE OIL AND GAS INDUSTRY

Volatility and decreases in oil prices could materially adversely affect the Group's business, prospects, financial condition and results of operations

The Group's business, prospects, financial condition and results of operations depend substantially upon oil prices, which may be adversely impacted by unfavourable global, regional and national macroeconomic conditions. On average, market prices for crude oil in 2017 were higher than in 2016. The Group's blended average realised oil price excluding the impacts of hedging was $53.9/bbl for 2017, 21.8 per cent. higher than 2016 ($44.3/bbl). However, oil prices are volatile and there can be no assurance that oil prices will remain at their current levels. Oil is a commodity for which prices are determined based on world demand, supply and other factors, all of which are beyond the Group's control. Historically, prices for oil have fluctuated widely for many reasons, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;
- decrease in demand with weak macro-economic growth;
- increased production due to new extraction developments and improved extraction and production methods;
- geopolitical uncertainty;

- the threat of terrorism from which some producing areas suffer periodically;
- weather conditions, natural disasters and environmental incidents;
- access to pipeline systems, storage platforms, shipping vessels and other means of transporting and storing oil;
- prices and availability of and competition from alternative fuels and energy sources;
- prices 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 generally;
- governmental regulations and actions, including the imposition of export restrictions and taxes and environmental requirements and restrictions; and
- market uncertainty and speculative activities by those who buy and sell oil on the world markets.

Oil prices are continually subject to volatility as a result of market uncertainties over the supply and demand of this commodity due to the current state of the world's economies, actions of OPEC and ongoing global credit and liquidity concerns. The Company can provide no assurance as to the level of oil prices that will be achievable in the future.

The Group's revenues, operating results, profitability, future rate of growth and the carrying value of its oil properties depend heavily on the prices the Group receives for oil sales. Oil prices also affect the Group's cash flows available for capital investments and other items, including the amount and value of the Group's oil reserves. In addition, the Group may face property impairments if prices fall significantly. No assurance can be given that oil prices will remain at levels which enable the Group to do business profitably or at levels that make it economically viable to produce from certain wells and any material decline in oil prices could result in a reduction of the Group's net production volumes and revenue, a decrease in the Group's reserves and a decrease in the valuation of the Group's exploration, appraisal, development and production properties.

To mitigate oil price volatility, the Group monitors oil price sensitivity relative to its capital commitments and has a policy which allows hedging of its production. As at 30 June 2018, the Group had put options in place for approximately 5.3 MMbbls for the second half of 2018 at an average price of approximately $66/bbl. This ensures that the Group will receive a minimum oil price for its production during this period. The Group has also established an in-house trading and marketing function to enable it to enhance its ability to mitigate the exposure to volatility in oil prices. The Group's policy is to have flexibility to hedge oil prices up to a maximum of 75 per cent. of the next 12 months' productions on a rolling annual basis, up to 60 per cent. in the following 12 month period and 50 per cent. in the subsequent 12 month period. However, there can be no assurance that the Group's existing hedging arrangements will be effective or sufficient, or that the Group will be able to effectively hedge declines in oil prices in the future. If prices for the oil the Group produces fall, this could materially adversely affect the Group's business, prospects, financial condition and results of operations.

The levels of the Group's 2P reserves and contingent resources, their quality and production volumes may be lower than estimated or expected

The 2P reserves and contingent resources set forth in this document represent estimates only and are based on the Group's internal assessments as audited by GCA. The standards utilised to prepare the 2P reserves and contingent resources information set forth in this document are in accordance with resource definitions jointly set out by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007 in the "Petroleum Resources Management System", which may be different from the standards of reporting adopted in the United States and other jurisdictions. Investors, therefore, should not assume that the data found in the reserves and resources information set forth in this document is directly comparable to similar information that has been prepared in accordance with the reserve and resource reporting standards of other jurisdictions.

In general, estimates of economically recoverable oil reserves are based on a number of factors and assumptions made as of the date on which the reserves estimates were determined, all of which may vary considerably from actual results. Underground accumulations of hydrocarbons cannot be measured in an exact manner and estimates thereof are a subjective process aimed at understanding the statistical probabilities of recovery. The variables and assumptions upon which estimates of economically recoverable oil reserves depend, include, among others, the following:

- production history from the properties compared with production from other comparable producing areas;
- quality and quantity of available data;
- interpretation of the available geological and geophysical data;
- geological and engineering estimates (which have inherent uncertainties);
- effects of regulations adopted by governmental agencies;
- future percentages of international sales;
- future oil and other commodity prices;
- capital investments;
- effectiveness of the applied technologies and equipment;
- future operating costs, tax on the extraction of commercial minerals, development costs and workover and remedial costs; and
- the judgement of the persons preparing the estimates.

As all reserve estimates are subjective, each of the following items may differ materially from those assumed in estimating reserves:

- the quantities and qualities of oil reserves that are ultimately recovered;
- the timing of the recovery of oil reserves;
- the production and operating costs incurred;
- the amount and timing of additional exploration and future development expenditures; and
- future hydrocarbon sales prices.

Many of the factors in respect of which assumptions are made when estimating reserves are beyond the Group's control and therefore these estimates may prove to be incorrect over time. Evaluations of reserves necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and oil engineering and geological interpretation. Exploration drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in the Group's reserves or resources data. Moreover, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates and the variations may be material. Therefore, potential investors should not place undue reliance on reserves or resources data contained herein or on any specific field, reservoir, fluid or production profile or reserve estimate.

The uncertainties in relation to the estimation of reserves summarised above also exist with respect to the estimation of resources. The probability that 2C contingent resources will be economically recoverable is considerably lower than for 2P reserves. Volumes and values associated with contingent resources should be considered speculative.

If the assumptions upon which the estimates of the Group's oil reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to the Group are otherwise less than the current estimates or of lesser quality than expected, the Group may be unable to recover and produce the estimated levels or quality of oil set out in this document and this may materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group faces drilling, exploration and production risks and hazards that may affect the Group's ability to produce oil at expected levels, quality and costs and that may result in additional liabilities to the Group

The Group's oil exploration and production operations are subject to numerous risks common to the Group's industry, including premature decline of reservoirs, invasion of water into producing formations, encountering unexpected formations or pressures, low permeability of reservoirs, contamination of oil and gas, blowouts, oil and other chemical spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures, uncontrollable flows of oil, gas or well fluids, adverse weather conditions, shortages of skilled labour, pollution and other environmental risks.

As all of the Group's production is offshore, its facilities are also subject to hazards inherent in marine operations, such as capsizing, sinking, grounding, vessel collision and damage from natural catastrophes, severe storms or other severe weather conditions. The offshore drilling the Group conducts could involve increased risks due to risks inherent in the nature of drilling in complicated and harsh environments and complex geological formations including blowouts, encountering formations with abnormal pressure and oil spills. In particular, the Group's hub-based model requires that substantially all the Group's production is produced through offshore facilities, so any technical failure or accident involving these facilities could have a material negative impact on the Group's production from multiple fields and its resulting cash flow therefrom. Such technical failure or accident may also result in unplanned expenditure, in particular where remediation may be dependent on suitable weather conditions offshore.

The Group seeks to maintain a high degree of operational control over production assets in its portfolio and it continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure. Life of asset production profiles are audited by independent reserves auditors and the Group also undertakes regular internal reviews. The Group's forecasts of production are risked to reflect appropriate production uncertainties. However if an accident or failure occurs, environmental damage, including biodiversity loss or habitat destruction, injury to persons and other species and organisms, loss of life, failure to produce oil in commercial quantities or an inability to fully produce discovered reserves could result.

These events could also cause substantial damage to the Group's property and the Group's reputation and put at risk some or all of the Group's interests in licences, which enable it to explore and produce, and could result in fines or penalties, criminal sanctions against the Group and its management and other governmental and third-party claims. Consequent production delays and declines from normal field operating conditions and other adverse actions taken by host governments and third parties may result in revenue and cash flow levels being adversely affected. Moreover, should any of these risks materialise, the Group could incur legal defence costs, remedial costs and substantial losses, including those due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, environmental damage, unplanned production outages, clean-up responsibilities, regulatory investigations and penalties, increased public interest in the Group's operational performance and suspension of operations. Similar hazards and impacts from third-party operations also could result in increased regulatory costs and operational restrictions impacting the Group's operations.

The Group faces significant uncertainty as to the success of project execution and delivery

The Group's success depends in part upon the successful execution and delivery of development projects and the efficient delivery of new project developments is a key feature of the Group's long-term strategy. Following the entry into production of the Alma/Galia, Scolty/Crathes and Kraken projects, the Company's exposure to development risks is now reduced. However, many of the Group's assets have future development potential which may expose the Group to risks. Oil development activities are capital intensive and subject to financing limitations and successful outcomes cannot be assured.

The Group has detailed controls, systems and monitoring processes in place to ensure that deadlines are met, costs are controlled and that design concepts are adhered to and implemented. The Group also engages third-party assurance experts to review, challenge and, where appropriate, make recommendations to improve the processes for project management, cost control and governance of major projects. However, development may be subjected to unexpected problems and delays, and incur significant costs, which can differ significantly from estimates, with no guarantee that such expenditure will result in the recovery of oil in sufficient quantities to justify the Group's investments. The Group may be required to curtail, delay or cancel any development operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, title problems, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. Any such curtailment, delay or cancellation could delay or prevent production, which reduces cash flows and can lead to impairment charges.

In addition, the Group's exploration activities may not be successful. Although historically the Group has undertaken lower-risk exploration activities in the neighbouring regions to the Group's existing producing assets and development projects (or to other producing oil fields) to take advantage of existing infrastructure, the Group may still incur unexpected costs that differ significantly from estimates. Further, appraisal results for discoveries are uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. The Group may also be required to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment.

Even if the Group's development operations lead to wells that are productive, these wells may not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of the Group's development plans does not assure a profit on the investment or recovery of drilling, completion and operating costs and drilling hazards and environmental damage can further increase the cost of operations to be recovered. In addition, various field operating conditions may also adversely affect production from successful wells including delays in obtaining governmental approvals, permits, licences, authorisations or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions.

If the Group is unable to replace the 2P reserves that it produces, the Group's reserves and revenues will decline

The Group's future success depends on its ability to develop or acquire additional 2P reserves that are economically recoverable, which depends in part on oil prices. While well supervision and effective maintenance operations can contribute to sustaining production rates over time, production delays and declines from normal field operating conditions cannot be eliminated. Although the Group's current assets have a reserve life of 17 years, in the longer term without continued successful exploration, development and acquisition activities, the Group's reserves and revenues will decline over time as a result of the Group's current reserves being depleted by production.

Future increases in the Group's reserves will depend not only on its ability to appraise, develop and explore the Group's existing assets but also on the Group's ability to select and acquire suitable additional assets either through awards at licensing rounds or through acquisitions. The Group may seek to increase its 2P reserves and contingent resources through acquisitions. Although the Group continues to evaluate further acquisition opportunities, its focus on strengthening its balance sheet continues to limit business development activity to the pursuit of reserves enhancing, selective and cash-accretive opportunities, such as Magnus and SVT. The Group has not entered into any binding agreements, memoranda of understanding or other commitments in respect of any such opportunities, and there can be no assurances that the Group will be successful in identifying and completing further acquisitions. Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves and resources, exploration potential, future oil prices, operating costs and potential environmental and other liabilities. Such assessments are imprecise and cannot be made with a high degree of accuracy. While the Group routinely performs due diligence reviews of all potential acquisition targets, such reviews may not reveal all existing or potential problems or liabilities. In addition, the Group's review may not permit it to become sufficiently familiar with the assets or properties to fully assess their deficiencies and capabilities.

Any failure by the Group to successfully replace reserves, whether through further exploring and developing its existing assets or through the award or acquisition of additional assets, could materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group carries out business in a highly competitive industry

The Group operates in a competitive environment across many areas, including in the Group's key jurisdictions of operation, the UKCS and Malaysia. The key areas in respect of which the Group faces competition include:

- engagement of third-party service providers whose capacity to provide key services may be limited;

- purchasing, leasing, hiring, chartering or other procuring of equipment that may be scarce;
- acquisition of existing hydrocarbon assets;
- acquisition of exploration and production licences, or interests in such licences, at auctions or sales run by governmental authorities;
- ability to sell assets;
- access to key skilled personnel;
- differentiating technologies; and
- access to bank lending capacity.

Competition in the Group's markets is intense and depends, among other things, on the number of competitors in the market, their financial power, their degree of geological, geophysical, engineering and management expertise, their degree of vertical integration, pricing policies, their ability to develop properties on time and on budget, their ability to select, acquire and develop reserves and their ability to foster and maintain relationships with host governments of the countries in which they have assets. The Group operates in a mature industry and its competitors include well-established entities with greater technical, physical and financial resources. When looking at acquisition opportunities, the Group also competes with major national and state-owned enterprises, which typically possess significant financial resources and are able to offer attractive and favourable prices to sellers. Larger and better capitalised competitors may be in a position to outbid the Group for particular licences and acquisition opportunities.

The effects of operating in a competitive industry may include higher than anticipated prices for the acquisition of licences or assets, the hiring by competitors of key management or other personnel, competitors being able to secure rigs for drilling operations preferentially to the Group and restrictions on the availability of equipment or services.

Larger and better capitalised competitors may also be better able to withstand sustained periods of suppressed oil prices. They may also be more successful in diversifying and reducing risk and may be able to absorb the burden of any changes in law and regulations more easily than the Group, which would adversely affect the Group's competitive position. In addition, many of the Group's competitors have been operating for a much longer time and have demonstrated the ability to operate through industry cycles.

If the Group is unsuccessful in competing against other companies, its business, prospects, financial condition and results of operations could be materially adversely affected.

The results of the United Kingdom's planned withdrawal from the European Union may have a negative effect on economic conditions, financial markets and the Group's business

A majority of the Group's producing assets are located in the UKCS, within the territory of the United Kingdom. On 23 June 2016, the United Kingdom held a national referendum in which a majority of British citizens voted in favour of the United Kingdom withdrawing from the European Union, commonly referred to as "**Brexit**". The United Kingdom's formal withdrawal from the European Union began on 29 March 2017 when it invoked Article 50 of the Treaty on European Union.

Detailed negotiations are now taking place to determine the future terms of the United Kingdom's relationship with the EU but the long-term nature of this relationship remains unclear. The UK's exit from the EU could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate, which could materially change the regulatory framework applicable to the Group's operations, including with respect to trade, environmental, health and safety and employment law. The UK's exit from the EU could also result in restrictions on the movement of capital and the mobility of personnel, as well as volatility in the pound sterling exchange rate against the US dollar and the Euro (see the risk factor entitled "*The Group is subject to both transactional and translational foreign exchange risks, which might adversely affect its financial condition and results of operations*"). If the United Kingdom and the EU are unable to negotiate acceptable withdrawal terms, barrier-free access between the United Kingdom and other EU member states overall could be diminished. The consequences for the Group's businesses remain uncertain and any of these risks could result in higher operating costs, higher debt and reduced income, and could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

Climate change abatement legislation or protests against fossil fuel extraction may have a material adverse effect on the Group's industry

Continued political attention to issues concerning climate change, the role of human activity in it and potential mitigation through regulation could have a material impact on the Group's business. International agreements, national and regional legislation, and regulatory measures to limit greenhouse emissions are currently in various stages of discussion or implementation. Like other oil companies, given that the Group's operations involve, and the Group's products are associated with, emissions of greenhouse gases, these and other greenhouse gas emissions-related laws, policies and regulations may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with these laws and regulations is difficult to accurately predict and will vary depending on, among other things, the laws enacted by particular countries. As such, climate change legislation and regulatory initiatives restricting emissions of greenhouse gases may materially adversely affect the Group's operations and increase its cost structure. Such legislation or regulatory initiatives could also have a material adverse effect by diminishing the demand for oil, increasing the Group's cost structure or causing disruption to the Group's operations by regulators. In addition, the Group may be subject to activism from groups campaigning against fossil fuel extraction, which could affect its reputation, disrupt the Group's operations or development programmes or otherwise negatively impact the Group's business.

For example, as a company incorporated in England and Wales, the Group is currently subject to European Union climate change abatement legislation. Due to the requirements of the European Union's Emissions Trading Scheme (the "**EU ETS**"), Member States' governments, including the United Kingdom, have put forward national plans that set carbon dioxide emission reduction requirements for various industrial activities, including offshore oil exploration and production facilities incorporating combustion plants (including flaring) with aggregate thermal ratings of greater than 20 megawatts (thermal input).

Under the currently applicable EU ETS, Member States allocate emissions allowances to installations within the scheme. Therefore, if the Group's verified emissions are less than its prescribed allocation, then the Group 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 the Group will have to purchase extra allowances to cover those excess emissions from the market.

During Phase II EU ETS (which ran from 2008 to 2012, coinciding with the applicable time period of the Kyoto Protocol to the United Nations Framework Convention on Climate Change), the majority of allowances for emissions were allocated to individual installations free of charge based on forecast emissions. However, under the current Phase III of EU ETS (which runs from 2013 to 2020), an increasing level of an installation's allowances will have to be purchased at market auctions. Furthermore, the number of allowances available to installations will decrease and allocations will be managed centrally by the EU Commission rather than by Member States. The costs of emissions allowances to which the Group may be subject are built into the life-of-field cost forecasts for the Group's assets.

Although a majority of voters in the United Kingdom voted in favour of the United Kingdom leaving the European Union in the referendum held on 23 June 2016, the timing and manner of the UK's exit from the European Union, as well as the implications for European Union legislation currently applicable in the United Kingdom, including the climate change abatement legislation, remain uncertain. Pending its exit from the European Union, the United Kingdom remains party to the EU ETS. Further, as the United Kingdom will still be subject to various commitments in respect of climate change, including the Kyoto protocol, following its exit from the European Union, it may put in place a replacement emissions trading scheme once it is no longer party to the EU ETS in order to help it meet such commitments. It is currently unknown what the terms and requirements of any such replacement emissions trading scheme would be and whether it would be linked to the EU ETS. It is possible that the terms and requirements of any such replacement emissions trading scheme could be more onerous than those of the EU ETS. The EU ETS, as well as any applicable replacement trading scheme following the UK's exit from the European Union, may change considerably if a successor to the Kyoto Protocol is agreed. Additional requirements may also be enacted in the jurisdictions in which the Group operates in the future.

In addition, the Group's operations in Malaysia are subject to Malaysia's environmental laws and regulations, such as the Environmental Quality Act 1974, which prohibits industrial activities which cause pollution without obtaining a valid licence, and the Occupational Health and Safety Act 1974. The level of expenditure required to comply with such laws and regulations, including to obtain any licence, permit or approval required under such laws and regulations, is difficult to accurately predict and may result in substantial capital, and operating costs. Any amendments to current laws, regulations, licences, permits or approvals could also have a material adverse effect on the Group's operations and increase its cost structure.

The Group may not be able to keep pace with technological developments in its industry

The oil industry is characterised by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, the Group may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial costs. In addition, other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages, which may in the future allow them to implement new technologies before the Group can. The Group may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies the Group uses now or in the future were to become obsolete, the Group's business, prospects, financial condition and results of operations could be adversely affected. In addition, any new technology that the Group implements may have unanticipated or unforeseen adverse consequences, either to the Group's business or the industry as a whole.

SECTION B: RISKS RELATING TO THE GROUP'S BUSINESS

All of the Group's production comes from a small number of offshore assets in the UKCS and Malaysia, making it vulnerable to risks associated with having significant production in two countries and regions and only a small number of assets

The Group's assets are concentrated in the UK North Sea and Malaysia around a limited number of infrastructure hubs. This amplifies the Group's exposure to key infrastructure (including aging pipelines and terminals), political/fiscal changes and oil price movements.

The Group's nine offshore assets in the UKCS and two offshore assets in Malaysia accounted for 76.1 per cent. and 23.9 per cent. of its production in the year ended 31 December 2017, respectively. From 1 January 2017 to 31 December 2017, the Group's net average daily production was 37,405 boepd of which 28,467 boepd were produced from its assets in the UKCS and 8,938 boepd were produced from its assets in Malaysia.

The acquisition of an interest in the Magnus oil field and Sullom Voe Terminal (and associated pipelines) and production from Kraken has elevated this risk in the long term by further concentrating the Group's portfolio in the UK North Sea. The Group is, therefore, exposed disproportionately to the impact of regional supply and demand factors, delays or interruptions of production from wells in these areas caused by processing or transportation capacity constraints, governmental regulation, political changes, availability of equipment, facilities, personnel or services, infrastructure disruptions, natural disasters, weather events or interruption of the processing or transportation of oil. The UKCS and Malaysia are prone to difficult weather conditions that can in some cases prevent the Group from shipping supplies, personnel and fuel to the Group's facilities, each of which can cause production shut downs or slowdowns. Unusually difficult weather conditions may lead to a heightened risk of floating facilities detaching from their moorings and difficulties in supplying these facilities with fuel and the Company cannot assure you that its floating facilities will not be affected in the future. Adverse changes in weather and natural hazards, including the occurrence of monsoon seasons, typhoons and tsunamis in Malaysia, may cause damage to the Group's facilities resulting in delays or suspension in the Group's operations. If mechanical problems, storms or other events curtail a substantial portion of the Group's production in the UKCS or cause damage to any of the Group's facilities, the Group's results of operations and financial condition could be adversely affected.

Mechanical problems, accidents, oil leaks or other events at any of the Group's installations, FPSOs or the related pipeline systems or subsea infrastructure or third-party operated-infrastructure on which the Group relies, may cause a widespread, unexpected production shut down of the Group's operations in the UKCS. The Group's hub-focused model means that it leverages its infrastructure to service multiple fields, which magnifies the impact of any unexpected shut downs at its infrastructure. Most of the Group's producing assets in the UKCS are connected via pipeline systems or subsea tieback so that the Group exports oil from multiple fields to shore. For instance, oil produced at the Broom field is transported to the Heather platform via a subsea tie-back and oil from the Dons fields is exported through the Thistle Alpha platform at the Thistle oil field. Any unplanned production shut down of the Group's facilities could have a material adverse effect on the Group's business, prospects, financial condition and results of operations if the shutdown impairs the Group's ability to export oil from connected fields.

Due to the concentration of the Group's assets in two regions, a number of its assets could experience any of the same conditions at the same time, resulting in a relatively greater impact on the Group's results of operations than they might have on other companies that have a more diversified portfolio of producing assets and wider geographic exposure. Such conditions could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. See also "*—The Group's business is subject to licensing and other regulatory requirements, which are subject to change, in the countries in which it operates, and it is subject to the risks of licences or other agreements being withheld, suspended, revoked or terminated and of the Group's failing to comply with relevant licences, agreements or other regulatory requirements.*"

Much of the Group's future results and growth depends on successful production at Kraken

A significant proportion of the Group's current production is, and the Group expects that a significant future proportion of production will be, from Kraken. Kraken achieved first oil on 23 June 2017 and produced 21,655 net daily average boepd for the six-month period ending 30 June 2018, comprising 40.1 per cent. of the Group's total production. Future production at Kraken may not be in line with the Group's projections. Any decrease in production volumes or reserve estimates would adversely affect the Group's results of operation and financial condition. Moreover, the Group continues to make capital expenditures with regard to the Kraken drilling programme. The Group plans to commence the DC4 drilling programme in the second half of 2018, with first production expected in 2019. The Group's capital expenditures may not guarantee the successful production of oil in line with its projections. The Company also cannot guarantee that unexpected conditions, such as unexpected drilling conditions, equipment failures or accidents, adverse weather, breaches of security and the unavailability of drilling rigs, among others, will not delay or curtail future production. See "*—Risks relating to the oil and gas industry—The Group faces significant uncertainty as to the success of any drilling appraisal, exploration and development activities.*"

The Group relies on infrastructure such as the Sullom Voe Terminal and third-party controlled infrastructure and is subject to tariff charges that it does not control

A significant proportion of the Group's current production in the UKCS passes through Sullom Voe Terminal ("**SVT**"), an oil terminal located in the Shetland Islands that receives oil from the Brent and Ninian pipeline systems. SVT was the terminal through which the Group shipped production for all of its UKCS producing assets in 2017 with the exception of Alba, Alma/Galia, GKA and Kraken. With a significant proportion of production now coming from Kraken, the Group's reliance on the terminal has reduced.

As part of the Group's acquisition of its initial 25 per cent. interest in Magnus on 1 December 2017, the Group also acquired an additional 3 per cent. stake in the SVT (bringing its stake to 6 per cent.), a 9 per cent. stake in the NLGP and a 3.8 per cent. stake in the NPS from BP. The Group also became the operator of the SVT on 1 December 2017. As operator of SVT, EnQuest is targeting cost improvements and exploring terminal life extension opportunities which could benefit wider UKCS operations. The Group is on track to reduce gross costs at the terminal from approximately £200 million in 2017 to approximately £150 million in 2018. These savings are being achieved while also delivering a strong safety performance and high levels of site availability. They have been driven by the application of an asset business model at the terminal, focused supply chain management including utilising the Group's increased scale, efficient project delivery through the reduction in the number of projects and concurrent activities and simplifying and improving utilisation of the resources on site. Further savings are planned for 2019. However, there is no guarantee that these future projects will be successful or that costs will be further reduced.

The Group continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure. However, if SVT (or any infrastructure connecting to the 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. Any decrease in the Group's ability to transport its oil through SVT or other key infrastructure could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Production from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigali Sdn Bhd) for processing and sale. If the Terengganu Crude Oil Terminal (or any infrastructure connecting to the 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. Any decrease in the Group's ability to transport its oil through Terengganu Crude Oil Terminal or other key infrastructure could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Additionally, the Group's use of infrastructure is subject to tariff charges. These charges can be substantial and the per barrel charge is not subject to the Group's direct control. The Group's tariff costs have significantly decreased in recent years from approximately \$10.6/bbl on average in 2014 to \$4.6/bbl on average in 2017, in each case on a working interest basis. However, there can be no assurances tariffs will not increase.

The Group is subject to financial covenants that may restrict its ability to fund financial commitments, maintain adequate cash flow and liquidity and/or reduce costs

Significant leverage has been required to fund the Group's growth in recent periods of low oil prices. Tranche A and Tranche B of the Group's SFA contain certain financial covenants, based on the ratio of indebtedness incurred under Tranche A and Tranche B to EBITDA, finance charges to EBITDA and a requirement for liquidity testing, as described in paragraph 18.4(a) of Part 11 ("*Additional Information*"). A prolonged return to low oil prices, cost increases and production delays or outages could threaten the Group's liquidity and/or ability to comply with relevant covenants. The Group also secured consents from its Tranche A and Tranche B lenders to waive certain financial covenants tests and amend the amortisation schedule under the facility which has given the Group additional flexibility.

These steps, together with other mitigating actions available to the Group, are expected to provide the Group with sufficient liquidity to strengthen its balance sheet for longer-term growth. The Group is continuing to enhance its financial position through maintaining a focus on controlling and reducing costs through supplier renegotiations, assessing counterparty credit risk, hedging and trading, cost-cutting and rationalisation. However, the Group's ability to adhere to the amortisation schedule of the SFA remains partially dependent on the successful increase in production at Kraken, aggregate production at other assets being materially in line with expectations and no significant reduction in oil prices. If market conditions deteriorate or production falls below expectations, this could affect the Group's ability to fund financial commitments, maintain adequate cash flow and liquidity and/or reduce costs which could have a material adverse impact on its business, financial condition, prospects and results of operations.

A significant proportion of the Group's equipment has substantial prior use and any unplanned failures or outages could harm the Group's operations

As the Group's strategy depends in part on acquiring relatively mature assets, the Group frequently holds assets which utilise equipment that has had substantial prior use. In addition, many of the assets, prior to the Group's ownership, had not been drilled, developed or maintained for significant periods of time and in some cases the equipment at such assets had been subject to lengthy periods out of commercial operation. Such equipment can be subject to higher levels of wear and tear, can be subject to a greater risk of failure and outage, can give rise to higher maintenance costs and may need to be replaced more quickly than newer assets There are inherent risks involved with the operation of this equipment, and any unexpected failures or outages leading to additional expenses could have a negative impact on the Group's production in both UKCS and Malaysia. In addition, part of the Group's business strategy is to re-use, retrofit or refurbish producing assets where possible to maximise the efficiency of its operations while avoiding significant expenses associated with purchasing new equipment. The Company cannot guarantee that such re-use, retrofitting or refurbishment will be commercially feasible to undertake in the future and the Company cannot assure you that it will not face unexpected costs during the re-use, retrofitting or refurbishment process. The Company cannot assure you that it will not be subject to such unexpected costs in the future and such costs could negatively impact the Group's results of operation and financial condition.

A significant proportion of third-party infrastructure upon which the Group's operations rely is old, and if it lacks proper maintenance and repair it could harm the Group's operations in the UKCS

A significant proportion of the Group's current production in the UKCS relies on some third-party owned and controlled infrastructure that is old. The Brent and Ninian pipeline systems, for instance, were first constructed in the 1970s. The Group relies on the Brent pipeline system for the transport of produced oil at Thistle/Deveron and the Dons and the Ninian pipeline system for the transport of produced oil at Thistle/Deveron. As the Brent and Ninian pipeline systems have been extensively used, they require frequent maintenance and repair to maintain efficiency. The pipeline systems may also need to be shut down to stop oil and gas leaks. For example, in May 2018, the Brent pipeline was briefly shut down because of a minor fault requiring remedial work. If the owners or operators of these pipeline systems, as well as of other, old third-party infrastructure upon which the Group's operations rely, fail to adequately maintain their integrity, the Group may not be able to efficiently transport oil to onshore terminals for sale. A reduction or potential stoppage in the transport of the Group's oil or the efficiency of its operations could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's business is subject to licensing and other regulatory requirements, which are subject to change, in the countries in which it operates, and it is subject to the risks of licences or other agreements being withheld, suspended, revoked or terminated and of the Group's failing to comply with relevant licences, agreements or other regulatory requirements

The Group's current operations are, and its future operations will be, subject to licences, approvals, authorisations, consents and permits from governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil, taxation and environmental and health and safety matters. Relevant legislation provides that fines may be imposed and a licence may be suspended or terminated if a licence holder, or party to a related agreement, fails to comply with its obligations under such licence or agreement, or fails to make timely payments of levies and taxes for the licensed activity, provide the required geological information or meet other reporting requirements. It may from time to time be difficult to ascertain whether the Group has complied with obligations under licences as the extent of such obligations may be unclear or ambiguous and regulatory authorities may not be forthcoming with confirmatory statements that work obligations have been fulfilled, which can lead to further operational uncertainty. In addition, the Group and its commercial partners, as applicable, have obligations to develop the fields in accordance with specific requirements under certain licences and related agreements, field development plans, laws and regulations. If the Group or its commercial partners were to fail to satisfy such obligations with respect to a specific field, the licence or related agreements for that field might be suspended, revoked or terminated.

With regard to the Group's operations in the UKCS, UK authorities are typically authorised to, and do from time to time, inspect to verify compliance by the Group or the Group's commercial partners, as applicable, with relevant laws and the licences or the agreements pursuant to which the Group conducts its business. The views of the relevant government agencies regarding the development of the fields that the Group or its commercial partners operate or the compliance with the terms of the licences pursuant to which the Group conducts such operations may not coincide with the Group's views, which might lead to disagreements that may not be resolved.

With regard to the Group's operations in Malaysia, upstream petroleum activities in Malaysia are primarily regulated by PETRONAS, which derives its powers from the Petroleum Development Act 1974 and the Petroleum Regulations 1974. Pursuant to the terms of the PM8/Seligi PSC and the Tanjong Baram SFRSC, PETRONAS regulates the petroleum operations through its approval of well locations, area and field development plans, production operations, annual work programmes and budget, and procurement of goods and services above a certain monetary threshold. PETRONAS approval is also required for the disclosure of any data from the PM8/Seligi PSC and/or the Tanjong Baram SFRSC contract areas, for any public announcement or for the sale or assignment of any of the interest in the PM8/Seligi PSC and/or the Tanjong Baram SFRSC. The PM8/Seligi PSC, the Tanjong Baram SFRSC and the PETRONAS Procedures and Guidelines for Upstream Activities contain strict provisions relating to procurement of goods and services. The Petroleum Regulations 1974 of Malaysia stipulates that all goods and services for upstream petroleum operations in Malaysia can only be supplied by companies which are licensed by PETRONAS. Non-compliance with the guidelines or procurement of goods and/or services from non-licensed companies would bar the relevant PSC contractor from recovering their costs under a PSC or the relevant RSC contractor from reimbursement of costs under a RSC. All PSC and RSC accounts are subject to annual audits by PETRONAS.

The Group's rights to exploit many of the Group's oil and gas assets are limited in time. There can be no assurance that such rights can be extended or that new rights can be obtained to replace any rights that expire. A portion of the licences pursuant to which the Group conducts operations are solely exploration licences, and as such the assets which are the subject of such licences are not currently producing, and may never produce commercial quantities of oil. Rather, these licences have a limited life before the Group is obliged to seek to convert the licence to a production licence, extend the licence or relinquish the licence area. If hydrocarbons are discovered during the exploration licence term, the Group or its commercial partners, as applicable, may be required to apply for a production licence before commencing production. If the Group or its commercial partners, as applicable, comply with the terms of the relevant licence, the Group would normally expect that a production licence would be issued; however, no assurance can be given that any necessary production licences will be granted by the relevant authorities.

Each of the exploration and production licences or related agreements pursuant to which the Group conducts operations have incorporated detailed work programmes which are required to be fulfilled, normally within a specified timeframe. These may include seismic surveys to be performed, wells to be drilled, production to be attained, limits to production levels and construction matters. Material non-compliance with these work programmes within the required timeframes, or failure to successfully negotiate extensions to the time permitted to carry out these work programmes, could result in the premature termination, suspension or withdrawal of licences and the Group's losing the associated resource potential therein. It may also restrict the ability to obtain new licences in the relevant jurisdictions.

The suspension, revocation, withdrawal or termination of any of the licences or related agreements pursuant to which the Group conducts business, as well as any delays in the continuous development of or production at the Group's fields caused by the issues detailed above, or by similar issues caused by a third-party incident (such as a significant spill), could materially adversely affect the Group's business, prospects, financial condition and results of operations. In addition, failure to comply with the obligations under the licences or agreements pursuant to which the Group conducts business, whether inadvertent or otherwise, may lead to fines, penalties, restrictions, withdrawal of licences and termination of related agreements, which could materially adversely affect the Group's business, prospects, financial condition and results of operations.

Moreover, the Group is subject to extensive government laws and regulations governing prices, taxes, royalties, allowable production, waste disposal, pollution control and similar environmental laws, the export of oil and many other aspects of the oil and gas business. These laws and regulations are subject to change as the political and regulatory landscape evolves, and any amendments to or reforms of the laws and regulations to which the Group is subject could make compliance with them more challenging, onerous or expensive. The actions of present or future governments in the countries in which the Group does business or of governments of other countries in which the Group may acquire assets in the future may materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group's oil exploration and production operations are principally subject to the laws and regulations of the United Kingdom and Malaysia, including those relating to health and safety and the production, pricing and marketing of oil. 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 Malaysia.

In addition, the laws and regulations applicable to the Group's UKCS operations are potentially subject to change as a result of the vote in favour of the UK leaving the European Union in the referendum held on 23 June 2016. The timing and manner of the UK's exit from the European Union, as well as the implications for laws and regulations regarding licensing and other matters applicable to oil and gas companies, remain uncertain.

If the Group is unable to obtain, maintain or comply with necessary licences or comply with other applicable regulatory requirements, or if any of the licensing or other regulatory requirements to which the Group's business is subject are amended in a way that makes compliance with them more difficult or expensive, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

There are risks inherent in the Group's acquisitions of exploration, development and production properties

The Group has historically undertaken a number of acquisitions of oil and gas assets (and of companies holding such assets) as part of its strategy in maintaining and growing the Group's reserves. The Directors may consider further acquisition opportunities inside and outside of the UKCS and Malaysia, in respect of assets that fit within the Group's overall strategy or which enhance the Group's overall reserve base and production capability. Although the Group continues to evaluate further acquisition opportunities, it has not entered into any binding agreements, memoranda of understanding or other commitments in respect of any such opportunities, and there can be no assurances that the Group will be successful in identifying and completing further acquisitions. Prior to entering into an agreement to acquire an oil and gas asset (or companies holding such assets), the Group performs due diligence on the proposed acquisition. However, reviews of properties prior to acquisitions in the oil industry are inherently incomplete, even if consistent with market practice. Even an in-depth review of all properties and records may not reveal existing or potential problems, nor will it always permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Physical inspections may not be performed on every well and other infrastructure, and structural or environmental problems are not necessarily observable even when an inspection is undertaken. There can be no assurance that the due diligence carried out by the Group or by third parties on its behalf in connection with any acquisition will reveal all of the risks associated with that asset, or the full extent of such risks. To the extent that the Group or third parties acting on the Group's behalf underestimate or fail to identify risks and liabilities associated with an acquisition or overestimate the value of an acquisition to the Group's business, it may be subject to one or more of the following risks:

- environmental, structural or operational defects or liabilities requiring remediation or decommissioning;
- an inability to obtain (or secure the transfer of) or maintain licences or other relevant agreements enabling the Group to use or develop the asset as intended;
- defects in title;
- the asset containing less oil reserves than anticipated or not being commercially viable to develop; and
- acquiring assets that are not consistent with the Group's strategy or that fail to perform in accordance with the Group's expectations.

In addition, if the Group were to acquire any asset outside its core geographies in the UKCS and Malaysia, there may be further risk associated with such asset, for example a potential lack of synergies with existing operations or regulatory or production risks associated with a new geography.

The Group may be required to assume pre-closing liabilities with respect to an acquisition, including known and unknown environmental and decommissioning liabilities, and may acquire interests in properties on an "as is" basis without recourse to the seller of such interest.

If the Group's acquisitions, whether acquired historically or in the future, fail to perform as expected, or give rise to significant unforeseen costs or liabilities, this could have a material adverse effect on its business, prospects, financial condition and results of operations.

If the Group fails to integrate acquisitions successfully, its financial condition and future performance could be adversely affected

Historically, the Group has acquired interests in additional assets on a regular basis. The Group will continue to consider acquisition opportunities that fit within the Group's overall strategy. Although the Group continues to evaluate further acquisition opportunities, it has not entered into any binding agreements, memoranda of understanding or other commitments in respect of any such opportunities, and there can be no assurances that the Group will be successful in identifying and completing further acquisitions. Integrating operations, technology, systems, management, personnel and pre or post-completion costs for future acquisitions may prove more difficult or expensive than anticipated, thereby rendering the value of any company or assets acquired less than the amount paid. The integration of acquired businesses requires significant time and effort on the part of the Group's management. Integration of new businesses can be difficult and disrupt the Group's own business because its operational and business culture may differ from the cultures of the businesses it acquires, unpopular cost-cutting measures may be required, internal controls may be more difficult to maintain and control over cash flows and expenditures may be difficult to establish. The Group could experience difficulties in successfully integrating future acquisitions, which could materially adversely affect its business, prospects, financial condition and results of operations.

The Group conducts most of its operations with commercial partners which may increase the risk of delays, additional costs and the suspension or termination of the licences or the agreements that govern the Group's assets

The Group has entered into business ventures with commercial partners in respect of most of the Group's assets. While the Group is typically the operator of the Group's assets, the Group requires cooperation from its commercial partners in obtaining approval of field development plans and in funding the development of and production from an asset. The relevant operating agreement typically provides that the project partner(s) must be consulted or that they must provide their consent in relation to significant matters. In an industry where there is often a lack of collaboration and overzealous legal and commercial behaviour between operators, there are often increased costs and delays that lead to the poorer recovery of oil as a result of such behaviour. There is also a risk that a commercial partner with interests in the Group's properties may elect not to participate in certain activities relating to those properties that require that party's consent (including decisions relating to drilling programmes, including the number, identity and sequencing of wells, appraisal and development decisions and decisions relating to production). In these circumstances, it may not be possible for such activities to be undertaken by the Group alone or in conjunction with other commercial partners at the desired time or at all or, to the extent permitted, such activities may need to be undertaken with the Group bearing a greater proportion of the risks and costs involved.

Where the Group is not the operator of an asset (currently the case with respect to one of the Group's assets, Alba), the Group is dependent on a commercial partner (in the case of Alba, Chevron) acting as operator. The Group is thus not able to direct or control operations, the timing and performance of activities or the costs thereof as it often would if it were the operator. The terms of the Group's operating agreement generally impose standards and requirements in relation to the operatorship of the oil field. However, there can be no assurance that the operator will observe such standards or requirements.

For other producing assets, some of the Group's partners retain voting rights that are greater than their equity interests in those assets. For instance, Britoil Limited, the Group's partner at Thistle, retains a 1 per cent. working interest but also retains a 50 per cent. voting interest with respect to decommissioning-related decisions. The Group's partner at Thistle may not vote in accordance with or uphold the standards or requirements of the agreements that apply to operations at Thistle or vote in accordance with the Group's own objectives.

The Group's exit strategy in relation to any particular oil interest may also be subject to the prior approval of its commercial partners. The terms of operating agreements often require commercial partners to approve of an incoming participant to the business venture or provide the Group's commercial partners with pre-emption rights with respect to the transfer of the Group's interest, either of which could affect the Group's ability to sell or transfer an interest.

The Group may suffer unexpected costs or other losses if a commercial partner does not meet obligations under agreements governing the Group's relationship. For example, other commercial partners who have invested in the Group's properties may default in their obligations to fund capital or other funding obligations in relation to such properties. In such circumstances, the Group may be required under the terms of the relevant operating agreement to contribute all or part of any such funding shortfall, regardless of the percentage interests that it agreed with such commercial partner under such arrangements. Additionally, the Group may be required to increase its ownership stake and fundraising commitments in respect of assets to the extent its commercial partners exit their investment sooner than anticipated. For example, in respect of Kraken, as a result of the Group's partner First Oil PLC going into administration, the Group was obliged to take up an additional 10.5 per cent. interest in Kraken in February 2016, which at the time increased the proportion of the development costs on Kraken that the Group was required to bear. There are also credit risks of commercial counterparties including exposures in respect of outstanding receivables. As at 31 December 2017 there were $1.7 million of joint venture receivables past due (2016: $8.6 million), 97 per cent. of which were attributed to three of the Group's joint venture partners. The Group trades only with recognised international oil and gas operators and recognises that it must accept a degree of exposure to the creditworthiness of partners and evaluates this aspect carefully as part of every investment decision.

The Group may also be subject to claims by its commercial partners regarding potential non-compliance with the Group's obligations. It is also possible that the Group's interests, on the one hand, and those of its commercial partners, on the other, may not be aligned, resulting in possible project delays, additional costs or disagreements. Failure by the Group's commercial partners to comply with obligations under relevant licences or the agreements pursuant to which it operates may lead to fines, penalties, restrictions and withdrawal of licences or the agreements under which it operates. If any of the Group's commercial partners becomes insolvent or otherwise unable to pay debts as they come due, licences or agreements awarded to them may revert to the relevant governmental authority who will then reallocate the licence. Although the Group anticipates that the relevant governmental authority may permit it to continue operations at a field during a reallocation process, there can be no assurances that the Group will be able to continue operations pursuant to these reclaimed licences or that any transition related to the reallocation of a licence would not materially disrupt the Group's operations or development and production schedule. The occurrence of any of the situations described above could materially adversely affect the Group's business, prospects, financial condition and results of operations.

Failure by the Group, its contractors or its offtakers to obtain access to necessary equipment, services and transportation systems could materially adversely affect its business, prospects, financial condition and results of operations

The Group relies on oil field suppliers and contractors to provide materials and services in conducting its exploration and production activities. Any competitive pressures on the oil field suppliers and contractors, or substantial increases in the worldwide prices of commodities, such as steel, could result in a material increase of costs for the materials and services required to conduct the Group's business. Such equipment, personnel and services can be scarce and may not be readily available at the times and places required. Future cost increases could have a material adverse effect on the Group's operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the Group's properties, the Group's planned level of spending for exploration and development and the level of the Group's reserves. Prices for the materials and services that the Group depends upon to conduct its business may not be sustained at levels that enable it to operate profitably. In certain cases, the Group may extend or provide financing to such parties in connection with the equipment or services they provide, sell or lease to it.

Oil development and exploration activities are dependent upon the availability of drilling rigs and related third-party equipment. High demand for equipment such as drilling rigs or access restrictions may affect the availability and cost of, and the Group's access to, such equipment and may delay the Group's development and exploration activities. Additionally, the wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. Failure by the Group or its contractors to secure necessary equipment and services or a material increase in the costs of such equipment and services could materially adversely affect the Group's business, prospects, financial condition and results of operations.

Any future offtakers will rely upon the availability of storage tanks and transportation systems, such as pipeline systems and oil tankers, including such infrastructure systems that are owned and operated by third parties. The Group may be unable to access such infrastructure and systems that the Group uses currently or alternative infrastructure or systems, or may otherwise be subject to interruptions or delays in the availability of infrastructure which could result in disruptions to the Group's projects thereby impacting its ability to deliver oil to commercial markets. See "*—A significant proportion of the Group's equipment has substantial prior use and any unplanned failures or outages could harm the Group's operations.*"

The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations

The Group is obliged under UK law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites. Although the Group typically aims to and has contracted for limited decommissioning liabilities, typically assuming responsibility for a portion of the costs relative to the Group's working interest, it may retain additional potential liability to third parties under applicable regulations. Once the Group is required to submit a decommissioning plan, it will be jointly and severally liable for implementing that plan with former or current commercial partners. If the Group's commercial partners default on their obligations, the Group will remain liable and its decommissioning liabilities could be magnified significantly through such default. Where the UK Secretary of State deems that a party with liability for a decommissioning programme is unlikely to be able to fulfil that liability, it is empowered to require the provision of appropriate financial security to cover those decommissioning costs.

In Malaysia, PETRONAS regulates decommissioning of oil and gas structures through PSCs and PETRONAS' Guidelines for Decommissioning of Upstream Installations as part of its Procedure and Guidelines for Upstream Activities. The Group's obligation under the PM8/Seligi PSC includes the decommissioning of all assets approved by PETRONAS under the PM8/Seligi PSC as well as an annual contribution of a decommissioning fund for the PM8/Seligi PSC assets. This obligation to decommission the assets ceases at the expiry of the PM8/Seligi PSC or when the assets are being used by other PSC operators for their petroleum operations or by PETRONAS. As at the Latest Practicable Date, no asset under the PM8/Seligi PSC has been approved for decommissioning. The estimate of costs for the decommissioning of PM8/Seligi is reviewed triennially, with the next review scheduled for 2018. Any decommissioning activity must be approved by PETRONAS before commencement and must be performed pursuant to a work programme and budget, which must include detailed decommissioning plans and itemised cost estimates, approved by PETRONAS. If the Group is required to undertake decommissioning works during the term of the PM8/Seligi PSC, the Group may request from PETRONAS an amount equal to the lower of the cumulative decommissioning fund paid by the Group and the actual cost of the decommissioning operations. Under the PM8/Seligi PSC, the Group is liable for any damages, costs, claims or expenses arising out of any decommissioning operations caused by its wilful misconduct or negligence. PETRONAS has the sole obligation to decommission any facilities under a RSC.

Under the law of the jurisdictions in which the Group operates, the United Kingdom included, the Group may be liable for up to 100 per cent. of decommissioning liabilities with respect to enhancements that it makes to assets after it acquires them. In connection with the sale or transfer of the Group's assets, the Group may retain or be liable for decommissioning liabilities, even if it has not contractually agreed to accept these liabilities.

The Group's financial statements for the year ended 31 December 2017 include a provision of $0.6 billion for decommissioning liabilities, based on internal and third-party estimates taking into account current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. During 2016, the Group commissioned Wood Group PSN to estimate the costs involved in decommissioning each of its operated fields, excluding Kraken. In 2017, the Group commissioned Wood Group PSN to estimate the decommissioning cost estimates for the Kraken facility and associated infrastructure. These estimates were reviewed by operations personnel and adjustments were made where necessary to reflect management's view of the estimates. For Alba, the Group's non-operated asset, the provision is based on estimates provided by the operator, adjusted as necessary by the Group's operations personnel, to ensure consistency in key assumptions with the Group's other North Sea assets. In estimating decommissioning provisions as at 31 December 2017, the Group applied an annual inflation rate of 2.0 per cent. (2016: 2.0 per cent.) and an annual discount rate of 2.0 per cent. (2016: 2.3 per cent.). The ultimate costs of decommissioning wells and sites are difficult to accurately predict and may depend on a number of factors. The Group's decommissioning provisions may not be sufficient and it may be required to provide new or increased financial security to the UK government or to its counterparties. Any increase in estimated decommissioning liability or in the amount of financial security the Group is required to provide could materially adversely affect the Group's business, prospects, financial condition and results of operations.

In addition, the oil and gas industry currently has limited experience in decommissioning petroleum infrastructure in the UKCS as few such structures have been removed in the region to date. The costs of decommissioning may exceed the value of the long-term provision set aside to cover such decommissioning costs. These costs may rise further as decommissioning activity in the oil and gas industry accelerates and competition for decommissioning equipment and services increases. The Group may have to draw on funds from other sources to fund such decommissioning costs.

It is also possible that the Group could incur decommissioning liabilities sooner than anticipated, if declines in oil prices resulted in production from certain oil fields no longer being economically viable, although the Directors do not currently anticipate that the Group will have any material decommissioning costs in the short to medium term.

In addition, the Magnus Transaction and the Thistle Transaction, if successfully completed, would result in the transfer of additional decommissioning liabilities to the Group, see Part 3 ("*Principal Terms of the Magnus Transaction*") and Part 4 ("*Principal Terms of the Thistle Transaction*"). These liabilities may be higher than anticipated, resulting in additional and unexpected decommissioning costs.

To the extent the Group's costs in connection with decommissioning are higher than anticipated, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group's commodity hedging activities may not be effective

The nature of the Group's operations results in exposure to fluctuations in commodity prices. The Group's policy is to have the flexibility to hedge oil prices up to a maximum of 75 per cent. of the next 12 months' productions on a rolling annual basis, up to 60 per cent. in the following 12 month period and 50 per cent. in the subsequent 12 month period. The Group uses financial instruments and physical delivery contracts to hedge its exposure to these risks and may continue to do so in the future.

During 2016, the Group entered into commodity hedging contracts to hedge a portion of its 2017 production against fluctuations in oil prices. This hedging generated cash outflows of $0.9 million (including $2.0 million outflow in respect of the settlement of December 2016 hedges) while revenue and other operating income included a loss of $31.1 million during 2017. These amounts were mostly in respect of the settlement of swaps in respect of 6.0 MMbbls, plus the maturity of certain other commodity derivatives. The Group's marketing and trading activities, which are designed to manage price exposures on certain individual cargos, generated $6.7 million of cash, and contributed $10.6 million to revenue and other operating income during 2017.

In relation to oil price hedging, gains totalling $43.9 million were realised during 2016 in respect of fixed price oil swap contracts. These contracts were for 2 million barrels of 2016 production with a fixed price of $66.6/bbl and were designated as effective hedges at 31 December 2015. All put options entered into in 2016 matured within the year ended 31 December 2016. In October 2017, the Group entered into an 18-month collar structure for $80 million. The collar includes 18 separate call options and 18 separate put options, subject to a floor of $45/bbl and a cap of approximately $64/bbl. During 2017, losses totalling $5.2 million were recognised within unrealised revenue in the income statement. As at 30 June 2018, the Group had put options in place for approximately 5.3 MMbbls for the second half of 2018 at an average price of approximately $66/bbl.

However, hedging could fail to protect the Group or could adversely affect the Group due to, among other reasons:

- the available hedging instruments failing to correspond directly with the risk for which protection is sought;
- the duration or nominal amount of the hedge failing to match the duration or amount of the related liability;
- the Group's hedge counterparty defaulting on its obligation to pay the Group;
- the credit quality of the Group's hedge counterparty being downgraded to such an extent that it impairs the ability of the relevant member of the Group to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging being adjusted from time to time in accordance with applicable accounting rules to reflect changes in fair value, and any downward adjustments reducing the Group's net assets and profits.

In addition, hedging involves transaction costs. These costs may increase as the period covered by the hedging increases and during periods of volatility. In periods of extreme volatility, it may not be commercially viable to enter into hedging transactions due to the high costs involved, which may in turn increase the Group's exposure to financial risks. There can be no assurance that the Group will be able to enter into hedging contracts on suitable terms in the future.

If the Group experiences losses as a result of its hedging activities, or if it is unable to hedge its commodity price effectively in the future, this could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Group depends on its board of directors, key members of management, independent experts and technical and operational service providers and on its ability to attract and retain such persons to effectively manage its business

The Group's future operating results depend in significant part upon the continued contribution of the Group's board of directors, key senior management and technical, financial and operations personnel. As a low-cost, lean organisation, the Group relies on certain key, high quality employees to achieve its targets and manage its risks. The loss of the services of any of these key personnel could have a material adverse effect on the Group's business and prospects. Management of the Group's business requires, among other things, stringent control of financial systems and operations, the continued development of its management control, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel and the presence of adequate supervision.

In addition, the expertise and relationships of the Group's board of directors and key management are important to the conduct of its business. If the Group was to unexpectedly lose a member of its key management or fail to maintain one of the strategic relationships of its key management team, the Group's business and results of operations could be materially adversely affected.

The Group uses independent contractors to provide the Group with certain technical assistance and services. In certain cases, the Group may exercise limited control over the activities and business practices of these providers and any inability on its part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially adversely affect the Group's business, prospects, results of operations and financial condition.

Attracting and retaining appropriate skilled personnel will be fundamental to the execution of the Company's strategy continued growth of the Group's business. The Group requires skilled personnel in the areas of exploration and development, operations, engineering, business development, oil marketing, finance and accounting relating to the Group's projects. The competition for qualified personnel in the oil and gas industry was, and may be in the future, intense. The Group may not successfully attract new personnel and retain existing personnel required to continue to operate its business effectively and to successfully execute and implement its business strategy; and any inability to do so could have a material adverse effect on its business, prospects, financial condition and results of operations.

The Group's business reputation is important to its continued viability and any damage to such reputation could materially adversely affect its business

The Group's reputation is important to its business for reasons including, but not limited to, finding commercial partners for business ventures, securing licences with governments, attracting contractors and employees and negotiating favourable terms with suppliers. In addition, as a publicly listed company, the Group may be subject to shareholder activism, which may have adverse consequences for its reputation and business.

The Group requires adherence to its Code of Conduct, which sets out the behaviour which the organisation expects of its Directors, managers and employees, and of its suppliers, contractors, agents and partners. However, it has significant reputational and commercial exposures, including to a major offshore incident or non-compliance with applicable law and regulation. Any damage to the Group's reputation, whether arising from litigation, regulatory, supervisory or enforcement actions, matters affecting the Group's financial reporting, alleged non-compliance with administrative agencies in the jurisdictions in which it does business or environmental or safety incidents, negative publicity, including from environmental activists, or the conduct of the Group's business or otherwise, could materially adversely affect its business, prospects, financial condition and results of operations.

The Group does not insure against certain risks and its insurance coverage may not be adequate for covering losses arising from potential operational hazards and unforeseen interruptions

Oil and gas development and production operations are inherently risky and hazardous and involve environmental, technical and logistical difficulties. Losses resulting from the occurrence of any such risks could result in delays, or interruption (permanent or temporary) to production, cost overruns, substantial losses and/or exposure to substantial environmental and other liabilities. The Group believes that the extent of its insurance cover is reasonable based on the costs of cover, the risks associated with its business, availability of insurance and industry practice. However, 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 and hazards associated with the Group's operations may not in all circumstances be insurable or, in certain circumstances, the Group may elect not to obtain insurance to deal with certain events due to the high premiums associated with such insurance or for other reasons. Consistent with insurance coverage generally available to the industry, the Group's insurance currently includes cover for damage to physical assets, operator's extra expense (well control, seepage and pollution clean-up and re-drill costs) and third-party liabilities for the Group's global exploration and production activities, in each case subject to excesses, exclusions and limitations. There can be no assurance that the Group's insurance will be adequate to cover any losses or exposure for liability, or that the Group will continue to be able to obtain insurance to cover such risks.

The Group is unable to give any guarantee that expenses relating to losses or liabilities will be fully covered by the proceeds of applicable insurance. Consequently, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The Group is also subject to the future risk of unavailability of insurance, increased premiums or excesses, and expanded exclusions.

The Group's operations are subject to the risk of litigation

From time to time, the Group may be subject to litigation or arbitration arising out of the Group's operations. Damages claimed under such proceedings may be material or may be indeterminate, and the outcome of such litigation or arbitration could materially adversely affect the Group's business, results of operations and financial condition. While the Group assesses the merits of each lawsuit and defends accordingly, the Group may be required to incur significant expenses in defending against such litigation or arbitration and there can be no guarantee that a court or tribunal finds in its favour. The Group is currently engaged in a dispute with KUFPEC with respect to an alleged breach of warranty provided by the Group pursuant to the Alma/Galia Farm-in Agreement as well as a dispute relating to variation works with EMAS, one of its contractors for the Kraken development. For further details about these disputes, see paragraph 19 of Part 11 ("*Additional Information*").

The Group is subject to both transactional and translational foreign exchange risks, which might adversely affect its financial condition and results of operations

Substantially all of the Group's revenues are in, and most of its working capital is in, US dollars. However, the Group's operations are entirely outside the United States and substantially all of the Group's operating costs, including labour and employee costs, are typically incurred in local currencies other than US dollars, in particular, pounds sterling and Malaysian ringgits. The Group also incurs capital expenditure costs in both Euro and Norwegian Kroner in connection with the Kraken asset.

The Group's transactional foreign currency risk arises primarily from sales or purchases in currencies other than its functional currency, the US dollar. The Group converts funds to foreign currencies to meet its payment obligations in jurisdictions where the US dollar is not an accepted currency as required. Additionally, a significant proportion of the Group's debt is denominated in currencies other than the US dollar. In particular, a portion of the Group's borrowings under the SFA are denominated in pounds sterling and Euro and the Retail Notes are denominated in pounds sterling. The Group's outstanding debt requires the payment of interest in currencies other than US dollars and will ultimately need to be repaid in currencies other than US dollars. The Group's translational foreign currency exposure arises from the translation of assets and liabilities denominated in currencies other than US dollars into US dollars in the Group's financial statements and results.

Exchange rates between pounds sterling and US dollars have fluctuated significantly in the past and may do so in the future. As of the Latest Practicable Date, the exchange rate was £1/$1.29. Consequently, construction, exploration, development, administration and other costs may be lower in terms of US dollars or other relevant currencies. However, if pounds sterling were to strengthen against US dollars, these costs would increase.

The Group engages in certain currency hedging activities to hedge the risk of substantial fluctuations in the currency markets. The hedging policy agreed by the Board allows for up to 70 per cent. of the non-US dollar portion of the denominated operating and capital expenditures to be hedged. For specific contracted capital expenditure projects, up to 100 per cent. can be hedged. The Group has entered into a number of foreign exchange currency forward contracts and structured products to hedge the Group's foreign currency risk. During 2017, the Group continued to use an exchange structure to manage risk. The first exchange structure was entered into in

2016 and allowed the counterparty to elect to sell £47.5 million to EnQuest at an exchange rate of $1.4:£1, or purchase 1.3 MMbbls of oil at $58/bbl. This structure expired on 30 June 2017. The second exchange structure allowed the counterparty to elect to sell £66.0 million to EnQuest at an exchange rate of $1.2 : £1 or purchase 1.5 MMbbls of oil at $60/bbl. This structure expired on 31 December 2017. From the exchange structures in the year, $4.4 million was recognised within other foreign currency contracts and no costs within other operating income during the year (2016: $9.3 million and $nil respectively). EnQuest continually reviews its currency exposures and when appropriate looks at opportunities to enter into foreign exchange hedging contracts. However, the Group's hedging activities do not cover the entirety of the currency exchange risks that the Group faces, there can be no guarantee that these hedging activities will be effective.

The Group may be unable to dispose of assets on attractive terms and may be required to retain liabilities for certain matters

The Group regularly reviews its asset base to assess the market value versus holding value of existing assets, with a view to best managing its capital structure. For example, in 2015 the Group disposed of interests in Norway, Egypt and Tunisia and sold its exploration assets in Malaysia. The decision to dispose of an asset may be influenced by a variety of factors, including the Group's overall development and production strategy, prioritisation of projects and the commercial viability of development or production (which is affected by factors such as the oil price and expected costs). However, there can be no guarantee that the Group will be able to dispose of assets at the times it wants to do so on attractive terms. The Group's ability to dispose of non-strategic assets could be affected by various factors, including the availability of purchasers willing to purchase such assets at prices acceptable to the Group. Further, sellers typically retain certain liabilities or agree to indemnify buyers for certain matters and in order to divest certain assets the Group may provide an indemnity to a buyer. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release the Group from guarantees or other credit support provided by the Group while the owner of the divested assets. As a result, after a sale, the Group may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations. See "*—Risks relating to the Group's business—The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations.*"

The Group could incur material costs to comply with, or as a result of liabilities under, health and safety and environmental regulations

The Group operates in an industry that is inherently hazardous and consequently subject to comprehensive health and safety and environmental regulation, including that governing discharges of pollutants to air and water, the management of produced water and wastes and the cleaning of contamination. Failure to adequately mitigate health and safety and environmental risks may result in loss of life, injury, or adverse impacts on health of employees, contractors and third parties or the environment. Such failure, whether inadvertent or otherwise, by the Group to comply with applicable legal or regulatory requirements may give rise to significant liabilities, reputational damage and/or the loss of or delays in obtaining necessary licences or other permits. As a result, the Group could incur material costs, including clean-up costs, civil and criminal fines and sanctions and third-party claims for personal injury, wrongful death and natural resource and property damages, as a result of violations of the Group's obligations under environmental, health and safety requirements.

Further, health, safety and environment laws and regulations may expose the Group to liability for the conduct of others and legal and regulatory changes that are applied retroactively may expose it to liability for acts that complied with all applicable health, safety and environment laws when they were performed.

The terms of licences or permissions necessary for the Group's operations may include more stringent environmental and/or health and safety requirements over time. Since the Group's operations have the potential to impact air and water quality, biodiversity and ecosystems, obtaining exploration, development or production licences and permits may become more difficult or may be delayed due to governmental, regional or local environmental consultation, scientific studies, approvals or other considerations or requirements.

The Group incurs, and expects to continue to incur, substantial capital and operating costs in an effort to comply with increasingly complex health and safety and environmental laws and regulations and to develop and implement robust HSE&A systems to enable the Group to ensure compliance with all applicable requirements as the duty holder at many of the Group's operated interests. The Group has taken over the duty holdership of many of the Group's operated interests. This has increased the Group's liability to the UK government with respect to its interests in the UKCS, and the failure to comply with current health, safety and environment 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, prospects, financial condition and results of operations. Although the Group believes that the assumption of duty holdership mitigates some of the risk associated with the lack of direct control over these conditions when the responsibility for them lies with other entities, it may expose the Group to more direct liability for HSE&A conditions.

With regard to the Group's operations in Malaysia, the PM8/Seligi PSC and the Tanjong Baram SFRSC requires the Group as contractor to conduct an initial assessment of the environment, health and safety risks involved in the execution of petroleum operations in the relevant contract area. Under the PM8/Seligi PSC and the Tanjong Baram SFRSC, the Group is also required to take appropriate measures to prevent any environment, health and safety incidents from occurring offshore and to minimise the consequences of such incidents in the event they do occur. The Group has to ensure that all its personnel are competent, fully trained, experienced, skilled and certified to carry out the tasks of operating all machinery, equipment and tools offshore, and that its personnel comply with PETRONAS' environment, health and safety requirements and all safety manual policies and procedures. These requirements are subject to an annual audit by PETRONAS and, to the extent any gaps are identified, the Group will be required to ensure that all such gaps are addressed to PETRONAS' satisfaction.

New laws and regulations, the imposition of tougher requirements in licences, increasingly strict enforcement of, or new interpretations of, existing laws, regulations and licences, or the discovery of previously unknown contamination may require further expenditures to, for example:

- modify operations;
- install pollution control equipment;
- perform site clean ups;
- curtail or cease certain operations; or
- pay fees or fines or make other payments for pollution, discharges or other breaches of environmental requirements.

Although the costs of the measures taken to comply with environmental regulations have not had a material adverse effect on the Group's business, prospects, financial condition or results of operations to date, the costs of such measures and liabilities for any environmental damage caused by the Group's operations in the future may increase, which could materially adversely affect the Group's business, prospects, financial condition and results of operations. In addition, it is not possible to predict with certainty what future environmental regulations will be enacted or how current or future environmental regulations will be applied or enforced in the future. Environmental laws may result in a curtailment of production and/or a material increase in the cost of production, development or exploration activities.

The Group is also affected by international treaties on the environment to which the United Kingdom is a party such as the OSPAR Commission. Controls on the quantities of oil that can be discharged in process waters in the course of offshore operations have been implemented in the United Kingdom by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (the "**OPPC**"). The OPPC was amended by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) (Amendment) Regulations 2011 which, among other things, extends the scope of the OPPC to apply to all emissions of oil from pipelines used for offshore oil and gas activities and for gas storage and unloading activities. The Group may incur material expenditure to comply with the OPPC if it is required to modify the Group's operations, specifically with regard to the Kittiwake, Heather Alpha and Thistle Alpha platforms, the Northern Producer FPF and the EnQuest Producer FPSO.

The Offshore Combustion Installations (Pollution Prevention and Control) Regulations 2013 (the "**PPC**") have been implemented in the United Kingdom and apply to the Heather Alpha and Thistle Alpha platforms, the Northern Producer FPF and EnQuest Producer FPSO. Permits under the PPC have been issued to the Group by the UK Department for Business, Energy and Industrial Strategy (formerly the Department of Energy and Climate Change). 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 it, for future investment opportunities for improved performance. The PPC revoked the Offshore Combustion Installations (Prevention and Control of Pollution) Regulations 2001 and The Offshore Combustion Installations (Prevention and Control of Pollution) (Amendment) Regulations 2007. The costs associated with the PPC permit compliance and other measures to be undertaken are material for the Group.

Pending the UK's exit from the European Union, as a company incorporated under the laws of England and Wales, the Group remains subject to the provisions of European Union environment laws. The potential withdrawal from the European Union by the United Kingdom may have an impact on the above mentioned regulations which apply to the Group. For example, although the OPPC does not specifically transpose EU legislation, its permit conditions are likely to reflect the requirements of EU law. The PPC partially transposes EU legislation through the Industrial Emissions Directive 2010 and the Environmental Impact Directive. Both sets of regulations may therefore be modified expressly and/or in the way they are applied when the Brexit process has been completed, although the substance and manner of implementation of these changes remains uncertain.

To the extent the Group incurs material costs to comply with, or as a result of liabilities, under HSE&A regulations, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group may be subject to work stoppages or other labour disturbances, and the Group's employees and those employed by its contractors may become unionised

Work stoppages or other labour disturbances, such as industrial action, with the Group's employees or those of the Group's contractors, suppliers and customers, may occur in the future. Such disturbances could have a material adverse impact on the Group's production and development activities in the periods during which they occur. In addition, the Group's employees, and those employed by the Group's contractors, may become members of or represented by labour unions. If this occurred, the Group or its contractors may not be able to negotiate acceptable collective bargaining agreements or future restructuring agreements or may become subject to material cost increases or additional work rules imposed by such agreements.

The Group has been the operator of SVT since 1 December 2017 and the technicians employed at SVT, comprising approximately 60 per cent. of SVT employees, are covered by a collective agreement with the union UNITE and, as at the Latest Practicable Date, the 2018 pay negotiations are underway with UNITE for the 130 technicians working on the site.

The occurrence of any of the foregoing could materially adversely affect the Group's business, prospects, financial condition and results of operations.

The Group's website and internal systems may be subject to intentional and unintentional disruption, and its confidential information may be misappropriated, stolen or misused, which could adversely impact its reputation and future sales

The Group is exposed to risks arising from interruption to or failure of IT infrastructure. The risks of disruption to normal operations range from loss in functionality of generic systems (such as email and internet access) to the compromising of more sophisticated systems that support the Group's operational activities. These risks could result from malicious interventions such as cyber-attacks designed to penetrate its network security or the security of its internal systems, misappropriate proprietary information and/or cause interruptions to the Group's services. Such attacks could include hackers obtaining access to the Group's systems, the introduction of malicious computer code or denial of service attacks. If an actual or perceived breach of the Group's network security occurs, it could adversely affect its business or reputation, and may expose it to the loss of information, litigation and possible liability. Such a security breach could also divert the efforts of the Group's technical and management personnel. In addition, such a security breach could impair its ability to operate its business. If this happens, the Group's reputation could be harmed, its revenues could decline and its business could suffer.

In addition, confidential information that the Group maintains may be subject to misappropriation, theft and deliberate or unintentional misuse by current or former employees, third-party contractors or other parties who have had access to such information. Any such misappropriation and/or misuse of the Group's information could result in it, among other things, being in breach of certain data protection and related legislation. The Group expects that it will need to continue closely monitoring the accessibility and use of confidential information in its business, educate its employees and third-party contractors about the risks and consequences of any misuse of confidential information and, to the extent necessary, pursue legal or other remedies to enforce its policies and deter future misuse.

The Group does not register trademarks, service marks and trade names that it uses in conjunction with the operation of its business

The image and reputation of the Group constitutes a significant part of its business. The Group does not currently register trademarks, service marks and trade names that it uses in its business, including the "EnQuest" name and logo. In addition, the Group cannot assure you that third parties will not infringe on or misappropriate its rights or assert rights in, or ownership of, its trademarks and other intellectual property rights or in trademarks that are similar to trademarks that the Group uses. Litigation may be necessary to enforce the Group's intellectual property rights or to defend it against claimed infringement of the rights of third parties. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could materially harm the Group's future financial results and the Group's ability to develop its business.

The Group's tax liability is subject to estimation and the Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which it does business

The Group is subject to corporate tax and production tax in the United Kingdom and oil sale tax in Malaysia. Fluctuations in these tax rates can have an impact on projects and make certain projects less economically viable. The Group's tax rate, including its effective tax rate and VAT, may be affected by changes in tax laws or interpretations of tax laws in any jurisdiction in which the Group operates and in any financial year will reflect a variety of factors that may not be present in succeeding financial years. During periods of high profitability in the oil industry, there are often calls for increased or windfall taxes on oil revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future. As a result, the Group's tax rate may increase or tax allowances may be withdrawn or curtailed in future periods, which could have a material adverse effect on the Group's financial results and, specifically, its net income, cash flow and earnings may decrease.

Tax regimes in certain jurisdictions can be subject to differing interpretations and tax rules in any jurisdiction are subject to legislative change and changes in administrative and regulatory interpretation. The interpretation by the Company's relevant subsidiaries of applicable tax law as applied to their transactions and activities may not coincide with that of the relevant tax authorities. As a result, transactions may be challenged by tax authorities and any of the Group's profits from activities in those jurisdictions in which the Group operates may be subject to additional tax or additional unexpected transactional taxes (e.g., stamp duty, VAT or capital gains tax), which, in each case, could result in significant legal proceedings and additional taxes, penalties and interest, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. In addition, taxing authorities could review and question the Group's tax returns leading to additional taxes and penalties which could be material. For example, the Group has engaged in an exchange of correspondences with HMRC in respect of leasing arrangements for equipment entered into by it, having initially disclosed such arrangements pursuant to UK laws requiring that transactions meeting certain criteria be notified to HMRC. If additional taxes were assessed on the Group as a result of such arrangements, the Group's cumulative tax loss position could be negatively affected and the Group could potentially become liable to pay cash tax at an earlier date than expected. In addition, interest and penalties could apply.

Additionally, the Group's tax provision is subject to estimation. In the UK, the Group prepares its tax provision before it files its UK corporation tax and supplementary charge returns with HMRC and thus it must make estimates and judgements on factors in the tax provision process. Such estimates and judgements include those required in calculating the effective tax rate. In considering the tax on exceptional items, the Group applies the appropriate statutory tax rate to each exceptional item to calculate the relevant tax charge. The Group also makes judgements and assumptions regarding the likelihood of future taxable profits and the amount of deferred tax that can be recognised on unused tax losses where it is probable that future taxable profits will be available for utilisation. Although the Company does not expect to pay material UK cash corporation tax on operational activities within the ring fence for the foreseeable future, the Company cannot assure you that it will not be required to pay taxes under current or future laws.

The Group may not have good title to all its assets and licences

There can be no assurance that the Group has good title to all of its assets and the rights to explore for, develop and produce oil from the Group's assets. Moreover, the Group's predecessors from which it acquired its interests in the Group's assets may not have had good title to those interests.

There may be disputes concerning the validity of the Group's production and exploration licences in the UKCS and in other countries in the future. Changing regulatory and environmental conditions may create disputes with the BEIS in the United Kingdom or other oil companies with operations in the UKCS. Similarly, the same may occur with other regulatory bodies and oil companies in other countries where the Group has assets (currently Malaysia).

The Group's international operations will require it to comply with various regulatory regimes and subject it to the challenges of running a business with global operations

The Group currently operates its business in the United Kingdom and in Malaysia. Accordingly, the Group is subject to political, economic and social factors affecting Malaysia, regional diplomatic developments affecting Malaysia and changes in Malaysian laws, regulations and policies implemented by the local government from time to time.

In addition, the Group's Malaysian operations are potentially subject to some or all of the following risks of doing business internationally, among others:

- foreign laws and governmental regulation, including those governing tax, worker immigration and customs;
- expropriation, confiscatory taxation and nationalisation of the Group's assets;
- unfavourable changes in foreign monetary and tax policies, and unfavourable and inconsistent interpretation and application of foreign tax laws; and
- foreign currency fluctuations and restrictions on currency repatriation.

The Group's Malaysian operations are subject to the laws and regulations of Malaysia. If the existing body of laws and regulations in Malaysia are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder the Group's long-term planning efforts and may create uncertainties in the Group's operating environment. Additionally, the Group's ability to compete in international markets may be adversely affected by governmental regulations or other policies that favour the awarding of contracts to contractors in which nationals of those countries have substantial ownership interests. The Group's international operations may also face governmentally imposed restrictions or taxes from time to time on the transfer of funds to it.

Various national and local taxing authorities may also periodically examine the Group's operations. Such examinations, including audits, may result in an assessment of additional taxes and other costs payable in relation to prior periods.

Any acts of terrorist activity, piracy, social and civil unrest, political upheaval and armed conflicts causing disruptions of oil and gas exports could materially adversely affect the Group's business, prospects, financial condition and results of operations.

Certain emerging and developing market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies or an increase in the perceived risks associated with investing in such economies could discourage foreign investment in and adversely affect the economies of these countries (including countries in which the Group has assets).

SECTION C: RISKS RELATING TO THE PROPOSED TRANSACTIONS

The Group may fail to realise the anticipated benefits of the Proposed Transactions

The Group believes that completion of the Magnus Transaction will provide the Group with a significant organic growth opportunity by increasing the Group's interest in Magnus to 100.0 per cent. The Directors anticipate that upon completion of the Magnus Transaction, EnQuest will add 2P reserves equivalent to almost 30 per cent. of its 2P reserves held at 1 January 2018 and benefit from material growth in production and future prospectivity. The Group intends to build on existing efficiencies and its experience as operator of the Magnus Assets to enhance the financial benefit of the Magnus Transaction. However, the Group may face unexpected challenges or costs, including higher than anticipated remedial capital expenditure and operating expenditure costs and lower than anticipated production efficiency. The Group may also be challenged by major failures in infrastructure due to the advanced age of the Magnus Assets, which may require extended shut-downs for repair work. The occurrence of any of these events may impair the Group's ability to realise the anticipated potential of the Magnus Assets, which could have an adverse effect on the Group's business, financial condition, prospects or results of operations.

Pursuant to the Thistle Transaction, the Group will receive $20 million cash in consideration for undertaking the decommissioning of the Thistle and Deveron fields. EnQuest's current estimate of its exposure to decommissioning costs is lower than the $20 million cash being received. However, there is no guarantee that the expected financial benefits of the Thistle Transaction will be realised. The Group may face unanticipated increased or incremental costs in connection with its decommissioning obligations. If the cost of decommissioning the Thistle and Deveron fields exceeds $20 million, this could have an adverse effect on the financial condition of the Group.

The Rights Issue is not conditional upon completion of the Magnus Transaction; if the Rights Issue completes but the Magnus Transaction does not, the net proceeds of the Rights Issue will need to be returned to Shareholders

It is possible that the Magnus Transaction could cease to be capable of completion, in particular if any of the conditions precedent to completion are not satisfied in accordance with the Magnus Call Option Deed even following Admission of the New Ordinary Shares and the Rights Issue becoming wholly unconditional. In this case, as the Rights Issue is not conditional upon completion of the Magnus Transaction, the Rights Issue would still be completed and funds would be raised by the Company. It would also mean that costs would have been incurred by the Company with none of the potential benefits of the Magnus Transaction having been achieved and that time spent by management in connection with the Proposed Transactions will not have been spent productively.

The long-stop date for satisfaction or waiver of the conditions under the Magnus Call Option Deed is the date falling 365 days after the passing of the ordinary resolution to approve the Magnus Transaction (or such later date as SPV and BPEOC may agree). If the conditions have not been satisfied or waived by this date, both SPV and BPEOC have a right to terminate the Magnus Call Option Deed. In the event that the Rights Issue proceeds but the Magnus Transaction does not complete, the Directors will consider how best to return the net proceeds of the Rights Issue to Shareholders. Such a return could carry fiscal costs for certain Shareholders, would have costs for the Company and would be subject to applicable securities laws.

SECTION D: RISKS RELATING TO THE RIGHTS ISSUE AND AN INVESTMENT IN THE ORDINARY SHARES

The market value of listed securities may fluctuate and may not reflect the underlying asset value of the Group

Prospective investors should be aware that the value of an investment in EnQuest may go down as well as up. The market value of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares) and/or the Ordinary Shares could be subject to significant fluctuations and may not always reflect the underlying value of the Group. A number of factors outside the control of the Group may impact on its performance and the price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares) and/or the Ordinary Shares. Such factors include the operating and share price performance of other companies in the industry and markets in which the Group operates, speculation about the Group's business in the press, media or investment community, market perceptions to changes affecting the Group's operations or variations in the Group's profit estimates, the publication of research reports by analysts and general market or economic conditions. The market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares) and/or the Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the Group's actual results of operations and financial condition. Moreover, the financial results and prospects of EnQuest may be below the expectations of market analysts and investors from time to time. Any of these events could result in a decline in the market price of the New Ordinary Shares (including the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares) and/or the Ordinary Shares.

Upon the issuance of New Ordinary Shares pursuant to the Rights Issue, Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership

A Qualifying Shareholder that does not take up any New Ordinary Shares under the Rights Issue (or any Qualifying Shareholder with a registered address in the United States or who is otherwise located in the United States who is not eligible to participate in the Rights Issue) will experience a dilution of approximately 30.0 per cent. as a result of the Rights Issue. Any consideration received as a result of not exercising Nil Paid Rights or the Swedish Subscription Rights may not be sufficient to compensate a Qualifying Shareholder fully for the dilution of their percentage ownership of EnQuest's share capital that may be caused as a result of the Rights Issue.

There is no guarantee that there will be an active trading market for the Ordinary Shares, Nil Paid Rights or the Fully Paid Rights, or the Swedish Subscription Rights and the Paid Subscribed Shares

An active trading market in the Nil Paid Rights or the Fully Paid Rights, or the Swedish Subscription Rights and the Paid Subscribed Shares may not develop on the London Stock Exchange or on NASDAQ Stockholm, as the case may be, during the trading period. In addition, because the trading price of the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares, depends on the trading price of the Ordinary Shares, the prices of the Nil Paid Rights and the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares, may be volatile and subject to the same risks as noted in the risk factor entitled "*Upon the issuance of New Ordinary Shares pursuant to the Rights Issue, Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership*".

Any future Ordinary Share issues and sales of Ordinary Shares by major Shareholders may further dilute the holdings of current Shareholders and may also have an adverse effect on the market price of the Ordinary Shares

Other than pursuant to the Rights Issue, the Group has no current plans for a subsequent offering of Ordinary Shares. However, it is possible that the Group may decide to offer additional Ordinary Shares in the future. If Shareholders did not take up any such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in EnQuest would be reduced. An additional offering or a significant sale of Ordinary Shares by any of the Group's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares or the Nil Paid Rights or the Fully Paid Rights, or the Swedish Subscription Rights or the Paid Subscribed Shares, during their trading period on the London Stock Exchange or on NASDAQ Stockholm, as the case may be.

The Group's ability to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves

The level of any dividend paid in respect of the Ordinary Shares is within the discretion of the Board and is subject to a number of factors, including the business and financial condition of, earnings and cash flow of, and other factors affecting, the Group, as well as the availability of funds from which dividends can be legally paid. The Group is also subject to a covenant limiting its ability to pay dividends. The level of any dividend in respect of the Ordinary Shares is also subject to the extent to which EnQuest receives funds, directly or indirectly, from its operating subsidiaries and divisions in a manner which creates funds from which dividends can be legally paid. The ability of its subsidiaries to pay dividends to EnQuest and its ability to receive distributions from its investments in other entities are subject to applicable local laws and regulatory requirements and other restrictions. These laws and restrictions could limit the payment of dividends and distributions to EnQuest by its subsidiaries, which could in the future restrict EnQuest's ability to fund its operations or to pay a dividend to its Shareholders. Any reduction in dividends paid on Ordinary Shares from those historically paid, or the failure to pay dividends in any financial year, could adversely affect the market price of Ordinary Shares.

Exchange rate fluctuations may impact the price of Ordinary Shares or the value of any dividends paid

The Ordinary Shares admitted to trading on the London Stock Exchange's main market for listed securities, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling, while the Ordinary Shares listed on NASDAQ Stockholm and any dividends announced in respect of such shares, will be quoted in Swedish krona. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of pounds sterling or the Swedish krona in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.

The Company's ability to pay dividends in the future may be limited by covenants under the High Yield Notes or other borrowings.

The Company has not declared or paid any dividends since incorporation in January 2010 and does not intend to pay dividends in the near future. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company and on such other factors as the Directors of the Company considers appropriate.

In addition to the foregoing, the High Yield Notes contain a restriction on the Company declaring or paying a dividend or distribution or making any other payment on any of its shares or redeeming, purchasing or otherwise acquiring any of its shares, unless or until the Company has redeemed in cash at par an aggregate principal amount of the High Yield Notes that is equal to any capitalised interest, together with any accrued and unpaid interest thereon.

The Company's ability to institute and pay dividends may be further limited by covenants contained in the agreements governing any indebtedness that the Group may incur in the future, including the terms of any credit facilities the Group may enter into with third-party lenders. As a result of the foregoing factors, purchasers of the Ordinary Shares may not receive any return on an investment in the Ordinary Shares unless they sell such Ordinary Shares for a price greater than that which they paid for them.

The Issue Price paid by, and any premium paid to, Qualifying Swedish Shareholders who hold their Ordinary Shares through Euroclear Sweden will be subject to fluctuations in the exchange rates between pounds sterling and Swedish krona prior to the end of the Rights Issue Period

As part of the Swedish Rights Issue, the price for Qualifying Swedish Shareholders who hold their Ordinary Shares through Euroclear Sweden will be determined based on currency exchange rates between pounds sterling and Swedish krona. At 6.00 p.m. (London time) on 24 September 2018. Subsequent fluctuations in the exchange rates between pounds sterling and Swedish krona prior to the end of the Rights Issue Period could result in Qualifying Shareholders outside of Sweden paying more, or less, per Rights Issue Share than Qualifying Swedish Shareholders who hold Rights Issue Shares through Euroclear Sweden and vice versa.

In addition, if an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then a provisional allotment shall be deemed to have been declined and will lapse and the Joint Bookrunners will use reasonable endeavours to procure subscribers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Issue Price and the expenses of procuring such subscribers (including any related commissions and amounts in respect of VAT) can be obtained. New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring such acquirers including any applicable brokerage and commissions and amounts in respect of VAT), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments. Any premium payable to Qualifying Swedish Shareholders will be converted to the Swedish Krona Issue Price as set on 24 September 2018. Subsequent fluctuations in the exchange rates between pounds sterling and Swedish krona prior to the payment of the premium could result in Qualifying Shareholders outside of Sweden receiving less, or more, than Qualifying Swedish Shareholders who hold Rights Issue Shares through Euroclear Sweden and vice versa.

Admission of the New Ordinary Shares may not occur when expected

Application for Admission is subject to the approval (subject to satisfaction of any conditions to which such approval is expressed to be subject) of the UK Listing Authority and, in respect of New Ordinary Shares proposed to be admitted to trading on NASDAQ Stockholm, the approval of NASDAQ Stockholm AB, and LSE Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading, and in respect of the Stockholm Admission, it will become effective on the date NASDAQ Stockholm sets as the first day of trading on NASDAQ Stockholm. There can be no guarantee that any conditions to which Admission is subject will be met or that the UK Listing Authority will issue a dealing notice or that NASDAQ Stockholm will admit the New Ordinary Shares to trading on NASDAQ Stockholm. . In addition, New Ordinary Shares, fully paid, will be available for dealings on NASDAQ Stockholm later than on the LSE due to differences in settlement procedures applicable in CREST and the VPC System, respectively. This will restrict the ability of subscribers of New Ordinary Shares in the Swedish Rights Issue to transfer New Ordinary Shares during such time period.

In addition, the Rights Issue is conditional upon, among other things: (i) the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree); (ii) the Magnus Call Option Deed remaining in full force and effect, not having lapsed or been terminated prior to LSE Admission; (iii) the Company having complied with its obligations under the Underwriting Agreement and under the terms and conditions of the Rights Issue which fall to be performed on or prior to LSE Admission and such agreement having become unconditional save as otherwise agreed by the Joint Bookrunners, acting jointly, and the Underwriting Agreement not having been terminated prior to LSE Admission; and (iv) LSE Admission becoming effective by not later than 8.00 a.m. 2 October 2018 (or such later time and/or date as the Company may agree with the Joint Bookrunners, not being later than 8.00 a.m. on 16 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on or before 16 October 2018. See the "*Expected Timetable of Principal Events*" on page 59 of this document for further information on the expected dates of these events.

The Rights Issue will be made under the existing shareholder authorities that were granted at the Company's 2018 Annual General Meeting under resolutions 15 (authority to allot shares) and 16 (dis-application of pre-emption rights).

The ability of Overseas Shareholders to bring actions or enforce judgments against the Group or its directors or officers may be limited

The ability of an Overseas Shareholder to bring an action against the Group may be limited under law. EnQuest is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and the Articles. These rights differ front the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of English companies may bring derivative actions. Under English law, in most cases, only the Company can be the proper claimant for purposes of maintaining proceedings in respect of wrongful acts committed against it. Neither an individual shareholder nor any group of shareholders has any right of action in such circumstances. In addition, English law does not afford approvals rights to dissenting shareholders in the form typically available to shareholders on a US corporation. An Overseas Shareholder may not be able to enforce a judgement against some or all of the Directors and/or Senior Managers. The majority of the Directors and Senior Managers are and will continue to be residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and/or the Senior Managers in any original action based solely on foreign securities laws brought against the Group or the Directors and/or the Senior Managers in a court of competent jurisdiction in England or other countries.

Pre-emptive rights may not be available to Overseas Shareholders

Under the Articles (save for certain exceptions set out therein) and pursuant to the Listing Rules, prior to the issue of any new share, the Company must offer holders of its Existing Ordinary Shares pre-emptive rights to subscribe and pay for a sufficient number of Ordinary Shares to maintain their existing ownership percentages.

Overseas Shareholders may not be able to exercise their pre-emptive rights for Ordinary Shares whether as part of the Rights Issue or (even if pre-emption rights were not waived in respect of it) a future issue of Ordinary Shares for cash, unless the Group decides to comply with applicable local laws and regulations. Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in the Rights Issue or any future issue of Ordinary Shares. In particular, US holders of Ordinary Shares may not be able to receive, trade or exercise pre-emptive rights for New Ordinary Shares under the laws of the United States unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements of the US Securities Act is available thereunder. None of the New Ordinary Shares will be registered under the US Securities Act and there can be no assurance that the Group will file any such registration statements for future share issues, or that an exemption to the registration requirements of the US Securities Act will be available in any case, or that the Group would seek to avail itself of any such exemption, absent which the US Shareholders would be unable to participate in such an issue.

If Overseas Shareholders are not able to receive, trade or exercise pre-emptive rights granted in respect of their Ordinary Shares in any rights offering by the Group, then they may not receive the economic benefit of such rights. In addition, their proportional ownership interests in the Group will be diluted. Furthermore, this limitation on the ability of Overseas Shareholders to exercise pre-emptive rights could adversely affect the Group's ability to attract future investors, could restrict any future acquisition structures of the Group and could generally impair the Group's ability to offer Ordinary Shares as consideration in relation to such acquisitions.

IMPORTANT INFORMATION

Any decision in connection with the Rights Issue should be made solely on the basis of the information contained in this document (and the documents incorporated by reference). Without limitation to the foregoing, reliance should not be placed on any information in announcements released by the Company prior to the date hereof, except to the extent that such information is repeated or incorporated by reference into this document.

A letter from the Chairman of the Company, which contains the recommendation of the Board to vote in favour of the Magnus transaction, the Thistle Transaction and the Rights Issue is set out in Part 1 ("*Letter from the Chairman of EnQuest PLC*"). A General Meeting to consider the proposals contained in this document will be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2AG on 1 October 2018 at 9.00 a.m.

Notice to all investors

The distribution of this document and/or the transfer of the New Ordinary Shares into jurisdictions other than the UK or Sweden may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions and should consider (to the extent relevant to them) the notices to residents of various countries set out in paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*"). Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded or transmitted in or into the United States or the Excluded Territories. No action has been taken by the Company or the Joint Bookrunners that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK or Sweden.

Any reproduction or distribution of this document and the accompanying documents, in whole or in part, and any disclosure of its contents in jurisdictions other than the UK or Sweden is prohibited. Any use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares offered or otherwise made available hereby is prohibited. Each offeree of the New Ordinary Shares by accepting delivery of this document agrees to the foregoing.

Notice to investors in European Economic Area (other than UK and Sweden)

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**relevant member state**") except for the United Kingdom and Sweden, with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the "**relevant implementation date**") none of the New Ordinary Shares, the Nil Paid Rights or the Full Paid Rights, or the Swedish Subscription Rights or the Paid Subscribed Shares have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, the Nil Paid Rights and the Full Paid Rights, the Swedish Subscription Rights and the Paid Subscribed 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, with effect from and including the relevant implementation date, offers of such New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, or the Swedish Subscription Rights or the Paid Subscribed Shares may be made to the public in that relevant member state at any time:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospective Directive), subject to obtaining the prior consent of the Joint Bookrunners;

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, or the Swedish Subscription Rights or the Paid Subscribed Shares shall result in a requirement for the Company, J.P. Morgan Cazenove and/or BofA Merrill Lynch to publish 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 New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, or the Swedish Subscription Rights or the Paid Subscribed Shares or to whom any offer is made under the Rights Issue will be deemed to have represented, warranted and agreed to and with J.P. Morgan Cazenove and BofA Merrill Lynch, and with the

Company, that it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive.

For the purpose of this provision, the expression an "offer of to the public" in relation to any New Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares to be offered so as to enable an investor to decide subscribe for or to purchase such securities 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 New Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed 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 such securities acquired by it in the Rights Issue 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 any relevant member state other than the UK or Sweden in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined in the Prospectus Directive or in circumstances in which the prior consent of the Company, J.P. Morgan Cazenove and BofA Merrill Lynch has been obtained to each such proposed offer or resale. Each of the Company, J.P. Morgan Cazenove, BofA Merrill Lynch and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person outside the UK and Sweden who is not a qualified investor and who has notified the Company, J.P. Morgan Cazenove and/or BofA Merrill Lynch of such fact in writing may, with the consent of the Company, J.P. Morgan Cazenove and/or BofA Merrill Lynch, be permitted to subscribe for or purchase New Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares in the Rights Issue.

Information not contained in this document

Subject to the requirements of the FSMA, the Listing Rules, DTRs and the Prospectus Rules, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group taken as a whole since the date of this document or that the information in or incorporated by reference into this document is correct as of any time subsequent to the date hereof.

Recipients of this document acknowledge that (i) they have not relied on J.P. Morgan Cazenove, BofA Merrill Lynch or any person affiliated with them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the Rights Issue or the New Ordinary Shares, Nil Paid Rights, Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, J.P. Morgan Cazenove or BofA Merrill Lynch.

Any information that is incorporated by reference into documents, which in turn are incorporated into this document, is not incorporated by reference into and does not form part of this document.

No incorporation of website information

The contents of the Company's website or any website directly or indirectly linked to the Company's website have not been verified and do not form part of this document and investors should not rely on it or any of them.

Information regarding forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". The words "believe," "estimate," "target," "anticipate," "expect," "could," "would," "intend," "aim," "plan," "predict," "continue," "assume," "positioned," "may," "will," "should," "shall," "risk" their negatives and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary," "Risk Factors," "Information on the Group", "Overview of EnQuest's Market" and "Operating and Financial Review" regarding the Company's or the Group's strategy, plans, objectives, goals and other future events or prospects are forward-looking statements. An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's or the Group's control. 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. The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document and/or information incorporated by reference into this document. In addition, even if the Company's or the Group's results of operation, financial position and growth, and the development of the markets and the industry in which the group operates, are consistent with the forward-looking statements contained in this document, these results or developments may not be indicative of results or developments in subsequent periods. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Company's and/or the Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "*Risk Factors*" on pages 23 to 51 of this document.

Each forward looking statement speaks only as of the date it was made and are not intended to give any assurances as to future results. Furthermore, forward-looking statements contained in this document that are based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Except as required by the FSMA, the Listing Rules, the DTRs, the Prospectus Rules, the Swedish Financial Instruments Trading Act, the Swedish Listing Rules and/or the Swedish Securities Act, none of the Company, J.P. Morgan Cazenove or BofA Merrill Lynch undertakes any obligation to update or revise these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from new information, events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by the FSMA, the Listing Rules, the DTRs, the Prospectus Rules, the Swedish Financial Instruments Trading Act, the Swedish Listing Rules and/or the Swedish Securities Act or otherwise by law and/or by any regulatory authority, but assumes no further obligation to publish additional information.

Neither the delivery of this document nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's and/or the Group's affairs or that the information set forth in this document is correct as of any date subsequent to the date hereof.

Profit forecasts

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

Presentation of financial information

Unless otherwise indicated, financial information presented in this document relating to the Group as at and for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and as at and for the six months ended 30 June 2018 (and comparative information for the six months ended 30 June 2017), is presented in US dollars, has been prepared in accordance with IFRS as adopted by the EU and has been extracted without material adjustment from the published annual financial reports for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited interim consolidated financial statements for the six months ended 30 June 2018, respectively.

The Group's historical consolidated financial statements include:

(a) the 2015 Financial Statements;

(b) the 2016 Financial Statements;

(c) the 2017 Financial Statements; and

(d) the 2018 Unaudited Interim Financial Statements.

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

Non-IFRS measures

This document contains measures that are not recognised under IFRS as adopted by the EU, namely EBITDA.

EBITDA is a non-IFRS measure and refers to operating profit calculated on a business performance basis by taking profit/loss from operations before tax and finance income/(costs) and adding back depletion, depreciation and foreign exchange movements and the realised gain/(loss) on foreign currency derivatives related to capital expenditure. Although EBITDA is not a measure of operating profit, operating performance or liquidity in accordance with IFRS as adopted by the EU, the Company uses 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 expenditures. EBITDA should not, however, be considered in isolation or as a substitute for operating profit as determined by IFRS as adopted by the EU, or as an indicator of the Group's operating performance or of its cash flows from operating activities as determined in accordance with IFRS as adopted by the EU.

The following table sets forth a reconciliation from EBITDA to profit from operations before tax and finance income/(costs) for the years ended 31 December 2015, 2016 and 2017 and the six month periods ended 30 June 2017 and 30 June 2018.

	Year ended 31 December			Six months ended 30 June	
	2015 USD '000	2016 USD '000	2017 USD '000	2017 USD'000	2018 USD '000
EBITDA	474.2	477.1	303.6	151.0	311.9
Adjustments:					
Depletion and depreciation	(305.9)	(244.6)	(227.6)	(96.6)	(219.3)
FX gains/(losses)	15.0	51.9	(23.9)	(13.7)	12.6
Realised gain/(loss) on FX derivatives related to capital expenditure[1]	(9.4)	(47.3)	(4.8)	(7.1)	–
Business Performance profit from operations before tax and finance income/(costs)	173.9	237.1	47.3	33.6	105.2
Re-measurements and exceptional items	(1,289.3)	108.0	(144.0)	(19.9)	40.8
Profit/(loss) from operations before tax and finance income/(costs)	(1,115.4)	345.1	(96.7)	13.7	146.0

1 Realised (gain)/loss on FX derivatives is recorded within cost of sales. Where the derivative hedges capital expenditure, the (gain)/loss is added back when calculating EBITDA in order to reflect the underlying result of operating activities.

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 "**krona**" 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 Issue Price will be stated in pounds sterling and the Swedish Krona Issue Price will be set in SEK.

Unless otherwise specified, this document contains certain translations of US dollars into amounts in pounds sterling and pounds sterling into amounts in SEK for convenience of the reader based on the exchange rate of £1.00 = $1.29 and £1.00 = SEK11.7790, being the relevant exchange rate at 4.30 p.m. on the Latest Practicable Date. These exchange rates were obtained from Bloomberg.

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. The Company confirms that such third-party information in this document has been accurately reproduced and, as far as the Group is aware and able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Unless otherwise stated, such information has not been audited.

Presentation of Reserves

This document presents information concerning the Group's reserves which are audited annually by GCA. This document presents information concerning reserves using SPE PRMS as the standard for classification and reporting. All reserves information in this document is presented on the basis of SPE PRMS standards, unless otherwise indicated.

The information on reserves in this document 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 on the ability of the information on reserves in this document to predict actual reserves.

Prospective investors should read the whole of this document for more information on the Company's reserves and the reserves definitions the Company uses.

Defined terms and technical terms

Certain terms used in this document, including all capitalised terms, are defined and explained in Part 15 ("*Definitions*"). Certain technical terms are explained in Part 14 ("*Technical Terms*").

Times

All references in this document that are references to time in Stockholm, Sweden will specifically state that fact. All other times referred to in this document are, unless otherwise stated, references to time in London, United Kingdom.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Amjad Bseisu (*Chief Executive*) Jock Lennox (*Chairman*) Laurie Fitch (*Non-Executive Director*) Philip Holland (*Non-Executive Director*) Carl Hughes (*Non-Executive Director*) Helmut Langanger (*Senior Independent Director*) Jonathan Swinney (*Chief Financial Officer*) John Winterman (*Non-Executive Director*)
General Counsel and Company Secretary	Stefan Ricketts
Registered Office of the Company	EnQuest PLC 5th Floor Cunard House 15 Regent Street London SW1Y 4LR United Kingdom
Sponsor	J.P. Morgan Securities plc 25 Bank Street London E14 5JP United Kingdom
Joint Bookrunners	J.P. Morgan Securities plc 25 Bank Street London E14 5JP United Kingdom Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
Legal Advisers to the Company as to English and US law	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2AG United Kingdom
Legal Advisers to the Company as to Swedish law	Hamilton Advokatbyrå KB Hamngatan 27 Box 715 101 33 Stockholm Sweden
Legal Advisers to the Sponsor and Joint Bookrunners	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS United Kingdom
Auditor of the Company	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom

Receiving Agent	Link Asset Services Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Swedish Issuer Agent	Skandinaviska Enskilda Banken AB (publ) Rissneleden 110 106 40 Stockholm Sweden
Swedish Registrar	Euroclear Sweden AB Box 191 101 23 Stockholm Sweden

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the dates and times in the table below is indicative only and may be adjusted by the Company, in which event details of the new times and dates will be notified to the UK Listing Authority, the London Stock Exchange and, where appropriate, to Qualifying Shareholders by way of an announcement issued via a RIS provider.

Announcement of the Rights Issue	7.00 a.m. on 7 September 2018
Publication of this document	7 September 2018
Latest time and date for transfers of Ordinary Shares between CREST and the VPC system prior to the Record Date	6.00 p.m. on 23 September 2018
Date and time of determination of the Swedish Krona Issue Price	6.00 p.m. on 24 September 2018
Announcement of the Swedish Krona Issue Price	7.00 a.m. on 25 September 2018
Ex entitlement date for the Swedish Rights Issue	25 September 2018
Record Date for entitlements under the Rights Issue	6.00 p.m. on 26 September 2018
Latest time and date for receipt of General Meeting Forms of Proxy or submission of proxy votes electronically	9.00 a.m. on 27 September 2018
General Meeting	**9.00 a.m. on 1 October 2018**
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)	1 October 2018[1]
LSE Admission of the New Ordinary Shares, nil paid and Stockholm Rights Admission	8.00 a.m. on 2 October 2018
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange and dealings in the Swedish Subscription Rights commence on NASDAQ Stockholm	**8.00 a.m. on 2 October 2018**
Ordinary Shares marked "ex-rights" by the London Stock Exchange	8.00 a.m. on 2 October 2018
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	8.00 a.m. on 2 October 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 2 October 2018
Subscription rights, as set out in the Pre-Printed Issue Account Statements, are credited to the VP Accounts of Qualifying Swedish Directly Registered Shareholders and, pursuant to the procedures of the relevant nominee, to the nominee accounts of Qualifying Swedish Nominee Registered Shareholders	as soon as practicable after 9.00 a.m. on 2 October 2018
Recommended latest time and date for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 15 October 2018
Subscription period of Swedish Rights Issue ends	**16 October 2018**
Recommended latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account	3.00 p.m. on 16 October 2018
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 17 October 2018

1 As soon as possible following the General Meeting.

Latest time and date for acceptance, payment in full and registration of renounced Provisional Allotment Letters	**11.00 a.m. on 19 October 2018**
Results of Rights Issue to be announced	by 8.00 a.m. on 22 October 2018
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange and New Ordinary Shares credited to CREST stock accounts (uncertificated holders only)	8.00 a.m. on 22 October 2018
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	on or around 30 October 2018
Stockholm Admission	on or around 31 October 2018
Dealings in New Ordinary Shares, fully paid, commence (for normal settlement) on NASDAQ Stockholm and New Ordinary Shares credited to VP Accounts of subscribers and, where applicable their nominees	on or around 31 October 2018
Expected date of completion of Thistle Transaction	Q4 2018
Expected date of completion of Magnus Transaction	Q4 2018

Notes:

(1) References to times are to London time unless otherwise stated.

(2) The ability to participate in the Rights Issue is subject to certain restrictions relating to Shareholders with a registered address or located or resident outside the UK or Sweden, details of which are set out in Part 12 ("*Terms and Conditions of the Rights Issue*").

(3) If you have any queries on the procedure for procedures for delivery of the Nil Paid Rights, acceptance and payment in respect of the Rights Issue, you should refer to Part 12 ("*Terms and Conditions of the Rights Issue*") which contains the Terms and Conditions of the Rights Issue. Should you require further assistance, please call Link Asset Services on +44 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

RIGHTS ISSUE STATISTICS

Issue Price per New Ordinary Share	21 pence (or, for Qualifying Swedish Shareholders, the Swedish Krona Issue Price)
Basis of Rights Issue	3 New Ordinary Shares for 7 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at 5 September 2018 (being the Latest Practicable Date)	1,186,084,304
Number of New Ordinary Shares to be issued pursuant to the Rights Issue	508,321,844
Enlarged Issued Share Capital upon completion of the Rights Issue(1)	1,694,406,148
New Ordinary Shares as a percentage of the Enlarged Issued Share Capital	30.0 per cent.
Gross proceeds of the Rights Issue	£107 million (equivalent to SEK 1,257 million at an exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018)
Estimated net proceeds of the Rights Issue receivable by the Company(2)	£103 million (equivalent to SEK 1,210 million at an exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018)

Notes:

(1) The Enlarged Issued Share Capital assumes that, other than the New Ordinary Shares, no further Ordinary Shares are issued by the Company between the Latest Practicable Date and completion of the Rights Issue.

(2) The estimated net proceeds receivable by the Company, assuming completion of the Rights Issue, are stated after the deduction of estimated costs and expenses (exclusive of VAT) of, or incidental to, the Rights Issue payable by the Company, estimated to be approximately £103 million (equivalent to SEK 1,210 million at exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018).

PART 1

LETTER FROM THE CHAIRMAN OF ENQUEST PLC

Registered in England and Wales No: 07140891

Directors:	*Registered Office:*
Amjad Bseisu (*Chief Executive*)	5th Floor
Jock Lennox (*Chairman*)	Cunard House
Laurie Fitch (*Non-Executive Director*)	15 Regent Street
Philip Holland (*Non-Executive Director*)	London
Carl Hughes (*Non-Executive Director*)	SW1Y 4LR
Helmut Langanger (*Senior Independent Director*)	
Jonathan Swinney (*Chief Financial Officer*)	
John Winterman (*Non-Executive Director*)	

7 September 2018

To: the holders of Ordinary Shares and, for information only, option holders

Dear Shareholders,

Proposed exercise of options relating to the Magnus field and the Thistle and Deveron fields, 3 for 7 Rights Issue of 508,321,844 New Ordinary Shares at 21 pence or, for Qualifying Swedish Shareholders, the Swedish Krona Issue Price per New Ordinary Share and Notice of General Meeting

1. Introduction

The Company has today announced its proposal to exercise certain options relating to the Magnus field and the Thistle and Deveron fields and, in order to part fund the consideration for the Magnus Option, to undertake a Rights Issue of, in aggregate, 508,321,844 New Ordinary Shares at 21 pence per New Ordinary Share.

As outlined at the announcement of the Group's acquisition of its initial 25 per cent. equity interest in the Magnus field in January 2017, the Directors believe that the Magnus field is a good strategic fit with the Group's other existing operations and its acquisition is in the spirit of the UK Government's strategy of "Maximising Economic Recovery" of the UK's oil and gas reserves. Since completion of the Group's initial 25 per cent. interest on 1 December 2017 (and with it the assumption of operatorship by the Group), the Magnus asset has provided the Group with another key production hub to which it is applying EnQuest's differential capabilities and significant experience in extending mature assets' economic lives. As part of this transaction, the Group also increased its equity interests in the Sullom Voe Terminal and related infrastructure, and assumed operatorship of the SVT, providing the Group with a greater degree of control over a key piece of infrastructure through which approximately one-third of the Group's North Sea production flows.

The initial acquisition allowed the Group to continue to pursue its aim of long term growth and profitability while maintaining its focus on strengthening the Company's balance sheet, as the transaction was funded by deferred consideration payable from the cash flow of the transaction assets with no immediate cash payment required by the Group.

In the first half of 2018, the Group's 25 per cent. interest in Magnus contributed approximately 3,800 boepd to the Group's production (equating to approximately 7 per cent. of the Group's production).

Simultaneously with the agreement to acquire the initial 25 per cent. in Magnus, the Group entered into the Magnus Option with BPEOC to acquire, *inter alia*, the remaining 75 per cent. equity interest, exercisable at any time after 1 July 2018 until 15 January 2019, allowing it to increase its stake after gaining a deeper understanding of the asset. The exercise of the Magnus Option, and with it the acquisition of the remaining 75 per cent. equity interest in Magnus, will provide the Group with an immediate and material increase to both its existing 2P reserves and annual production. Through the Group's current work programme and review of the asset since taking operatorship, the Group believes total reserves and resources to be greater than that assumed in the initial acquisition case.

The Directors believe Magnus is an asset that offers immediate growth and significant future potential and is aligned with the Group's strategy and capabilities. The completion of the Magnus Option is expected to add:

- approximately 60 MMboe of 2P reserves (equating to approximately 30 per cent. of the Group's reserve base) as at 1 January 2018;
- approximately 10 MMboe of 2C resources (equating to approximately 6 per cent. of the Group's resource base) as at 1 January 2018; and
- approximately $500 million of net present value to the Group, after the cost of exercising the Magnus Option, as outlined in the GCA Technical Report on Magnus in Part 7 ("*GCA Technical Report on Magnus*").

The exercise of the Magnus Option will also increase the Group's stake in the SVT by 9 per cent. (to 15.1 per cent.), NPS by 11.5 per cent. (to 18.0 per cent.) and NLGP by 27 per cent. (to 41.9 per cent.).

Although the Group has until 15 January 2019 to exercise the Magnus Option, it is advantageous to exercise and complete the option as soon as possible in order to maximise the cash flow accruing to EnQuest's account. During the period between the Economic Date and completion, a notional tax of 40 per cent. is applied to interim cash flows under the Magnus Call Option Deed. Upon completion, these tax payments would be sheltered by EnQuest's significant carried forward UK Corporation tax losses.

The consideration for exercise of the option is $300 million (plus or minus customary adjustments) and the entry into a cash flow sharing arrangement whereby BPEOC is entitled to 50 per cent. of the net profits arising from the 75 per cent. Interest the subject of the option (subject to a cap of $1 billion). $100 million of the base consideration is to be paid in cash, with the remaining $200 million (plus or minus customary adjustments) to be loaned to the Group by BPCO and repaid out of cash flow from the 75 per cent. Interest. EnQuest may agree to pay BPEOC the $100 million in advance of completion of the Magnus Option. If EnQuest elects to do so, and the Magnus Call Option Deed terminates prior to completion for any reason, BPEOC shall be obliged to repay the $100 million to EnQuest (plus any interest which has accrued to such amount in the period from the date EnQuest made such payment to BPEOC until the date of termination) to EnQuest within 30 days of the termination, without any set-off, counterclaim, withholding or any deduction of any kind including for any taxation, but less any amounts incurred by BPEOC in respect of reasonable banking transfer or other reasonable third party costs. The economic date of the Magnus Transaction is 1 January 2017 (the "**Economic Date**") hence, on completion of the Magnus Transaction, cash flow since the Economic Date will be reclassified as accruing to EnQuest's account and reduce the amount of the BPCO vendor loan. Based on Magnus's performance to date and assuming current oil prices persist until the end of 2018, the amount of the vendor loan is expected to be reduced by approximately $100 million by 31 December 2018. If current oil prices prevail, the Group will benefit from the asset's cash generating capability significantly ahead of that assumed in the original acquisition case.

The Directors believe a rights issue is the most appropriate way to finance the Group's $100 million share of the consideration to acquire the additional 75 per cent. interest in Magnus.

The Group intends to use the approximately $27 million net proceeds remaining after the exercise of the Magnus Option for the drilling of the Canute and T10/T11 infill development wells in the Magnus field (the "**Magnus Infill Wells**"). The successful execution of the M-62 and M-63 wells during the 2018 infill campaign has given the Company confidence in its ability to drill low cost wells targeting un-swept areas of the Magnus field and has significantly improved the Company's subsurface understanding of the field. The Magnus Infill Wells target separate areas of the field with the targets defined from both analytical and reservoir simulation studies. The Directors believe that both wells will have a payback period within two years, with internal rates of return in excess of 100%. The reserves associated with the Magnus Infill Wells have been independently certified and are included in the 2P reserves in the GCA Technical Report on Magnus Field in Part 7 ("*GCA Technical Report on Magnus*") of this document and are summarised below:

- ***Canute infill target***

  The Canute infill well targets the Lower Kimmeridge Clay Formation "LKCF" with a current gross capital cost estimate of $13.5 million. The well targets un-swept oil in the central part of the Magnus field and is forecasted at initial gross production rates of approximately 2,000 bopd with low initial water cuts and life of field 2P reserves of approximately 3.9 MMbbls.

- ***T10/T11 infill target***

  The T10/T11 infill well targets the Magnus Sandstone Member "MSM" with a current gross capital cost estimate of $13.5 million. The well targets up-dip un-swept oil in the Western flank of the Magnus field and is forecasted at initial gross production rates of approximately 1,500 bopd and life of field 2P reserves of approximately 1.9 MMbbls.

The Directors believe that further opportunities relating to the development of Magnus exist in 2020 and beyond which will be self-funded from future cash flows.

In January 2018, the Group announced that it had entered into an agreement with BP whereby it would receive $30 million from BP in exchange for paying BP an amount equal to 4.5 per cent. of BP's decommissioning costs of the Thistle and Deveron fields, subject to a cap of £57 million. The Company currently carries a provision of $20.3 million in its balance sheet in respect of this liability. The Group was also granted the Thistle Option, exercisable up to and including 30 January 2019, to receive a further $20 million from BP in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and increasing its payment obligation to 7.5 per cent. of BP's decommissioning costs, with an increased cap of £99 million. The completion of the Thistle Option would provide an additional $20 million of liquidity to EnQuest, further align interests and reflect the industrial logic for the operator to undertake the decommissioning of Thistle and Deveron.

In view of the size of the Magnus Transaction and the Thistle Transaction in relation to the Company, each of the Magnus Transaction and Thistle Transaction constitutes a Class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of Shareholders, which will be sought at a General Meeting of the Company. The notice convening the General Meeting is set out at the end of this document. The Principal Terms of the Magnus Transaction and Thistle Transaction are described in more detail in Part 3 (*Principal Terms of the Magnus Transaction*) and Part 4 (*Principal Terms of the Thistle Transaction*) of this document.

This document has been prepared to provide you with the background to and reasons for the Magnus Transaction, the Thistle Transaction and the Rights Issue, to explain the procedures for participating in the Rights Issue, to convene the General Meeting, to explain why the Board considers the Proposed Transactions and the Rights Issue to be in the best interests of the Company and its Shareholders and to recommend that Shareholders vote in favour of the Resolutions.

2. Summary information on EnQuest

EnQuest is an oil and gas production and development company focused on turning opportunities into value by targeting maturing and underdeveloped hydrocarbon assets and associated infrastructure. It is one of the largest independent UK oil producers in the UK North Sea (as last measured for the twelve months ended 31 December 2017), with production from offshore oil fields in the UKCS and Malaysia. The Company's shares trade on both the London Stock Exchange and the NASDAQ Stockholm.

Most of the Group's existing assets are located in the UKCS in the North Sea. The producing operated assets in the UKCS include the Thistle/Deveron fields, the Dons fields, the Heather/Broom fields, the Magnus fields, the GKA fields, the Scolty/Crathes fields, the Alma/Galia fields and the Kraken fields. In addition, the Group has an interest in the non-operated Alba producing oil field. As of 30 June 2018, the Group had interests in 20 UK production licences and was the operator of 18 of these production licences. The Group also has two currently producing assets located in Malaysia, PM8/Seligi and Tanjong Baram. The Directors are continually evaluating further opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the Group's overall reserve base and production capability.

The Group's average daily production on a working interest basis for the six months ended 30 June 2018 was 53,990 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2017 was 37,405 boepd and its net 2P reserves were 210 MMboe as of 31 December 2017. In the eight years since EnQuest's inception, it has increased its net 2P reserves to 210 MMboe as of 31 December 2017, representing a net 161 per cent. increase or a growth of approximately 13 per cent. per annum, and converted the equivalent of 99 per cent. of its original 81 MMboe 2P reserves into produced oil. As of 31 December 2017, the Group's assets had a reserve life of 17 years.

The Directors believe the Group's existing assets with the greatest further development potential are Kraken, in which it owns a 70.5 per cent. working interest, Magnus, in which it currently owns 25.0 per cent. working interest, and PM8/Seligi, in which it has a working interest of 50 per cent. under the terms of a PSC. EnQuest is the operator of each of these assets. Kraken is the Group's largest project to date and one of the largest projects in the UKCS in recent years. Kraken delivered first oil on schedule in June 2017, achieving gross production rates of approximately 40,000 bopd towards the end of 2017. The Group acquired its initial 25 per cent. interest in the Magnus field on 1 December 2017, adding approximately 4,000 boepd of production on an annual basis, 14 MMboe of net 2P reserves, and contingent resources, which the Group anticipates moving to 2P reserves through time. EnQuest acquired its interest in PM8/Seligi in 2014, historically one of the largest oil producing development assets in Malaysia. Since acquiring operatorship, EnQuest has instigated work programmes that have been successful in arresting the long-term decline trend and started developing a strategy for future growth, including the drilling of two new wells in 2018. In 2017, PM8/Seligi delivered average working interest production of 8,123 boepd.

3. Background to and reasons for the Proposed Transactions

The Board believes that the Proposed Transactions complement the Group's existing strategy to be the operator of choice for maturing and underdeveloped hydrocarbon assets. In the UK this is aligned with the UK Government's "Maximising Economic Recovery" strategy. The Group has confidence in its demonstrable ability to maximise value from late life assets with significant remaining resource potential.

It is anticipated that upon completion of the Magnus Transaction, EnQuest will add 2P reserves equivalent to almost 30 per cent. of its 2P reserves as at 1 January 2018, material growth potential and approximately \$500 million of net present value to the Group. The Group generally seeks to be the operator of its assets and as at 30 June 2018 operated 18 of its 20 UK production licences, including those in respect of each of the Group's seven main UK production hubs. The Group also typically seeks to hold a significant equity interest in its producing assets and developments, and following the completion of the Magnus Transaction, the Group will hold a 100.0 per cent. interest in Magnus. Through operatorship and holding a significant equity interest, EnQuest is better able to shape the development plan of an asset and thus has a significant degree of control over the timing and magnitude of capital expenditures at that asset which contributes to the Group's effort to deliver sustainable growth.

EnQuest has gained valuable experience as the operator of Magnus since acquiring the 25 per cent. Interests in December 2017, which makes it well placed to develop the asset further by building on existing operating efficiencies. Magnus is a good quality reservoir with large volumes in place, providing opportunities for infill drilling and the revitalisation of wells. The Board believes that BP's confidence in EnQuest taking over the operatorship of Magnus underlines EnQuest's capabilities as an asset life extension expert. The Company also has a track record of successful integration of acquisition assets, such as Magnus and the GKA fields in the UK and its PM8/Seligi and Tanjong Baram assets in Malaysia. As an existing operator of three facilities adjacent to Magnus, there is potential for the Group to benefit from economies of scale and build on efficiency programmes at SVT, increasing predictability of cost and extending facility life. The Board also believes that the innovative transaction net cash flow sharing structure of the Magnus Transaction can become a template for transferring maturing assets.

The Thistle Transaction aligns the interests of the parties involved in the production and decommissioning phases at the Thistle and Deveron fields, reflecting the industrial logic for the operator to undertake the decommissioning of these assets. As per the Company's announcement on 31 January 2018, EnQuest's current estimate of its exposure to decommissioning costs is lower than the \$20 million cash being received which the Board believes makes the Thistle Transaction an attractive financial prospect for the Group.

4. Background to and reasons for the Rights Issue

It is intended that the net proceeds of the Rights Issue (being approximately £103 million (equivalent to SEK 1,210 million at exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018) and after expenses in connection with the Rights Issue), will be used by the Group as cash consideration payable on completion of the Magnus Transaction and for the drilling of the Magnus Infill Wells.

Completion of the Magnus Option is conditional on the conditions set out in the Magnus Call Option Deed, as described in Part 3 ("*Principal Terms of the Magnus Transaction*"). In the event that the Magnus Option does not complete, the Board will consider how best to return the net proceeds of the Rights Issue to Shareholders. Such a return could carry fiscal costs for certain Shareholders, would have costs for the Company and would be subject to applicable securities laws.

No expenses will be directly charged to any investor by the Company.

5. Principal terms of the Magnus Transaction

On 24 January 2017, the Company's subsidiary EnQuest NNS Limited (the "**SPV**") entered into the Magnus SPA to acquire from BPEOC the 25 per cent. Interests and operatorship of the Magnus Assets. Completion of SPV's acquisition of the 25 per cent. Interests (and transfer of operatorship of the Magnus Assets from BPEOC to SPV) occurred on 1 December 2017. The consideration for the acquisition of the 25 per cent. Interests was funded through a vendor loan from BPEOC in the amount of $85 million, repayable from future cashflows from the 25 per cent. Interests.

On 24 January 2017, SPV also entered into the Magnus Call Option Deed with BPEOC, pursuant to which SPV was granted an option to require BPEOC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests.

The Magnus Option is exercisable at any time after 1 July 2018 until on or before 15 January 2019 by SPV delivering the Call Option Notice to BPEOC. On or before the exercise of the Magnus Option, SPV is also required to deliver to BPEOC a parent company guarantee duly executed by the Company in respect of SPV's obligations under the Magnus Call Option Deed. Completion of the Magnus Option is subject to the satisfaction or waiver of various conditions precedent and receipt of customary regulatory and third party consents. It is possible that the Magnus Transaction could cease to be capable of completion, in particular if any of the conditions precedent are not satisfied in accordance with the Magnus Call Option Deed even following Admission of the New Ordinary Shares and the Rights Issue becoming wholly unconditional. In this case, as the Rights Issue is not conditional upon completion of the Magnus Transaction, the Rights Issue would still be completed and funds would be raised by the Company.

The long-stop date for satisfaction or waiver of the conditions under the Magnus Call Option Deed is the date falling 365 days after the passing of the ordinary resolution to approve the Magnus Transaction (or such later date as SPV and BPEOC may agree). If the conditions have not been satisfied or waived by this date, both SPV and BPEOC have a right to terminate the Magnus Call Option Deed. In the event that the Rights Issue proceeds but the Magnus Transaction does not complete, the Directors will consider how best to return the net proceeds of the Rights Issue to Shareholders. Such a return could carry fiscal costs for certain Shareholders, would have costs for the Company and would be subject to applicable securities laws.

While the Magnus Option will be exercised by SPV, it is intended that EnQuest Heather will be the owner of the 75 per cent. Interests at completion of the Magnus Option. At the same time as completion of the Magnus Option, it is also intended that SPV will transfer the 25 per cent. Interests and operatorship of the Magnus Assets to EnQuest Heather, and all rights and obligations of SPV under the existing documentation relating to the 25 per cent. Interests, the 75 per cent. Interests and under the Thistle Financing Deed will be novated from SPV to EnQuest Heather pursuant to the Permitted Novation.

The consideration for the 75 per cent. Interests is approximately $300 million (plus or minus customary adjustments) and the entry into a net cash flow sharing deed whereby BPEOC is entitled to 50 per cent. of the net profits arising from the 75 per cent. Interests. $100 million of the consideration needs to be provided by EnQuest Heather in cash, whereas the remaining consideration of approximately $200 million (plus or minus customary adjustments) will be loaned to EnQuest Heather by BP, and repaid to BP out of revenue from the 75 per cent. Interests. This loan is expected to be reduced by approximately $100 million by 31 December 2018. The Company proposes to raise the $100 million required to be paid by EnQuest on completion of the Magnus Option through the Rights Issue.

If completion of the Magnus Option occurs, BPEOC and EnQuest Heather have also agreed to share liability for decommissioning in respect of the 75 per cent. Interests. Under the Magnus Call Option Deed, BPEOC agrees to be liable for and to indemnify EnQuest Heather against any decommissioning liabilities arising in respect of any property attributable to the 75 per cent. Interests in existence before completion under the Magnus SPA. However, each time BPEOC makes a payment in respect of the decommissioning of such property, EnQuest Heather is required to pay BPEOC additional consideration for the 75 per cent. Interests, equal to 30 per cent. of the decommissioning payment made by BPEOC less the amount equal to notional tax relief that may be claimed by BPEOC, which EnQuest estimates will result in a payment equivalent to approximately 9 per cent. of the gross estimated decommissioning costs. EnQuest Heather is not required to make such payment to BPEOC to the extent that on the relevant date payment is due, part or all of such payment would exceed the amount received by EnQuest Heather through the profit sharing mechanism in the Net Cashflow Share Deed.

EnQuest Heather agrees to be liable for and to indemnify BPEOC against decommissioning liabilities arising in respect of any property attributable to the 75 per cent. Interests that comes into existence on or after completion under the Magnus SPA. However, each time EnQuest Heather makes a payment in respect of the decommissioning of such property, BPEOC is required to pay EnQuest Heather an amount equal to 50 per cent. of the decommissioning payment made by EnQuest Heather less the amount equal to notional tax relief that may be claimed by EnQuest Heather (and such amounts paid by BPEOC are treated as negative consideration for the 75 per cent. Interests). BPEOC is not required to make such payment to EnQuest Heather to the extent that on the relevant date payment is due, part or all of such payment would exceed the amount received by BPEOC through the profit sharing mechanism in the Net Cashflow Share Deed.

EnQuest Heather will be required to grant security to various BP parties to secure its obligations under the Magnus Transaction documents.

There are no previous standalone financial statements available for Magnus on the basis that it is not a separate legal entity, and the Directors believe that the limited financial information that has been provided to the Company is insufficient to support disclosure in this document and would be of limited relevance to EnQuest's shareholders in assessing the merits of the Magnus Transaction. The Directors' believe that the available information would not provide useful information for shareholders as it:

i includes only partial balance sheet, cash flow and profit & loss accounts and does not include explanatory notes to the accounts or details of the accounting policies applied as required under LR 13.5.18R;

ii does not include accounting policy information, which would result in EnQuest being unable to meet LR 13.5.21R, the requirement to disclose how the accounting policies used conform with LR 13.5.4R;

iii does not include commentary on comparable period changes in key line items; and

iv is unaudited.

The Directors have relied primarily on data they have as operator of the Magnus Assets as well as the GCA Technical Report on Magnus, included in Part 7 of this document, in their assessment of Magnus' value and their subsequent decision to exercise the Magnus Call Option. The Directors believe that the GCA Technical Report on Magnus is the most appropriate document for investors to review in their assessment of the Magnus Transaction's relative merits and whether they should vote in favour of exercising the Magnus Option.

6. Principal terms of the Thistle Transaction

On 24 January 2017, SPV, BPEOC and Britoil entered into a financing deed in respect of decommissioning of the Thistle and Deveron fields. On 30 January 2018, SPV, BPEOC and Britoil agreed to amend the terms of such financing deed by entering into the Thistle Financing Deed.

Under the terms of the Thistle Financing Deed, BPEOC agreed to pay to SPV an amount equal to $30 million within ten business days of the date of the Thistle Financing Deed, in return for SPV agreeing to pay to BPEOC an amount equal to 4.5 per cent. of each payment which Britoil is required to make in respect of decommissioning of the Thistle and Deveron fields pursuant to the provisions of the DLA (each a "**Britoil Decommissioning Payment**"), subject to a cap of £57 million. The Company currently carries a provision of $20.3 million in its balance sheet in respect of this liability.

Pursuant to the Thistle Option, SPV has the option to receive an additional $20 million from BPEOC, which is payable by BPEOC within 10 business days of SPV serving the Thistle Option notice.

If SPV wishes to exercise the Thistle Option, it must serve a notice on BPEOC before 11.59 p.m. on 30 January 2019.

Once SPV exercises the Thistle Option and receives the $20 million from BPEOC, the payments which SPV is required to make to BPEOC in respect of each Britoil Decommissioning Payment increase to 7.5 per cent. of each Britoil Decommissioning Payment (each a "**Thistle Return Payment**"), and the cap increases to £99 million. The Company would expect the provision in its balance sheet to increase pro rata to the current provision of $20.3 million.

The Company has given a parent company guarantee in favour of BPEOC to guarantee SPV's obligations under the Thistle Financing Deed. In addition, SPV's obligations to make the Thistle Return Payments form part of the secured obligations for the purposes of the security given as part of the Magnus Transaction.

Although SPV is currently party to the Thistle Financing Deed, on completion of the Magnus Option and the Permitted Novation, it is envisaged that SPV's rights and obligations under the Thistle Financing Deed will be novated to EnQuest Heather.

The Thistle Transaction is not conditional on the Rights Issue or the Magnus Transaction and, subject to the passing without amendment of Resolution 2 at the General Meeting, it is intended that SPV will exercise the Thistle Option even if the Rights Issue and the Magnus Transaction do not proceed.

7. Principal terms and conditions of the Rights Issue

The Company proposes to raise total gross proceeds of approximately £107 million (equivalent to SEK 1,257 million at an exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018, the day before the announcement of the Rights Issue) by issuing 508,321,884 New Ordinary Shares under the Rights Issue, representing approximately 42.9 per cent. of the Company's Existing Issued Share Capital and approximately 30.0 per cent. of the Enlarged Issued Share Capital immediately following completion of the Rights Issue. The Rights Issue is fully underwritten by the Joint Bookrunners (other than those New Ordinary Shares which Double A Limited and the EnQuest EBT have irrevocably undertaken to subscribe for, as described below), in accordance with the terms and subject to the conditions of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 18.1 of Part 11 ("*Additional Information*") of this document.

If, as at the Record Date, further Ordinary Shares have been issued since the Latest Practicable Date, pursuant to the exercise of any options under the Share Option Plans, the number of New Ordinary Shares offered under the Rights Issue would increase. Any such additional New Ordinary Shares will not be underwritten.

The Issue Price represents a discount of 19 pence (45.6 per cent.) to the closing middle market price of 38.6 pence per Existing Ordinary Share on the London Stock Exchange on 6 September 2018 (being the last trading day prior to the announcement of the Rights Issue). The Issue Price of 21 pence per New Ordinary Share was set having regard to prevailing market conditions and the size of the Rights Issue. The Swedish Krona Issue Price will be determined by converting the Issue Price into SEK at the prevailing rate as at 6.00 p.m. (London time) on 24 September 2018, such rate to be announced on 25 September 2018. The Board believes that both the Issue Price and the discount are appropriate.

Qualifying Shareholders are being given the opportunity to apply for the New Ordinary Shares at the Issue Price on and subject to the terms and conditions of the Rights Issue, *pro rata* to their holdings of Ordinary Shares at the close of business on the Record Date on the following basis:

3 New Ordinary Shares for every 7 Existing Ordinary Shares

and so in proportion for any other number of Existing Ordinary Shares then held.

Fractions of New Ordinary Shares will not be allotted and each Qualifying Shareholder's entitlement under the Rights Issue will be rounded down to the nearest whole number. Qualifying Shareholders with fewer than 200 Existing Ordinary Shares at the close of business on the Record Date are not entitled to any New Ordinary Shares.

The New Ordinary Shares issued under the Rights Issue, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission of the New Ordinary Shares.

Applications will be made (i) to the FCA for the New Ordinary Shares to be issued under the Rights Issue to be admitted to the premium listing segment of the Official List; (ii) to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on its main market for listed securities; and (iii) to NASDAQ Stockholm for the New Ordinary Shares to be admitted to listing and trading on NASDAQ Stockholm. It is expected that LSE Admission will become effective on 2 October 2018 and that dealings in the New Ordinary Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on the same day and Stockholm Rights Admission will become effective on 2 October 2018 and that dealings in the Swedish Subscription Rights will commence (for normal settlement) on NASDAQ Stockholm at 9.00 a.m. (Stockholm time) on the same day and Stockholm Admission will become effective on 31 October 2018 and that dealings in the New Ordinary Shares will commence (for normal settlement) on NASDAQ Stockholm at 9.00 a.m. (Stockholm time) on the same day.

Application will be made for the Nil Paid Rights to be admitted to CREST, which is expected to occur at 8.00 a.m. on 2 October 2018. Qualifying Swedish Shareholders will not receive Nil Paid Rights but instead will be credited with the Swedish Subscription Rights and receive a Pre-Printed Issue Account Statement and Swedish Application Form if Qualifying Swedish Directly Registered Shareholders or will need to follow instructions from their nominees if Qualifying Swedish Nominee Registered Shareholders.

A Qualifying Shareholder that does not take up any of its entitlement under the Rights Issue (or a Shareholder in the United States or an Excluded Territory who is not eligible to participate in the Rights Issue) will experience a dilution of approximately 30.0 per cent. as a result of the Rights Issue.

Further information on the Rights Issue, and the terms and conditions on which it is made, including the procedure for application and payment in the Rights Issue, are set out in Part 12 ("*Terms and Conditions of the Rights Issue*") of this document and, where relevant, in the Provisional Allotment Letter.

The Rights Issue will be made under the existing shareholder authorities that were granted at the Company's 2018 Annual General Meeting under resolutions 15 (authority to allot shares) and 16 (dis-application of pre-emption rights).

The Rights Issue is conditional, *inter alia*, upon:

(a) the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree);

(b) the Magnus Call Option Deed remaining in full force and effect, not having lapsed or been terminated prior to LSE Admission;

(c) the Company having complied with its obligations under the Underwriting Agreement and under the terms and conditions of the Rights Issue which fall to be performed on or prior to LSE Admission save as otherwise agreed by the Joint Bookrunners, acting jointly; and

(d) LSE Admission becoming effective by not later than 8.00 a.m. on 2 October 2018 (or such later time and/or date as the Company may agree with the Joint Bookrunners, not being later than 8.00 a.m. on 16 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on or before 16 October 2018.

Accordingly, if any such conditions are not satisfied the Rights Issue will not proceed, any Nil Paid Rights admitted to CREST and any the Swedish Subscription Rights registered in the VPC System will thereafter be disabled and application monies received under the Rights Issue will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders or by way of a CREST payment in the case of Qualifying CREST Shareholders. In the case of Qualifying Swedish Directly Registered Shareholders or Qualifying Swedish Nominee Registered Shareholders, the Swedish Issuer Agent or the relevant nominee, as the case may be, will refund the amount paid by the relevant shareholder, without interest, as soon as practicable thereafter.

8. Double A Limited Participation

Pursuant to the terms of the Double A Irrevocable Undertaking, Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, has irrevocably undertaken to take up in full its entitlement to 44,253,564 New Ordinary Shares, representing 8.7 per cent. of the New Ordinary Shares to be issued pursuant to the Rights Issue. Such New Ordinary Shares which are the subject of the Double A Irrevocable Undertaking are not being underwritten by the Joint Bookrunners.

Following completion of the Rights Issue, it is expected that Double A Limited would be interested in 147,344,332 Ordinary Shares representing 8.7 per cent. of the Enlarged Issued Share Capital of the Company (excluding any New Ordinary Shares that may be acquired through sub-underwriting).

In connection with the proposed participation by Double A Limited in the Rights Issue, Credit Suisse AG has agreed to issue a standby letter of credit to be dated on or around the date of this document in favour of the Company in an amount of up to £10 million, which may be called upon by the Company in order to satisfy the consideration payable by Double A Limited under the Rights Issue (the "**Letter of Credit**"). The Company has agreed to reimburse Double A Limited for the costs incurred by it in connection with the issue of the Letter of Credit (the "**Reimbursement**").

The Reimbursement to Double A Limited in connection with the Rights Issue constitutes a "small related party transaction" for the purposes of Chapter 11 of the Listing Rules and therefore does not require the approval of Shareholders.

Pursuant to the Double A Irrevocable Undertaking, Double A Limited has agreed to vote and/or procure the vote of all of its holdings of Ordinary Shares in favour of the Resolutions.

Double A Limited has also agreed not to sell, transfer, or otherwise dispose of (including undertaking any transaction with the same economic effect as disposing of), nor enter into any agreement (whether conditional or not) for the sale, transfer or other disposal of any of its Ordinary Shares or any interest therein prior to 5.00 p.m. on the latest date for acceptance and payment in full under the Rights Issue. The Double A Irrevocable Undertaking contains certain customary acknowledgements and undertakings from Double A Limited and is governed by English law. No commission is payable in respect of the New Ordinary Shares which are the subject of the Double A Irrevocable Undertaking.

Double A Limited may also apply to participate in the Rights Issue as a sub-underwriter. Any such participation is subject to the absolute discretion of the Joint Bookrunners. Any commission payable in respect of the sub-underwriting does not constitute a "related party transaction" for the purposes of Chapter 11 of the Listing Rules.

9. Current trading and future prospects, including trend information

On 7 September 2018, the Company announced its 2018 Unaudited Interim Financial Statements.

As disclosed therein, the Group generated business performance revenue of $548.3 million (2017: $294.8 million) and EBITDA of $311.9 million (2017: $151.0 million) for the six-month period ended 30 June 2018. This increase in revenue and EBITDA was caused by higher production volumes and market prices and was partially offset by the impact of hedging. The Group's unit cash operating costs were $22.6/bbl (2017: $24.9/bbl), showing no change to full year guidance. The average ICE Brent Crude oil price increased from $75.55 as of 30 June 2018 to $77.42 as of 31 August 2018.

The Group's average daily production on a working interest basis was up 45.9 per cent., averaging 53,990 boepd in the six months to end June 2018; full year 2018 guidance of 50,000 boepd to 58,000 boepd was reaffirmed.

Following completion of the required filter maintenance at Kraken, water injection rates have significantly increased and gross production has subsequently improved. New wells at Heather, Magnus and PM8/Seligi are onstream and producing in line with the Group's expectations. Alma/Galia workovers completed in August 2018 and aggregate production increased as planned.

During the six months ended 30 June 2018, the Group decreased the level of committed liquidity under the SFA by $50 million. An additional voluntary prepayment of $25 million was made during August 2018. Scheduled amortisation reductions under the facility are due in October 2018 ($195 million) and in April 2019 ($175 million).

In August 2018, the Kraken partners agreed a compensation settlement from Armada Kraken Pte Ltd, a wholly-owned subsidiary of Bumi Armada Berhad ("**Bumi**"), in relation to historic issues with the FPSO. Bumi has agreed to pay $15 million to the Kraken partners, which is to be fully settled by 17 December 2018. Within this agreement, the parties agreed requirements for issuance of the Acceptance Certificate, which have now been met. As a result, the Acceptance Certificate has now been issued to Bumi.

The Group has agreed $175 million of financing with funds managed by Oz Management. The financing, which is at a lower cost than the current interest on EnQuest's existing senior credit facility, is ring-fenced on a 15 per cent. interest in the Kraken oil field and will be repaid out of the cash flows associated with the 15 per cent. ring-fenced interest over a maximum of five years.

10. Financial effects of the Rights Issue, the Magnus Transaction and the Thistle Transaction

On a pro forma basis and assuming that the Rights Issue, the Magnus Transaction and the Thistle Transaction had taken place on 30 June 2018, the Group would have had net assets of $911.2 million, compared with net assets of $768.1 million reported as at 30 June 2018. Please refer to Part 8 ("*Unaudited Pro Forma Financial Information*") which contains an unaudited pro forma statement of net assets and unaudited pro forma income statement, prepared to illustrate the effect of the Rights Issue, the Magnus Transaction and the Thistle Transaction on the net assets of the Group as if each had taken place on 30 June 2018, and the consolidated earnings for the six months ended 30 June 2018 as if such had taken place on 1 January 2018.

11. Risk factors

You should consider fully the risk factors associated with the Group, its industry, the Rights Issue and the Proposed Transactions. Your attention is drawn to the risk factors set out on pages 23 to 51 of this document.

12. General Meeting

The Notice of General Meeting to be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2AG, on 1 October 2018 at 9.00 a.m. is set out at the end of this document. The purpose of this meeting is to seek shareholders' approval to the Resolutions set out in the Notice of General Meeting. The following resolutions will be proposed at this meeting:

(a) THAT the Magnus Transaction, as defined in and substantially on the terms and subject to the conditions set out in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part be and is hereby approved and the directors of the Company be authorised: (1) to take all such steps as may be necessary or desirable in connection with the Magnus Transaction; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Magnus Transaction (not being modifications, variations, revisions, waivers or amendments which materially change the terms of the Magnus Transaction for the purposes of the UK Listing Authority's Listing Rule 10.5.2R), and to any documents relating thereto, in either such case as they may in their absolute discretion think fit;

(b) THAT, the Thistle Transaction, as defined in and substantially on the terms and subject to the conditions set out in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part be and is hereby approved and the directors of the Company be authorised: (1) to take all such steps as may be necessary or desirable in connection with the Thistle Transaction; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Thistle Transaction (not being modifications, variations, revisions, waivers or amendments which materially change the terms of the Thistle Transaction for the purposes of the UK Listing Authority's Listing Rule 10.5.2R), and to any documents relating thereto, in either such case as they may in their absolute discretion think fit;

(c) THAT, subject to and conditional upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part) the directors of the Company (the "Directors") be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

    (i) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £24,240,102 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and

    (ii) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £56,480,204 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

    these authorisations to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 30 September 2019), (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired). These authorisations are in addition and without prejudice to the existing authorities under section 551 of the Act but, upon these authorisations becoming effective, shall be in substitution for any other authorities previously granted under section 551 of the Act.

(d) THAT, subject to and conditional upon the passing of resolution 3 above and upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part) the directors of the Company (the "Directors") be given power pursuant to sections 570(1) and 573 of the Companies Act 2006 (the "Act") to:

(i) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution; and

(ii) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

(A) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 3(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(B) in the case of the authorisation granted under resolution 3(a) (or in the case of any sale of treasury shares), and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £4,236,015,

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 September 2019), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

(e) THAT, subject to the passing of resolutions 3 and 4 set out above and upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part), and in addition to the power given by that resolution 4, the directors of the Company (the "Directors") be given power pursuant to sections 570 (1) and 573 of the Companies Act 2006 (the "Act") to:

(i) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorization conferred by paragraph (a) of that resolution 3; and

(ii) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

(A) limited to the allotment of equity securities for cash and the sale of treasury shares, up to an aggregate nominal amount of £4,236,015; and

(B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption

Group prior to the date of this notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine,

and shall expire at the conclusion of the next Annual General Meeting of the Company in 2019 (or, if earlier, on 30 September 2019), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

The Directors intend to use the shareholder authorities granted at the Company's 2018 Annual General Meeting under resolutions 15 (authority to allot shares) and 16 (dis-application of pre-emption rights) to allot the New Ordinary Shares pursuant to the Rights Issue.

12.1 ***Resolutions 3, 4 and 5 – Revised authority to allot (Ordinary Resolution) and disapplication of pre-emption rights (Special Resolutions)***

The Directors believe that it will be necessary following completion of the Rights Issue to re-grant to the Directors customary authorities to apply following completion of the Rights Issue, similar to the existing shareholder authorities in place since the 2018 Annual General Meeting. Resolution 3 proposes to give the Directors general authority to allot shares in the Company. Resolutions 4 and 5 propose to empower the Directors to allot equity securities under the authority conferred under Resolution 3 on a non-pre-emptive basis. Each of Resolutions 3, 4 and 5 reflects the conditionality of the Rights Issue, and authorises the Company to allot or disapply pre-emption (as the case may be) in relation to customary proportions of the Company's issued share capital.

Resolution 3 proposes to give the Directors general authority to allot shares in the capital of the Company to replace similar existing authorities in place since the 2018 Annual General Meeting. Accordingly, Resolution 3 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares: (a) up to an aggregate nominal amount of £24,240,102; and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £56,480,204.

As at the Latest Practicable Date, the Company holds no treasury shares. Resolution 4 is conditional on the passing of Resolution 3 and would give the Directors power to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings and would replace similar powers granted at the 2018 Annual General Meeting. Accordingly, Resolution 4 will be proposed as a special resolution to grant such a power. Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £4,236,015 (being 5 per cent. of the Company's issued ordinary share capital as increased by the minimum number of New Ordinary Shares). If given, this power will expire at the conclusion of the annual general meeting of the Company in 2019 or on 30 September 2019, whichever is the earlier. The figure of 5 per cent. reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "**Statement of Principles**"). The Directors will have due regard to the institutional guidelines in relation to any exercise of this power, in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company excluding treasury shares but taking account of shares issued pursuant to the Rights Issue in any rolling three-year period, without prior consultation with shareholders.

Resolution 5 would give your Directors further power to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings, to reflect the Statement of Principles. Accordingly, resolution 5 will be proposed as a special resolution to grant such a power. The power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £4,236,015 (being 5 per cent. of the Company's issued ordinary share capital as increased by the minimum number of New Ordinary Shares). This is in addition to the 5 per cent. referred to in resolution 4).

Your Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

If given, these authorities will expire at the conclusion of the annual general meeting of the Company in 2019 or on 30 September 2019, whichever is the earlier.

The Directors have no present intention of issuing shares pursuant to these authorities.

13. Action to be taken

13.1 ***General Meeting***

A Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you intend to be present at that meeting, you are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event so that it may be received by the Company's registrars, Link Asset Services at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 9.00 a.m. on 27 September 2018. Completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish. Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting at the end of this document.

13.2 ***Rights Issue***

(a) *Qualifying Non-CREST Shareholders (i.e. holders of Existing Ordinary Shares who hold their Existing Ordinary Shares in certificated form)*

If you are a Qualifying Non-CREST Shareholder with a registered address outside the United States and the Excluded Territories (subject to certain exceptions), you will receive a Provisional Allotment Letter which gives details of your Nil Paid Rights by post on or about 1 October 2018.

If you wish to apply for New Ordinary Shares under the Rights Issue, you should complete the Provisional Allotment Letter in accordance with the procedure for application set out in paragraph 4 of Part 12 ("*Terms and Conditions of the Rights Issue*") and on the Provisional Allotment Letter itself. Your completed Provisional Allotment Letter, accompanied by full payment in accordance with the instructions in paragraph 4 of Part 12 ("*Terms and Conditions of the Rights Issue*"), should be returned by post in the accompanying pre-paid envelope or returned by post to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by not later than 11.00 a.m. on 19 October 2018. If you do not wish to apply for any New Ordinary Shares under the Rights Issue, you should not complete or return the Provisional Allotment Letter.

(b) *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder no Provisional Allotment Letter will be sent to you and you will receive a credit to your appropriate stock account in CREST in respect of Nil Paid Rights, which is expected to occur as soon as practicable after 8.00 a.m. on 2 October 2018. Such crediting itself does not constitute an offer. You should refer to the procedures for acceptance and payment set out in paragraph 6 of Part 12 ("*Terms and Conditions of the Rights Issue*"). The relevant CREST instructions must have settled in accordance with the instructions in paragraph 6 of Part 12 ("*Terms and Conditions of the Rights Issue*") by no later than 11.00 a.m. on 19 October 2018. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before the Record Date, please forward this document and any Provisional Allotment Letter received at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or any of the Excluded Territories.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Record Date, you should refer to the instruction regarding split applications in Part 12 ("*Terms and Conditions of the Rights Issue*") and the Provisional Allotment Letter.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

For further information regarding CREST proxies, please see footnote 6 in the Notice of General Meeting set out at the end of this document.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 19 October 2018, unless otherwise announced by the Company. The procedure for payment and acceptance and details of the further terms and conditions of the Rights Issue are set out in Part 12 ("*Terms and Conditions of the Rights Issue*") and, where relevant, will also be set out in the Provisional Allotment Letters.

For Qualifying Non-CREST Shareholders who validly take up their rights, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by not later than 30 October 2018 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders who validly take up the rights, the Receiving Agent will instruct Euroclear to credit the stock accounts of the Qualifying CREST Shareholders with their New Ordinary Shares. It is expected that this will take place by not later than 22 October 2018.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with the Rights Issue.

If you are in any doubt as to what action you should take, or the contents of this document, you are recommended to consult immediately your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser being, if you are resident in the United Kingdom, a firm authorised under FSMA or if you are in a territory outside the United Kingdom, from another appropriately authorised independent financial adviser.

If you have any further queries regarding the Rights Issue, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

(c) *Qualifying Swedish Directly Registered Shareholders (i.e. holders of Existing Ordinary Shares registered in the VPC System)*

If you are a Qualifying Swedish Directly Registered Shareholder you will receive a Pre-Printed Issue Account Statement which gives details of your maximum entitlement under the Swedish Rights Issue. If you wish to apply for New Ordinary Shares under the Swedish Rights Issue, you should either use the Pre-Printed Payment Notice or complete the Swedish Application Form in accordance with the procedure for application set out in paragraph 5 of Part 12 ("*Terms and Conditions of the Rights Issue*") and on Pre-Printed Payment Notice or the Swedish Application Form itself. If used, your completed Swedish Application Form, accompanied by full payment in accordance with the instructions in paragraph 5 of Part 12 ("*Terms and Conditions of the Rights Issue*") and on the Swedish Application Form itself, should be returned by post in the accompanying pre-paid envelope or returned by post to Skandinaviska Enskilda Banken AB (publ), Rissneleden 110, 106 40 Stockholm, Sweden so as to be received by not later than 5.00 p.m. (Stockholm time) on 16 October 2018. If you do not wish to apply for any New Ordinary Shares under the Swedish Rights Issue, you should not use the Pre-Printed Payment Notice or complete or return the Swedish Application Form.

For Qualifying Swedish Directly Registered Shareholders, the Swedish Issuer Agent will instruct Euroclear Sweden to credit the VP Accounts of the Qualifying Swedish Directly Registered Shareholders with their New Ordinary Shares. It is expected that this will take place by no later than 31 October 2018.

(d) *Qualifying Swedish Nominee Registered Shareholders (i.e. holders of Existing Ordinary Shares held with a bank or other nominee in the VPC System)*

If you are a Qualifying Swedish Nominee Registered Shareholder you will not receive a Pre-Printed Issue Account Statement. Application for New Ordinary Shares under the Swedish Rights Issue will be made in accordance with instructions from your nominee.

For Qualifying Swedish Nominee Registered Shareholders, the Swedish Issuer Agent will instruct Euroclear Sweden to credit the VP Accounts of the nominees of the Qualifying Swedish Nominee Registered Shareholders with their New Ordinary Shares. It is expected that this will take place by no later than 31 October 2018.

13.3 ***Overseas Shareholders***

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, a Provisional Allotment Letter, a Pre-Printed Issue Account Statement, a Swedish Application Form and any other document in relation to the Rights Issue to such persons, is drawn to the information which appears in paragraph 8 of Part 12 ("*Terms and Conditions of the Rights Issue*") of this document.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including Overseas Shareholders. However, subject to certain exceptions, Provisional Allotment Letters, Pre-Printed Issue Account Statements and Swedish Application Forms will not be sent to Qualifying non-CREST Shareholders or Qualifying Swedish Directly Registered Shareholders with registered addresses, or who are resident in or located, in the United States or any of the Excluded Territories, nor will the CREST stock account of Qualifying CREST Shareholders with registered addresses, or who are resident or located, in the United States or any of the Excluded Territories be credited with Nil Paid Rights. Any person with a registered address, or who is resident or located, in the United States or any Excluded Territory who obtains a copy of this document, a Provisional Allotment Letter, a Pre-Printed Issue Account Statement or a Swedish Application Form is required to disregard them, except with the consent of the Company.

Notwithstanding any other provision of this document, the Provisional Allotment Letter, the Pre-Printed Issue Account Statement or the Swedish Application Form, the Company reserves the right to permit any Qualifying Shareholder to take up its, his or her rights if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

In addition, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their entitlements to the Rights Issue.

14. Taxation

Your attention is drawn to Part 10 ("*Taxation*") in relation to taxation matters. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

15. Employee Share Schemes and EnQuest Employee Benefit Trust

In accordance with the rules of the Share Option Plans, the number of Ordinary Shares subject to subsisting options and awards under such plans and/or the exercise price (if any) may be adjusted to take account of the issue of the New Ordinary Shares pursuant to the Rights Issue on such a basis as the Remuneration Committee determines.

In addition to the proposed adjustments to options and awards held under the Share Option Plans, the Directors have requested that the Trustees, acting in their capacity as trustees of the EnQuest EBT, consider voting in favour of all of the Resolutions proposed at the General Meeting in respect of the Unallocated Shares. The Directors have also requested that the Trustees apply to take-up in full their entitlements in respect of the Unallocated Shares under the Rights Issue, subject to and to the extent that the Company and/or another member of the Group provides the Trustees with sufficient funds to do so and provided that no more than five per cent., of the issued ordinary share capital is held in the EnQuest EBT at any time. In this regard, the Company has agreed to provide the Trustees with an interest free loan to the amount of £4.7 million so that the Trustees can take up and pay for their entitlements under the Rights Issue. Additional funding may also be provided to the Trustees by the Company or any other subsidiary. Any funding provided to the Trustees by the Company and/or a subsidiary shall be on the condition that it is used only to pay for New Ordinary Shares under the Rights Issue and that any New Ordinary Shares so acquired shall be used for the benefit of the beneficiaries of the EnQuest EBT and to satisfy outstanding and future options and awards granted to employees under the Share Option Plans and any other employees' share scheme or share incentive plan operated by the Company or a member of its group from time to time. The Trustees have considered the Directors requests and have agreed in writing to vote and to take-up their entitlements under the Rights Issue in respect of the Unallocated Shares.

16. Further information

You should read the whole of this document (including the information incorporated into this document by reference) and not just rely on the information contained in this letter.

17. Directors' Intentions

The Directors (other than Amjad Bseisu) currently beneficially own, in aggregate, 649,256 Ordinary Shares representing approximately 0.1 per cent., of the Existing Issued Share Capital of the Company. Each of the Directors who holds Ordinary Shares intends, to the extent that he or she is able, either to take up in full his or her rights to subscribe for New Ordinary Shares under the Rights Issue.

In addition, the Directors currently intend to vote and/or procure the vote in favour of the Resolutions to be proposed at the General Meeting in respect of their beneficial holdings of Ordinary Shares amounting to 649,256 Ordinary Shares and approximately 0.1 per cent. of the total number of votes available to be cast at the General Meeting.

Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, currently owns 103,258,316 Ordinary Shares, representing approximately 8.7 per cent. of the issued ordinary share capital of the Company, and has irrevocably undertaken to take up its entitlement to New Ordinary Shares in full. In addition, Double A Limited has irrevocably undertaken to vote in favour of the Resolutions at the General Meeting.

18. Recommendation

The Board considers the Magnus Transaction, the Thistle Transaction and the Rights Issue to be in the best interests of the Company and its Shareholders as a whole.

The Directors currently intend to vote in favour of the Resolutions to be proposed at the General Meeting in respect of their own beneficial holdings of Ordinary Shares amounting to 649,256 Ordinary Shares and approximately 0.1 per cent. of the total number of votes available to be cast at the General Meeting. Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, has irrevocably undertaken to vote in favour of the Resolutions in respect of its Ordinary Shares amounting to 103,258,316 Ordinary Shares and approximately 8.7 per cent. of the total number of votes available to be cast at the General Meeting. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.

Yours faithfully

Jock Lennox
Chairman

PART 2

INFORMATION ON THE GROUP

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this document, including the financial and other information in, or incorporated by reference in, Part 5 ("*Operating and Financial Review*") and Part 6 ("*Financial Information on the Group*").

1. Introduction

EnQuest is an oil and gas production and development company focused on turning opportunities into value by targeting maturing and underdeveloped hydrocarbon assets and associated infrastructure.

EnQuest was founded in 2010 through a combination of PEDL and certain assets of Lundin. The Company purchased PEDL and the UKCS assets of Lundin in exchange for shares. Following the Company's initial public offering in April 2010, its shares are listed and trade on both the London Stock Exchange and the NASDAQ Stockholm.

2. Business overview

EnQuest is one of the largest independent UK oil producers in the UK North Sea (as last measured for the twelve months ended 31 December 2017) and had interests in 20 UK production licences, 18 of which the Group operates, as of 30 June 2018. In addition, the Group has interests in Malaysia through the PM8/Seligi PSC and the Tanjong Baram SFRSC. The Group's average daily production on a working interest basis for the six months ended 30 June 2018 was 53,990 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2017 was 37,405 boepd and its net 2P reserves were 210 MMboe as of 31 December 2017. In the eight years since EnQuest's inception, it has increased its net 2P reserves to 210 MMboe as of 1 January 2018, representing a net 161 per cent. increase or a growth of approximately 13 per cent. per annum, and converted the equivalent of 99 per cent. of its original 81 MMboe reserves into produced oil. As of 31 December 2017, the Group's assets had a reserve life of 17 years.

EnQuest's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline. The Group's producing assets generated revenue and EBITDA of $635.2 million and $303.6 million, respectively, during 2017. During the first half of 2018, the Group's producing assets generated revenue of $548.3 million, representing an increase of $253.5 million, or 86.0 per cent., over the first half of 2017 and EBITDA of $311.9 million, representing an increase of $160.9 million, or 106.6 per cent., over the first half of 2017.

Although the Group's overall production in 2017 was 5.9 per cent. lower than in 2016, mainly as a result of performance issues at Alma/Galia and natural declines at some of the Group's other North Sea fields, production in the first half of 2018 was 45.9 per cent. higher than the first half of 2017 and the Directors expect that production for the full year 2018 will be significantly higher than 2017, driven largely by increased production at Kraken, which achieved first oil in June 2017, as well as a full year's contribution from the Group's initial 25.0 per cent. interest in Magnus, the acquisition of which was completed in December 2017. In December 2017, the Group also completed the acquisition of an additional 3.0 per cent. interest in the SVT (bringing its interest to 6.0 per cent.) and assumed operatorship of the SVT. The Directors believe that 2017 was a transformational year for the Company, positioning the Group for profitable growth and transitioning from a period of heavy capital investment to one in which the group can begin to reduce its debt.

Most of the Group's existing assets are located in the UKCS in the North Sea. The Group's currently producing operated assets in the UKCS include the Thistle/Deveron fields, the Dons fields, the Heather/Broom fields, the Magnus fields, the GKA fields, the Scolty/Crathes fields, the Alma/Galia fields and the Kraken fields. In addition, the Group has an interest in the non-operated Alba producing oil field. The Group also has two currently producing assets located in Malaysia, PM8/Seligi and Tanjong Baram. The Directors are continually evaluating further acquisition opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the Group's overall reserve base and production capability.

The following table sets forth the Group's working interests in its producing assets:

Asset	Field	Working interest
UKCS		
Thistle/Deveron	Thistle	99.0%
	Deveron	99.0%
The Dons	Don Southwest	60.0%
	Conrie	60.0%
	West Don	78.6%
	Ythan	60.0%
Heather/Broom	Heather	100.0%
	Broom	63.0%
Magnus	–	25.0%
GKA	Kittiwake	50.0%
	Grouse	50.0%
	Mallard	50.0%
	Gadwall	50.0%
	Goosander	50.0%
Scolty/Crathes	Scolty	50.0%
	Crathes	50.0%
Alma/Galia	Alma	65.0%
	Galia	65.0%
Alba[1]	–	8.0%
Kraken	–	70.5%
Malaysia		
PM8/Seligi	PM8	50.0%
	Seligi	50.0%
Tanjong Baram	–	70.0%

Note:

(1) Non-operated

The following table sets forth the net daily average production on a working interest basis for each of the Group's four operating regions for the years ended 31 December 2015, 2016 and 2017 and the six month periods ended 30 June 2017 and 30 June 2018:

	Net daily average production (boepd)				
	Year ended 31 December			Six months ended 30 June	
Region	2015	2016	2017	2017	2018
Northern North Sea	21,263	18,885	15,627	17,099	18,002[1]
Thistle/Deveron					
The Dons					
Heather/Broom					
Magnus					
Central North Sea	6,242	11,718	8,131	10,849	6,108
GKA					
Scolty/Crathes					
Alma/Galia					
Alba					
Kraken	–	–	4,709	97[1]	21,655
Malaysia	9,062	9,148	8,938	8,969	8,225
PM8/Seligi					
Tanjong Baram					
Total	**36,567**	**39,751**	**37,405**	**37,015**	**53,990**

Note:

(1) Includes production of 3,816 boepd from Magnus.

The Directors believe the Group's existing assets with the greatest further growth potential are Kraken, in which it owns a 70.5 per cent. working interest, Magnus, in which it currently owns a 25.0 per cent. working interest (which, assuming the approval and successful completion of the Magnus Transaction, will increase to 100.0 per cent., subject to the profit share arrangements described in Part 3 of this document), and PM8/Seligi, in which it has a working interest of 50.0 per cent. under the terms of a PSC. EnQuest is the operator of each of these assets. Kraken is the Group's largest project to date and one of the largest projects in the UKCS in recent years. Kraken delivered first oil on schedule in June 2017, achieving gross production rates of approximately 40,000 bopd towards the end of 2017. The Group acquired its initial 25.0 per cent. interest in the Magnus field on 1 December 2017, adding approximately 4,000 boepd of production on an annual basis, 14 MMboe of net 2P reserves, and contingent resources, which the Group anticipates moving to 2P reserves through time. EnQuest acquired its interest in PM8/Seligi in 2014, an asset historically in the group of the largest oil producing developments in Malaysia. Since acquiring operatorship, EnQuest has instigated work programmes that have been successful in arresting the long-term decline trend and started developing a strategy for future growth, which includes the drilling of two wells in 2018. In 2017, PM8/Seligi delivered net daily average production on a working interest basis of 8,123 boepd.

3. Strengths

The Directors believe that the UKCS remains a compelling basin in which to invest. It represents a significant hydrocarbon basin which continues to benefit from an extensive installed infrastructure base, access to a world-class supply chain and a highly skilled workforce, all supported by a globally competitive fiscal regime. A similar investment proposition prevails in Malaysia, another maturing region where the Group has a strong partnership with PETRONAS and where the Company has been successfully replicating its UKCS model by targeting previously underdeveloped assets, complementing the Group's UKCS operations and utilising the Group's substantial experience in the North Sea. The Directors are continually evaluating further opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the Group's overall reserve base and production capability.

The Directors believe that the Group's operational capabilities and experienced technical staff and management have allowed it to grow since 2010 and that through further development in the UKCS and other geographic regions, EnQuest has substantial opportunities to continue to grow, while maintaining a focus on health and safety and the environmental impact of its operations. The Directors believe that the Group's current assets offer significant organic growth opportunities, driven by exploitation of current infrastructure and the development of low risk near field opportunities in both the UK and Malaysia, and that the proposed Magnus Transaction will bring further growth potential by increasing the Group's interest in Magnus to 100.0 per cent.

Large diversified asset base with substantial reserves

The Directors believe the Group's large diversified asset base provides substantial potential for growing its production through extending the field life of producing assets, realising the reserves and resources of development assets and integrating infrastructure. As of 31 December 2017, the Group had net 2P reserves of 210 MMboe and net contingent resources of 164 MMboe. The reserve life of its assets as at 31 December 2017 was 17 years. As of 30 June 2018, the Group had interests in 20 UK production licences and was the operator of 18 of these production licences.

The table below sets forth the changes in the Group's net 2P reserves for the years ended 31 December 2015, 31 December 2016 and 31 December 2017.

(MMboe)	2P reserves 1 January	Production(1)	Additions	2P reserves 31 December	Reserve life (years)
2015	220	(12)	(5)	203	18
2016	216(2)	(13)	12	215	17
2017	215	(12)	7	210	17

(1) Sales volume for the period.

(2) Includes the acquisition of an additional 10.5 per cent. working interest in Kraken, which was economically effective as of 1 January 2016.

Production from the Group's existing assets is diversified across four main areas. During the first half of 2018, the Group's production was sourced from Kraken (40.1 per cent.), the Northern North Sea (33.3 per cent.), Malaysia (15.2 per cent.) and the Central North Sea (11.3 per cent.).

Although the Group saw a slight (2.4 per cent.) decrease in net 2P reserves in 2017 due to the combined effects of the year's production and changes in some long-term assumptions, the Group's asset base has been strengthened recently with Kraken achieving production in June 2017, as well as the acquisition of the Group's initial 25 per cent. interest in Magnus at the end of 2017. This would be enhanced further by the acquisition of the remaining 75 per cent. interest in Magnus, assuming the approval and successful completion of the Magnus Transaction, which would materially increase the Group's reserves and resources.

High potential for further growth

The Group has significant growth potential within its existing portfolio of assets, in particular at Magnus, PM8/Seligi and in the longer term, Kraken. Each of these assets has substantial reserves and resources in place and with EnQuest's proven capabilities in enhancing hydrocarbon recovery from mature and underdeveloped assets, the Group is well placed to deliver long-term sustainable growth.

The Directors believe the Group's asset with the most substantial growth potential, based on current net working interest, is Kraken, which achieved first oil on schedule in June 2017. The field development plan for Kraken was approved by the DECC in 2013. According to the Group's estimates, which are annually audited by independent reserve engineering firm, GCA, Kraken has a productive life of over 20 years.

The Group acquired its initial 25.0 per cent. interest in Magnus on 1 December 2017, adding approximately 4,000 boepd of production on an annual basis, 14 MMboe of net 2P reserves, and contingent resources, which the Group anticipates moving to 2P reserves through time. The Magnus fields had approximately 2.0 billion barrels of hydrocarbons initially in place, of which approximately just 50 per cent. had been recovered as of 30 June 2018. The acquisition of initial interests in Magnus reflected the industry's confidence in EnQuest's ability to maximise value from late life assets with significant remaining resource potential. Since the Group assumed operatorship on 1 December 2017, the Group has seen Magnus's net 2P reserves increase by approximately 30 per cent. as compared to the estimates used in the original acquisition case. The Magnus Option, agreed as part of the arrangements through which the Group acquired its initial 25.0 per cent. interest in Magnus from BP, was negotiated during a period of lower prevailing oil prices and provides the Group with an attractive opportunity which has been enhanced as oil prices have increased. The Magnus Transaction, if approved and successfully completed, would see the Group's interest rise to 100.0 per cent., subject to the profit share arrangements described in Part 3 of this document, allowing the Group to further exploit the growth potential of this asset.

EnQuest acquired its interest in PM8/Seligi in 2014, an asset historically in the group of the largest oil producing developments in Malaysia. Since acquiring operatorship, EnQuest has instigated work programmes that have been successful in arresting the long-term decline trend and started developing a strategy for future growth. In July 2018 EnQuest completed its first ever drilling campaign at PM8/Seligi, comprising one appraisal well and one development well which have delivered aggregate flow rates in line with pre-drill expectations. The PM8/Seligi fields had approximately 2.1 billion barrels of hydrocarbons initially in place, of which less than 30 per cent. had been recovered as at 30 June 2018.

Another growth opportunity is the Group's Eagle licence, which was acquired along with the Group's other interests in GKA in 2014. An exploration well was completed in the second quarter of 2016 and confirmed as a discovery. Through further evaluation, the Eagle opportunity has been proven to be economically viable with gross resources estimated to be of a similar order of magnitude to those in the nearby Gadwall producing oil field, which are themselves around 6 MMstb. The Group is assessing potential development options, including the potential low cost tie back to GKA. In 2017, Dana Petroleum (E&P) Limited relinquished their equity interest in the licence resulting in EnQuest holding a 100.0 per cent. working interest. The licence period as it relates to Eagle was extended in early 2018 to October 2020, subject to certain conditions.

There are also potential further development opportunities in other producing assets in which the Group holds a working interest, with substantial stock tank oil initially in place, in particular, at Thistle/Deveron and Heather/Broom. This means that a small increase in the recovery factor can lead to a large increase in oil reserves.

Operator status and significant control over operating and capital expenditure plan

The Group generally seeks to be the operator of its assets and as at 30 June 2018 operated 18 of its 20 UK production licences, including those in respect of each of the Group's seven main UK production hubs. The Group also typically seeks to hold a significant equity interest in its producing assets and developments, with a 100.0 per cent. working interest at Heather; 99.0 per cent. at Thistle/Deveron; 78.6 per cent. at West Don; 63.0 per cent. at Broom; 60.0 per cent. at Don Southwest; 50.0 per cent. at GKA; 65.0 per cent. at Alma/Galia; 70.5 per cent. at Kraken; and 50.0 per cent. at Scolty/Crathes. Following the completion of the Magnus Transaction, the Group will also hold a 100.0 per cent. interest in Magnus along with a 15.1 per cent. interest in the SVT, which it also operates. Through ownership and holding a significant equity interest, EnQuest is better able to shape the development plan of an asset and thus has a significant degree of control over the timing and magnitude of operating and capital expenditures at that asset. Further, SVT is a key asset for EnQuest, the industry and the UKCS, strategically positioned to support East and West of Shetland fields both now and in the future. Around one-third of the Group's North Sea production flows through SVT, where charges are based on a cost share commercial model. The Group is firmly on track to reduce operating costs at the terminal by approximately 25 per cent., from approximately £200 million in 2017 to around £150 million in 2018. These savings have been achieved while also delivering a strong safety performance and high levels of site availability. They have been driven by the application of an asset business model at the terminal, focused supply chain management including utilising the Group's increased scale, efficient project delivery through the reduction in the number of projects and concurrent activities and simplifying and improving utilisation of the resources on site. Further savings are planned for 2019.

The Company has also achieved a degree of control over capital expenditures on its development assets through disciplined acquisition structures. Under the structures used to acquire interests in, among others, Kraken, it was agreed that, subject to achieving certain milestones such as commercial viability, EnQuest would carry the selling partners initially only up to a certain cap, thus reducing the initial consideration and only committing to additional cash consideration once higher levels of reserves have been de-risked and confirmed. These arrangements reduce the initial capital investment the Company is required to make and, combined with operatorship, allow EnQuest to better determine the timing and feasibility of development expenses and thus execute its strategy of developing new assets. Full cycle gross project capital expenditure has been significantly reduced over the development of the Kraken project under the Group's ownership, and is now expected to be approximately $2.3 billion, more than 25 per cent. lower than originally sanctioned.

The Group has been the operator of Magnus since acquiring its initial 25 per cent. interest on 1 December 2017, providing it with an increasing in-depth understanding of this asset and informing the Group's views on the asset's further growth potential. This has contributed to the Group's decision to exercise the Magnus Option to acquire the remaining 75 per cent. interest in Magnus, as the Group now believes total reserves and resources to be greater than that assumed in the original acquisition case.

Proven operational track record and significant technical and operating experience

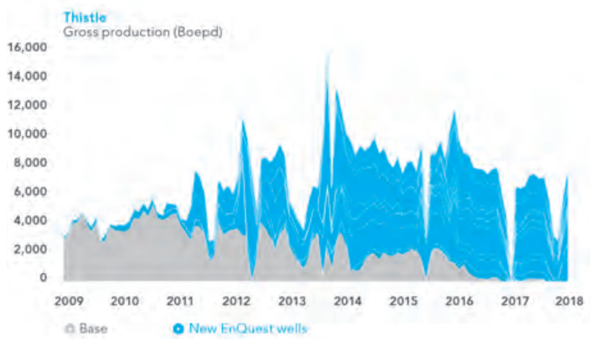
The Group's in-house technical and operations teams underpin its development and operations-focused strategies. The Group is differentiated by the breadth and depth of these teams, their knowledge and experience in engineering, subsurface, execution and operations and the Group's leadership in innovative integrated developments. The integrated technical capabilities of the Group, combining subsurface, facilities planning and drilling, provide the Group with the right mix of capabilities to successfully deliver new oil field developments and strong production from producing assets in maturing basins. Through the Company's proven skills, it delivers industry leading levels of production efficiency and of cost control, creating opportunities for it to add value to the assets it manages.

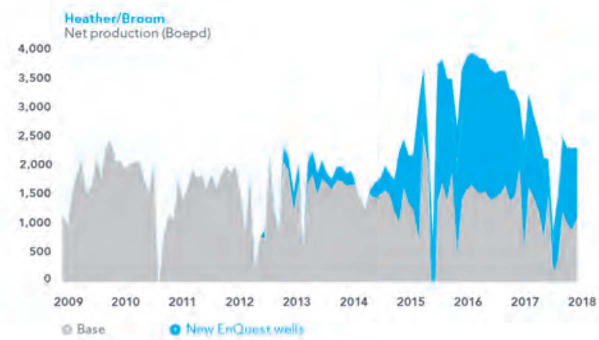
The Company's low cost approach provides it with a competitive advantage throughout the oil price market cycle, providing resilience in a low oil price environment, such as the period which began in the second half of 2014 and extended into the second half of 2017, while providing enhanced net cash flow when oil prices are higher. Despite the current improvement in the near-term oil price environment, the Group continues to maintain its focus on cost efficiency as a core part of its strategy (as described further below at "*Significant cash flow generation from producing assets and strong cost control capabilities*").

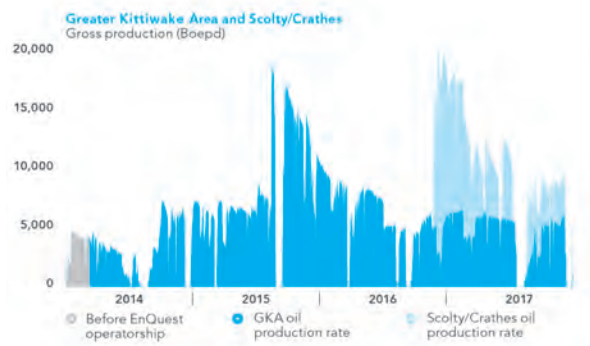
In recent years, the Group's average unit operating costs have declined substantially. While the Group's average unit operating costs in 2017 increased slightly to $25.6/bbl (compared to $24.6/bbl in 2016), primarily as a result of the decrease in production in 2017, they remain below the 2015 level of $29.7/bbl and well below historical levels. Average unit operating costs in the first half of 2018 were $22.6/bbl (compared to $24.9/bbl in the first half of 2017), reflecting the Group's increased production in 2018. While it is becoming more challenging to deliver the large decreases in operating costs seen in prior years, the Group will continue to pursue further operating cost reduction initiatives. The Directors expect that average unit operating costs for the full year in 2018 will be around $24/bbl, which includes the costs associated with replacing three electric submersible pumps at Alma/Galia.

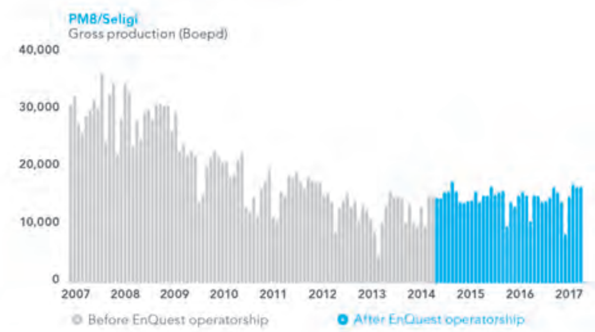
Although the Group's overall production in 2017 was 5.9 per cent. lower than in 2016, mainly as a result of performance issues at Alma/Galia and natural declines at some of the Group's other North Sea fields, production in the first half of 2018 was 45.9 per cent. higher than the first half of 2017 and the Directors expect that production for the full year 2018 will be significantly higher than 2017, driven largely by increased production at Kraken and the full year contribution from the Group's current 25 per cent. interest in Magnus. The Group continued to achieve high levels of production efficiency across most of its assets in 2017, in particular Heather/Broom, the Dons and the GKA. In respect of Kraken, whilst the Kraken FPSO took longer than expected to commission leading to reduced production efficiency in the initial period following first oil in June 2017, production efficiency improved throughout 2017 and 2018 to date, with Kraken achieving production of 50,000 bopd in early 2018.

The Group has demonstrated the ability to improve the performance of maturing assets which have had historically high operating costs and low levels of production efficiency. The following graphs illustrate the increased production trends experienced by four of the Group's assets after the Group took over operatorship.









The Group's work programme for Thistle, which began in 2010, included the use of modern seismic technology, the successful reactivation of the old drill rig, the drilling of new wells, a major power supply upgrade, the introduction of new and simplified process controls and safety systems and integrity work on the platform topsides. These measures returned Thistle to production levels it had not achieved since the 1990s. In 2016, seven years after the Group started this programme, Thistle was still delivering very high levels of production efficiency. Work was also undertaken in 2017 to improve the reliability of water injection and shut off areas of the reservoir in which high volumes of water were being produced. The resulting improved water injection performance significantly increased reservoir pressure. Shutting off some water production from four wells that produced high levels of water increased oil production by around 1,000 barrels per day, doubling the target uplift from this work scope.

The Group adopted a similar approach at Heather/Broom, with the successful completion of the Heather rig reactivation programme in the fourth quarter of 2013. Rig reactivation, drilling workovers and new wells, a new injection flowline and significantly increased water injection have all materially increased production levels. Heather/Broom also achieved high levels of production efficiency.

In 2014, the Group acquired interests in both GKA in the North Sea and PM8/Seligi in Malaysia. In respect of both of these assets, the Group has already recouped its original investment.

At GKA, EnQuest's first priorities were to rejuvenate the well stock, raise production efficiency and significantly reduce unit operating costs (which exceeded $100 per barrel at the time of the acquisition in 2014). Workover operations were carried out on the Mallard well, the Gadwall well was side-tracked and dissolver treatments were implemented, all of which drove gross production levels from 2,000 boepd in 2014 to between 14,000 boepd and 16,000 boepd by the last quarter of 2015. In November 2016, EnQuest delivered first oil from the Scolty/Crathes development, tied back to GKA, generating combined gross production of over 20,000 boepd on individual days in December 2016. Bringing this development onstream also extends the life of the GKA hub to at least 2025. Production efficiency was taken from low levels in 2014 to approximately 80 per cent. in 2015, with unit operating costs substantially down from over $100/bbl prior to March 2014 to below $30/bbl by the fourth quarter of 2015. While production efficiency in 2017 was impacted by the build-up of wax in the flow line at Scolty/Crathes, unit operating costs have remained at favourable levels, averaging $24/boe in 2017.

At Kraken, the Group achieved first oil on schedule in June 2017, and production increased throughout the second half of the year as both production and injection wells performed in line with expectations and the commissioning and operational efficiency issues encountered during the initial production build up were addressed. The second processing train, which was brought online during November 2017, assisted in bringing gross production rates to over 40,000 bopd by the end of 2017. The first three drilling programmes at Kraken completed significantly ahead of schedule and at a lower cost than originally planned. Combined with lower market rates for the remaining subsea campaign, and the renegotiation of the drilling rig contract with Transocean (expected to result in approximately $60 million of net cash savings for capital expenditure in 2019), the Group has achieved significant reductions to the full cycle gross project capital expenditure for Kraken, which is now expected to be approximately $2.3 billion, more than 25 per cent. lower than originally sanctioned.

Performance at Magnus in the period since EnQuest gained operatorship in December 2017 has been strong following successful plant de-bottlenecking, completion of the planned maintenance shutdown ahead of schedule and first production from the M-62 well delivered in May. The Group has also successfully completed the M-63 well below budget and ahead of schedule, having applied key lessons learned from the drilling of M-62.

At PM8/Seligi in Malaysia, the Group assumed operatorship in October 2014 and through a programme focusing on improving facility integrity, gas compressor reliability and idle well restoration, EnQuest increased gross production from 12,400 boepd in 2014 to 15,100 boepd in 2015 (prior to any new drilling). Gross production was maintained at over 15,000 boepd through 2016 to mid 2018, prior to any new drilling in the field, arresting historical production decline through maximising the utilisation of existing well stock.

The Group's interest in SVT (currently 6 per cent., to be increased to 15.1 per cent. assuming the successful completion of the Magnus Transaction) is an essential element of its North Sea portfolio with around one-third of EnQuest's North Sea production flowing through the Terminal. Significant improvements have been made at SVT in recent years and EnQuest has continued to build on this positive momentum by leveraging its cost management skills and working with the SVT staff, other users, owners and stakeholders to deliver further efficiencies. The Group is firmly on track to reduce operating costs at the terminal by approximately 25 per cent., from approximately £200 million in 2017 to around £150 million in 2018. These savings have been achieved while also delivering a strong safety performance and high levels of site availability. They have been driven by the application of an asset business model at the terminal, focused supply chain management including utilising the Group's increased scale, efficient project delivery through the reduction in the number of projects and concurrent activities and simplifying and improving utilisation of the resources on site. Further savings are planned for 2019. The operating model of SVT shares aggregate operating costs amongst the owners on a pro rata basis. The Group is proactively exploring new business opportunities to maximise the long-term value of the Terminal, which the Directors expect will be enhanced by the Group's increased stake in SVT following the completion of the Magnus Transaction.

In addition to its technical, development and operational expertise, the Group's extensive focus on HSE&A operations supports its operating success. EnQuest is committed to operating responsibly and has a public HSE&A policy that commits it to never knowingly compromising its health, safety or environmental standards.

The Group had strong HSE&A performance levels in 2017. In occupational safety, the Group's Lost Time Incident ("**LTI**") performance remained strong in both the UK and Malaysia. The Group's Heather, Thistle, Kittiwake and Northern Producer assets in the North Sea all recorded zero LTIs in 2017, as did all of the Group's Malaysia assets. The Group's PM8/Seligi asset achieved seven years without an LTI in 2017, while the Kittiwake platform recorded 12 years without an LTI. These milestones were achieved against a backdrop of ongoing high levels of activity on the assets. Additionally, the Group had no reportable hydrocarbon releases during 2017 on its UK operated assets, having increased the focus on asset integrity and implemented hydrocarbon prevention plans across the Group's sites. As of 31 December 2017, EnQuest had no backlog of safety critical maintenance issues.

Significant cash flow generation from producing assets and strong cost control capabilities

The Group generated EBITDA of $474.2 million, $477.1 million and $303.6 million during 2015, 2016 and 2017 respectively, and $311.9 million during the first half of 2018. The Group's revenue for 2017 and for the first half of 2018 were derived principally from the sale of oil from eight main production hubs (Thistle/Deveron, the Dons, Heather/Broom, GKA, Alma/Galia, PM8/Seligi, Magnus and Kraken) as well as from Alba, where it has an 8 per cent. interest, and from Tanjong Baram in Malaysia, where it has a 70 per cent. interest. The Company has not paid a dividend since its incorporation in 2010.

Although the Group's revenues from oil sales declined in 2017, primarily as a result of lower realised prices which reflected the forward prices available at the time at which the Group's commodity hedge programme was implemented, combined with lower production, the Directors believe that 2017 was a transformational year for the Company, positioning the Group for profitable growth and transitioning from a period of heavy capital investment to one in which the Group can begin to reduce its debt. This is primarily due to the delivery of material production growth from Kraken, which achieved first oil in June 2017, and Magnus, in respect of which the Group obtained its initial 25 per cent. interest and operatorship in December 2017. The Group's cash capital expenditure requirements are also expected to be significantly reduced now that Kraken has been brought to production.

The Directors expect the Group's production to increase substantially in 2018, primarily as a result of the full year effect of production at Kraken and Magnus.

The Group also continues to focus on cost control and cash management, and as operating cash flows grow and capital expenditure reduces, this should facilitate reductions in debt, continuing the Company's progress towards a more sustainable balance sheet and enabling the long-term growth of the business.

EnQuest seeks to obtain the most efficient return on its assets by limiting the costs within its control. The Group's unit operating costs (i.e. operating expenses before third-party transportation costs) were broadly flat during EnQuest's first five years of operation beginning in 2010, a period when the average unit operating costs for North Sea operators doubled. During the period of low oil prices that began in the second half of 2014, EnQuest implemented further cost saving measures, which, together with production increases, resulted in lower unit operating costs. Despite having extensive operations in the relatively higher cost operating environment of the North Sea, EnQuest reduced average unit operating costs in 2015 to $29.7/bbl and to $24.6/bbl in 2016. The Group's average unit operating costs in 2017 were $25.6/bbl. Unit operating costs have reduced significantly from historical levels, particularly when the price of oil was above $100/bbl, but the Group recognises the need to continue to work on delivering further cost efficiencies. While it is becoming more challenging to deliver the large decreases in operating costs of recent years, the Group will continue to pursue further operating cost reduction initiatives.

Although the Group incurred significant capital expenditure in recent years bringing Kraken to production (such capital expenditure requirements expected to be significantly reduced now that Kraken is producing, as mentioned above), the first three drilling programmes at Kraken completed early and at a lower cost than originally planned. Combined with lower market rates for the remaining subsea campaign and the renegotiation of the drilling rig contract with Transocean (expected to result in approximately $60 million of net cash savings for capital expenditure in 2019), the Group has achieved significant reductions to the full cycle gross project capital expenditure for Kraken, which is now expected to be approximately $2.3 billion, more than 25 per cent. lower than originally sanctioned.

The Group's operatorship over SVT (effective from December 2017) provides it with additional cost control opportunities. SVT is a key piece of infrastructure through which a significant portion of the Group's oil production passes. The Group's operator status provides it with a significant degree of control over plans for the terminal and the overall level of costs, allowing it to bring focus to capturing cost efficiencies. The Group is firmly on track to reduce operating costs at the terminal by approximately 25 per cent., from approximately £200 million in 2017 to around £150 million in 2018. These savings have been achieved while also delivering a strong safety performance and high levels of site availability. They have been driven by the application of an asset business model at the terminal, focused supply chain management including utilising the Group's increased scale, efficient project delivery through the reduction in the number of projects and concurrent activities and simplifying and improving utilisation of the resources on site. Further savings are planned for 2019.

Despite the current improvement in the near term oil price environment, the Group recognises that it must maintain its focus on financial discipline, cost efficiencies and managing Group liquidity, which will help provide it with resilience in the face of any future downturns in prevailing oil prices.

In addition the Group has limited future cash tax liability and with the investment allowances that were set in connection with its continuing investment in the Group's existing assets and major developments (in particular, Kraken and Magnus), the Group does not expect to pay material cash income tax for the foreseeable future.

Lower risk business model and growth strategy

The Directors believe that the Group's production and development-focused approach exposes it to fewer risks than other oil and gas companies which focus on exploration activities. EnQuest targets assets that are more likely to have commercial production solutions by developing marginal fields and seeking to acquire assets with known production potential, such as Magnus. The Group's exploration activities are generally limited to appraisal and evaluation of assets in close proximity to its existing producing fields so as to utilise existing infrastructure and therefore minimise development costs. In the case of assets in close proximity to the Group's own existing fields, the Group's existing knowledge of the subsurface in these locations also reduces the risks associated with the exploration and development.

The Group's assets are principally located in the UKCS, which the Directors believe is an attractive and mature operating region. The UKCS has a robust supply of industry infrastructure and personnel and the Directors believe that the UK has a constructive, positive and reasonably manageable regulatory climate. The Group also benefits from governmental support through fiscal incentives. As of 30 June 2018, the Group has a cumulative tax loss equivalent to \$3.1 billion and it benefits from UK tax incentive programmes known as investment allowances. This regime basically provides for a reduction in ring fence SCT (10 per cent.) for qualifying investments in new or existing UKCS assets. Investment allowances are only triggered when production from the field commences. The Group is eligible for a number of investment allowances which will materially reduce the level of future supplementary corporation taxation. Investment allowances are recognised as a reduction in the charge to taxation in the years claimed. Prior to the implementation of the Finance Act 2015, the Group received tax relief on certain of its UKCS assets in the form of field allowances. These existing field allowances were reclassified as investment allowances as of 1 April 2015. As a result, with the Group's continuing investment in its existing assets and major developments, the Group does not expect to pay material corporation tax or supplementary corporation tax on UK operational activities for the foreseeable future.

The Group also holds assets in Malaysia, which shares many characteristics of the UK in terms of the oil and gas industry, such as a developed oil and gas infrastructure, a progressive regulator, an attractive and incentivising fiscal regime, a large established oil and gas industry with many local and international companies, a steady supply of skilled industry professionals and a substantial quantity of reserves remaining in place in this maturing basin. Malaysia has the added attraction of being a low operating cost environment. In Malaysia, the Group pays cash corporate income tax on PM8/Seligi assets which will continue throughout the life of the PM8/Seligi PSC.

Several of the Group's assets have long production histories and the Directors believe that these established, proven and mature fields have the potential for lower-risk growth through application of modern technology, including seismic mapping, improvements on existing technology, infill drilling and near-field appraisals.

Highly-experienced innovative leadership team with a proven track record of success

EnQuest's board of directors and senior management team has significant oil and gas experience, both collectively and individually. Amjad Bseisu, the Company's co-founder and Chief Executive Officer, was a founder of Petrofac's operations and investment business in 1998, with responsibility for Petrofac's development business in North Africa and Southeast Asia. Mr Bseisu has substantial experience in operating globally and, in particular, in the key regions where the Group seeks to execute its strategy of pursuing lower-risk development opportunities, including the UKCS and Malaysia. Collectively, EnQuest's board of directors and senior management team has over 150 years of experience in the energy, oil and gas industries. See also paragraph 6 of Part 11

("*Additional Information*") for further information on the experience of EnQuest's Board of Directors and senior management team.

In addition to its extensive experience in the energy, oil and gas industries, the Company's leadership team features individuals with extensive experience in finance and law that the Directors believe is vital to managing a company that identifies value-creating opportunities in maturing oil field assets. The Directors believe that the Group's leadership team has the varied experience and proven track record in the oil and gas industry necessary to provide a strong platform to deliver long-term growth and identify new production and development opportunities.

4. Strategy

The Board reviewed and refined the presentation of the Group's strategy in 2017. EnQuest's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets, by focusing on operational excellence, differential capability, value enhancement and financial discipline.

- *Operational excellence*: Operational excellence underpins everything that EnQuest does. With safety the top priority, the Group's highly skilled and integrated teams strive to enhance hydrocarbon recovery through focused improvement programmes with no harm to people and with respect to the environment.

  The Group intends to continue to generate the best return that it can from its existing assets through pro-active management and lower-risk upgrades using proven technologies. The Group's status as an asset operator and its substantial equity positions at key assets enhance its ability to pursue this strategy and the Group intends to continue to seek operational control as it obtains or acquires additional assets and interests.

  The Group aims to increase production at its producing assets by investing in drilling new wells and workovers of existing wells. The Directors also believe that there remains potential to find new accumulations at the Group's producing assets through the use of modern seismic technology.

  Recent activities demonstrating the Group's commitment to operational excellence include: workshops held at DNV GL's Spadeadam Testing and Research centre to maintain and improve Major Accident Hazard awareness; learning culture and sharing of best practice enabling continuous improvements to the Kraken drilling programme, which was approximately 300 days ahead of schedule in 2017; and improving safety systems, asset integrity and equipment reliability by upgrading and replacing obsolete components at Thistle and PM8/Seligi.

- *Differential capability*: EnQuest has the right mix of integrated technical capabilities to select appropriate development and production options, delivering high levels of production efficiency and cost control to realise value from maturing and underdeveloped assets. Achieving asset life extension and maximising economic recovery from those assets enables future growth. The Group accomplishes this through various initiatives, including the redesign, upgrade and re-use of existing facilities and infrastructure and matching production history to support development drilling and secondary recovery schemes to add additional reserves and further extend field life.

  EnQuest primarily targets opportunities in maturing basins and acquires development and production assets which are not large enough to be of interest to the major global oil companies. In-house, EnQuest has the full spectrum of integrated technical capabilities needed to successfully deliver new oil field developments and to enhance the performance of assets which are already in production, including subsurface, facilities planning and drilling.

  Recent activities demonstrating the Group's differential capability include: successful well work programmes at PM8/Seligi through integrated teams facilitating new production to arrest field decline prior to any drilling activity; and drilling rig reactivation at Thistle and Magnus.

- *Value enhancement*: EnQuest achieves value enhancement both through strategic and innovative transaction structuring at the time of acquisition of assets and through enhancing production and cost efficiencies on the assets it operates.

  The Directors believe that pursuing strategic acquisitions, in a disciplined and prudent manner, can form a part of the Group's effort to deliver sustainable growth. The Directors are continually evaluating further acquisition opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the Group's overall reserve base and production capability. The Group also looks for opportunities to achieve synergies and efficiencies in relation to its existing asset base in considering acquisitions. Examples of the strategic and innovative transaction structures used by the Group in acquiring assets include:

- the structure used by the Group to acquire its initial interest in Magnus, its increased interest in the SVT and associated infrastructure from BP; this included funding the acquisition of the interest in Magnus as a non-recourse loan by BP, to be serviced and repaid through cash flow from the asset and shielding EnQuest from exposure in the unlikely event that cumulative cash flows become negative. As part of the transaction, EnQuest also acquired additional interest and operatorship of SVT, an essential element of the Group's North Sea portfolio with around one-third of EnQuest's North Sea production flowing through SVT. Magnus has also been chosen as the export route for Thistle/Don's production when the current third-party operated host facility, Dunlin, is shut-in for decommissioning, providing EnQuest with high levels of integration and control over its portfolio. The enlarged UK North Sea portfolio provides opportunities for economies of scale on logistics, contracts and overhead; and

- the acquisition of GKA, which gave EnQuest GKA's production (average of approximately 2,000 boepd net to prior owners), approximately 4.7 MMboe of 2P reserves, and the possibility of further developing the production hub centred on the Kittiwake platform. A further rationale for the acquisition of GKA was the potential for the Scolty/Crathes fields to be tied back to the Kittiwake platform; with production for the Scolty/Crathes fields expected to continue until 2025, this also extended the expected life of GKA itself to 2025.

Examples of the Group's value enhancement initiatives and achievements in respect of operated assets include:

- a significant reduction in the expected gross capital expenditure for Kraken, primarily reflecting excellent drilling performance, lower market rates for the subsea campaign and the renegotiation of the drilling rig contract with Transocean (expected to result in approximately $60 million of net cash savings for capital expenditure in 2019). The gross full cycle capital expenditure estimate has now been reduced to approximately $2.3 billion from $3.2 billion at sanction in 2013;

- the Group's hub approach to logistics, inspection and maintenance combined with inventory sharing with other operators in the North Sea; and

- innovative supply chain management, including interactive supplier forums, open book contracts and "should cost" modelling.

- *Financial discipline*: EnQuest focuses on capital allocation that prioritises positive cash flow generative investment and the effective management of EnQuest's capital structure and liquidity. Recent achievements demonstrating the Group's commitment to financial discipline include: unit operating costs being reduced by 39 per cent. since 2014 to $25.6/boe in 2017; and gross full cycle capital expenditure at Kraken expected to be more than 25 per cent. lower than sanction at approximately $2.3 billion. The Group has also enhanced liquidity activities through prepayment arrangements (including an $80 million oil prepayment transaction agreed in 2017), refinancing (including the execution of a $37.25 million refinancing agreement in relation to Tanjong Baram in 2017) new financing agreement for $175 million with funds managed by OZ Management, ring-fenced on a 15 per cent. share of Kraken, and exercising the Thistle Financing Deed.

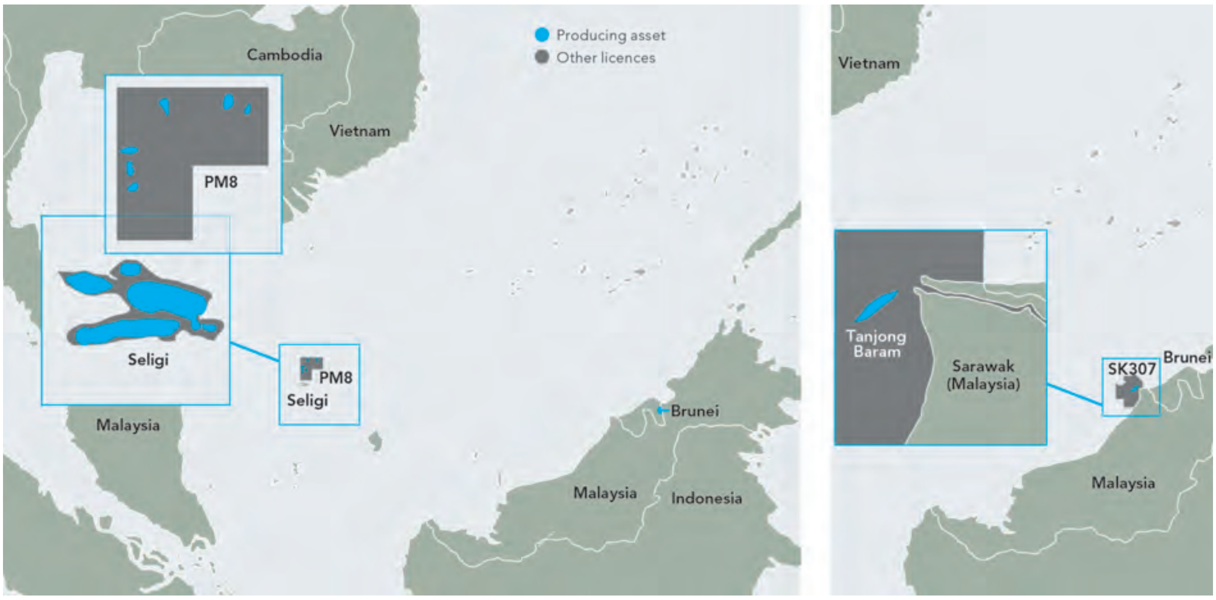
In applying this business model, the Group aims to exploit its existing reserves, commercialise and develop discoveries, convert contingent resources into reserves and make selective acquisitions and divestments.

5. The Group's Operations and Assets

The Group's principal UKCS assets as of 30 June 2018 were its interests in the producing operated oil fields Heather/Broom, Thistle/Deveron, the Dons, Magnus, GKA, Scolty Crathes, Alma/Galia and Kraken and its non-operating interest in the producing Alba oil field. The Group's principal Malaysian assets as of 30 June 2018 were its interests in the producing operated oil fields PM8/Seligi and Tanjong Baram.

As of 30 June 2018, the Group had interests in 20 UK production licences and was the operator of 18 of these production licences. See "*Risk factors—Risks relating to the Group's business—There are risks inherent in the Group's acquisitions of exploration, development and production properties*."

The following maps set forth the locations of the Group's assets in the UKCS and Malaysia.



6. Summary of historical reserves, resources and operating data

The Company retains GCA as its independent reserve engineer for the purpose of auditing the Group's 2P reserves. The Company estimates the Group's reserves and resources internally. The Group's 2P reserve estimates, but not its contingent resource estimates, are audited by GCA. The Group's 2P reserves and contingent resources are estimated using the classifications as defined by the SPE PRMS and supporting guidelines issued by the Society of Petroleum Engineers.

Typical to the industry in which the Group operates, there are a number of uncertainties inherent in estimating quantities of 2P reserves. The reserve information, which is audited annually by GCA, is based on the Company's assessments of the Group's asset base and its opinion as to the reasonableness of such assessments and represent only estimates. Reserve assessment is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of a number of variable factors and assumptions, many of which are beyond the Group's control, including the quality of available data and of engineering and geological interpretation and judgement and assumptions as to oil price. As a result, estimates of different reserve assessors may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of reserves estimates, the initial reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The significance of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Thus, investors should not place undue reliance on the accuracy of the reserves information in this document in predicting actual reserves or on comparisons of similar estimates/information concerning companies established in other economic systems. In addition, except to the extent that the Group acquires additional properties containing 2P reserves or conduct successful exploration and development activities, or both, the Group's 2P reserves will decline as reserves are produced. The following reserve information should be read along with the section entitled "*Risk factors—Risks relating to the oil and gas industry.*"

2P reserves are defined as those quantities of oil 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 ("**proved reserves**"), plus 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 ("**probable 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 reserves).

The following table sets forth certain information with respect to the Group's 2P reserves for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and as at 1 January.

(MMboe)	2P reserves 1 January	Production[1]	Additions	2P reserves 31 December	Reserve life (years)
2015	220	(12)	(5)	203	18
2016	216[2]	(13)	12	215	17
2017	215	(12)	7	210	17

(1) Sales volume for the period.

(2) Includes the acquisition of an additional 10.5 per cent. working interest in Kraken, which was economically effective as of 1 January 2016.

Internal controls over reserves estimates

EnQuest's policy regarding internal controls over the recording of reserves is structured to objectively and accurately estimate the Group's oil reserve quantities and values in compliance with SPE PRMS. 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. Each of the Group's assets is managed by a dedicated asset team staffed with technically qualified industry professionals and led by a highly experienced team leader. Preliminary reserve estimates are prepared by the asset teams for review with the regional senior management and with technical advisers based in the Company's head office. All staff are graduates in a relevant technical discipline and have substantial industry experience. The review teams in particular are typically comprised of individuals with over thirty years' experience in reservoir and petroleum engineering and include experts in reserves auditing standards.

2P reserves are estimated using standard recognised evaluation techniques. The estimates for each asset are reviewed by GCA annually or more frequently upon the occurrence of a material change or acquisition. The Company provides GCA technical information including production, geological, geophysical, petrophysical, engineering and financial data as well as fiscal terms applicable to the various assets. Future development costs are provided consistent with the activities required to produce the 2P reserves. GCA audits the information provided and recommends changes to the technical assumptions as required. Approved profiles and cost estimates are used to carry out economic modelling to determine economic cut-offs of profiles. These models are provided to GCA, which then reports 2P reserve figures.

Qualifications of third-party engineers

The technical personnel responsible for auditing the reserve estimates at GCA meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by SPE PRMS. GCA is an independent international energy advisory company; it does not own an interest in the Group's properties and is not employed on a contingent fee basis. See "*Presentation of financial and other information*."

7. Production and development

As of 30 June 2018, the Group had interests in 20 UK production licences and was the operator of 18 of these production licences. The Group's average daily production on a working interest basis for the year ended 31 December 2017 was 37,405 boepd and in the first half of 2018 was 53,990 boepd.

The following table sets out the Group's licences as of 30 June 2018.

United Kingdom Production & Development

Licence	Block(s)	Working Interest (%)	Licence End Date	Licence Administrator	Field Name
P073	21/12a	50.0	N/A	REPSOL Sinopec Resources	Goosander (*GKA*)
P193	211/7a & 211/12a	25.0	N/A	EnQuest PLC	Magnus
P213[(1)]	16/26a	8.0	N/A	Chevron Corporation	Alba
P236	211/18a	99.0	N/A	BP Exploration	Thistle and Deveron
P236	211/18a	60.0	N/A	BP Exploration	Don Southwest and Conrie
P236/P1200	211/18b & 211/13b	78.6	N/A/ 30 November 2030	BP Exploration/ EnQuest PLC	West Don
P238	21/18a, 21/19a & 21/19b	50.0	N/A	EnQuest PLC	Kittiwake, Grouse, Mallard and Gadwall (*GKA)* (*Eagle*[(4)])
P242	2/5a	100.0	N/A	EnQuest PLC	Heather
P242/P902	2/5a & 2/4a	63.0	N/A/ 28 April 2031	EnQuest PLC/	Broom
P475	211/19s	99.0	N/A	BP Exploration	Thistle
P1077	9/2b	70.5	30 September 2029	EnQuest PLC	Kraken and Kraken North
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	30 September 2029 /11 February 2035	EnQuest PLC	Scolty & Crathes
P1765/P1825	30/24c & 30/25c, 30/24b	65.0	9 January 2033 /9 January 2037	EnQuest PLC	Alma and Galia
P2137	211/18e, 211/19a & 211/19c	60.0	17 March 2036	EnQuest PLC	Ythan (*Dons*)

United Kingdom Production & Development

Licence	Block(s)	Working Interest (%)	Licence End Date	Licence Administrator	Field Name
P90	9/15a	33.3	N/A	Total Upstream UK Limited	–
P2176	21/8b	100.0	30 November 2018	EnQuest PLC	–
P2177	21/14b, 21/19c & 21/20b	50.0	31 March 2019	EnQuest PLC	–
P2334	211/13c & 211/18h	60.0	N/A	EnQuest PLC	–

Malaysia Production and Development

Licence	Block(s)	Working Interest (%)	Licence End Date	Licence Administrator	Name
PM8/Seligi[(2)]	PM8 Extension	50.0	31 March 2033	EnQuest PLC	Seligi, North Raya, South Raya, Lawang, Langat, Yong and Serudon
Tanjong Baram SFRSC[(3)]	Tanjong Baram	70.0	27 March 2023	EnQuest PLC	Tanjong Baram

Notes:

(1) Not operated.

(2) Official reference PM-8 Extension PSC.

(3) Small Field Risk Service Contract. PETRONAS remains the asset owner.

(4) 2016 discovery (100 per cent.)

The following table sets forth certain information with respect to the Group's production volumes and realised pricing (which reflects the impact of derivatives) for the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December		
Production/Sales:	**2015**	**2016**	**2017**
Production volume (boepd)	36,567	39,751	37,405
Average realised oil price ($/boe)	72.0(1)	63.8(2)	52.2(3)

(1) $72.0 is the realised oil price including realised revenue of $261 million associated with the effective portions of the Company's oil price hedges.

(2) $63.8 is the realised oil price including realised revenue of $256 million associated with the effective portions of the Company's oil price hedges.

(3) $52.2 is the realised oil price including realised losses of $21 million associated with the effective portions of the Company's oil price hedges.

For operational review purposes, the Group divides its assets into four geographic segments: Northern North Sea operations, Central North Sea operations, Kraken operations and Malaysian operations.

7.1 *Northern North Sea operations*

The Group's Northern North Sea operations include its Thistle/Deveron, the Dons, Heather/Broom and Magnus assets, as well as the SVT. In 2017, the Northern North Sea operations produced an average of 15,627 boepd, a 3,258 boepd, or a 17.3 per cent., decrease from an average production of 18,885 boepd in 2016. Average production in the first half of 2018 was 18,002 boepd, a 903 boepd, or a 5.3 per cent., increase from an average production of 17,099 boepd in the first half of 2017.

The reduction in production in 2017 was primarily driven by lower water injection at Heather/Broom and Thistle Deveron, combined with natural declines at these and the Dons fields. Production efficiency at Heather/Broom and the Dons fields was very good, and the contribution from Magnus (from acquisition of the Group's initial 25 per cent. interest on 1 December 2017) also helped mitigate the overall reduction in production.

The following is an overview of each of the assets included in the Group's Northern North Sea operations, including recent developments and performance.

Thistle/Deveron

	Thistle	**Deveron**
Location	Offshore, UKCS,	Offshore, UKCS
Production Facility	Thistle Alpha platform	Thistle Alpha platform
EnQuest Working Interest	99.0%	99.0%
Operator	EnQuest	EnQuest
Field Partners	Britoil Limited	Britoil Limited
Decommissioning liabilities	Original liabilities remain with former owner	

Overview

Thistle and Deveron are adjacent offshore oil fields in the UKCS, located approximately three kilometres from each other. Thistle is located approximately 201 kilometres northeast of Sumburgh in the Shetland Islands and approximately 443 kilometres northeast of Aberdeen, Scotland, in blocks 211/18a and 211/19s in the UKCS. Thistle was first discovered in 1973 and achieved first oil production in 1978. Prior to the Group's involvement, Thistle's oil production declined over time. However, the Directors believe that the Group's improvements at Thistle have prolonged the production capabilities of the oil field.

Deveron lies to the west of Thistle in block 211/18a and is a separate, smaller accumulation. Deveron was discovered in 1972 and first produced oil in 1984.

The Group's interest in Thistle & Deveron is governed by licences P236 and P475, which both expire upon cessation of production.

Thistle has an offshore platform, Thistle Alpha, which processes oil from both Thistle and Deveron reservoirs. There are 13 active producing wells and four active water injection wells in Thistle/Deveron. After oil recovery, the commingled Thistle and Deveron oil flows through the two-stage production separation system. Following the separation process, the Group metres and exports the stabilised oil using the main oil line pumps to the Brent pipeline system. Once the oil is separated from both gas and water, the Group exports the oil, along with oil produced from the Dons, in a 16” oil export pipeline through the Brent Pipeline System via the Dunlin and Cormorant platforms to SVT.

Recent developments and performance

The Group has undertaken numerous projects at Thistle/Deveron to improve production at these maturing oil fields, an important element of which is the Thistle life extension project. As part of the first stage of the project, the Group reactivated the platform rig and drilled five new wells to improve production at Thistle. The Group also installed one new generator and modified another to improve its uptime. Since undertaking these developments, Thistle has generated its highest production levels since the 1990s.

Production in 2017 was lower year on year due a combination of lower water injection and natural field decline. Work was undertaken to improve the reliability of water injection and shut off areas of the reservoir in which high volumes of water were being produced. The resulting improved water injection performance significantly increased reservoir pressure. Shutting off some water production from four wells that produced high levels of water increased oil production by around 1,000 barrels per day, doubling the target uplift from this work scope. When combined with better plant uptime, these programmes enabled Thistle production rates to finish 2017 strongly.

Lower production in the first half of 2018 reflected planned maintenance shutdowns being accelerated to minimise losses by aligning with the shutdown schedule for their export route. In June 2018, the partners approved the Dunlin bypass export project which, once completed, will see volumes from Thistle and the Dons exported via the Magnus facility. The pipeline order has been placed, with installation work expected to be undertaken in the spring and summer of 2019.

As part of the Group’s asset life extension strategy, improving asset integrity and reducing longer-term decommissioning costs, EnQuest continues to pursue a series of partner-funded idle well reservoir abandonments. The first five of six well abandonments originally planned for 2018 at Thistle have been successfully concluded ahead of schedule and at a lower cost than anticipated.

The Dons

	Don Southwest	West Don	Conrie	Ythan
Location	Offshore, UKCS	Offshore, UKCS,	Offshore, UKCS	Offshore, UKCS
Production Facility	Northern Producer floating platform	Northern Producer floating platform	Northern Producer floating platform	Northern Producer floating platform
EnQuest Working Interest	60.0%	78.6%	60.0%	60.0%
Operator	EnQuest	EnQuest	EnQuest	EnQuest
Field Partners	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Energy Limited
Decommissioning liabilities	As per working interests			

Overview

The Dons are a collection of offshore oil fields located in blocks 211/13b and 211/18b (West Don), 211/18a (Don Southwest, West Don and Conrie) and 211/18e and 211/19c (Ythan) in the UKCS and approximately 150 kilometres northeast of the Shetland Islands. The Group’s interest in the West Don, Don SW & Conrie is governed by production licence P236, which expires on cessation of production. The interest in West Don is further governed by P1200, which expires on 30 November 2030.

The water depth of the Dons is 160 metres, while the oil reservoir lies at a depth of approximately 3,200 metres. Don Southwest comprises six producing wells and four injectors, while West Don comprises three producing wells and two injectors and Conrie and Ythan comprise one producing well each.

The Dons fields are all connected via subsea tieback to the Northern Producer Floating Production Facility (“FPF”), which the Group uses under contract to process oil from the Dons. Once the oil is processed at the Northern Producer FPF, the processed oil is exported via pipeline to the Thistle Alpha platform where it is exported with the processed oil from Thistle and Deveron through the Brent pipeline system to the SVT. Natural gas liquids are separated from oil at the SVT.

Recent developments and performance

Production in 2017 was down year on year due mainly to lower water injection. During the year, work programmes to improve the reliability of water injection were undertaken, with water injection reinstated at the Dons in December 2017 following the replacement of the water injection pipelines. Production efficiency performance in the year was very good.

Lower production in the first half of 2018 reflected planned maintenance shutdowns being accelerated to minimise losses by aligning with the shutdown schedule for their export route.

In June 2018, the partners approved the Dunlin bypass export project which, once completed, will see volumes from Thistle and the Dons exported via the Magnus facility. The pipeline order has been placed, with installation work expected to be undertaken in the spring and summer of 2019.

Heather/Broom

	Heather	Broom
Location	Offshore, UKCS,	Offshore, UKCS
Production Facility	Heather A platform	Heather A platform
EnQuest Working Interest	100.0%	63.0%
Operator	EnQuest	EnQuest
Field Partners	None	MOL GROWEST (I) Limited, MOL GROWEST (II) Limited and Ithaca Minerals (North Sea) Limited
Decommissioning liabilities	37.5%(1)	63.0%

(1) The Company's decommissioning liability for Heather as acquired is 37.5 per cent., with 100.0 per cent. decommissioning liability for any developments it undertakes.

Overview

Heather and Broom are adjacent oil fields located in blocks 2/5a and 2/4a in the UKCS. Heather is located approximately 145 kilometres northeast of the Shetland Islands. Broom is located seven kilometres west of Heather at the western edge of the North Viking Graben. The Group's interest in Heather and Broom is governed by licence P242, which expires on cessation of production. The interest in Broom is further governed by licence P902, which expires on 28 April 2031.

The water depth at Heather and Broom is approximately 143 metres while the oil reservoir lies at a depth of 3,210 metres. A total of 67 wells have been drilled at Heather, the majority of which were initially completed as gas-lifted production wells. Heather currently has nine producing wells and three water injection wells in operation. Broom has four gas-lifted producing wells and two water injection wells.

The Heather oil field contains a fixed steel offshore platform, the Heather A platform, which accepts production fluids from both Heather and Broom via subsea tieback from the wells at each oil field. At this installation, the Group processes the production fluids from both oil fields and separates them into oil, gas and water. The Group then exports the processed oil to SVT via the Ninan Pipeline System.

Recent developments and performance

Production in 2017 was down year on year due mainly to lower water injection. During the year, work programmes to improve the reliability of water injection were undertaken. As part of EnQuest's asset life extension strategy, a series of idle well reservoir abandonments were successfully undertaken in 2017 to reduce integrity risks and provide opportunities for future drilling of infill wells. The abandonment programme on Heather partially abandoned legacy wells which should safeguard sustained high water injection reservoir efficiency. The programme was well executed, delivered ahead of schedule and under budget. This allowed the team to include an additional well within the programme cost estimate. These programmes, co-funded by EnQuest's partners, demonstrate EnQuest's ability to execute low-cost well work and is an important new component of the strategy to extend the lives of these fields, benefiting all stakeholders in these fields.

Production at Heather/Broom increased in the first half of 2018, primarily as a result of better than expected production from the H-67 well which was completed and brought online in March 2018. The idle well abandonment programme will commence once a similar work programme has concluded at Thistle.

Magnus

Location	Offshore, UKCS
Production Facility	Magnus platform
EnQuest Working Interest	25.0%
Operator	EnQuest NNS Limited
Field Partner	BPEOC
Decommissioning liability	BP has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. EnQuest will pay BP additional deferred consideration by reference to 7.5% of BP's actual decommissioning costs on an after-tax basis. The additional consideration payable is capped at the amount of cumulative positive cash flows received by EnQuest from Magnus, SVT and the associated infrastructure assets.

Overview

Magnus is the UK's most northerly field, located 160 kilometres NE of the Shetland Islands, mainly in Block 211/12a. The Magnus field is governed by licence P193, which expires on cessation of production. The Group acquired its initial 25 per cent. interest in Magnus from BP on 1 December 2017, on which date the Group also became the operator of Magnus. The Group's operatorship of Magnus since that date has allowed it to develop an in-depth understanding of the asset, informing its decision to exercise the Magnus Option. Upon completion of the Magnus Transaction (if approved and successfully completed), the Group's working interest will increase to 100 per cent. (subject to certain profit share arrangements with BP, as summarised in Part 3).

Overall the Magnus field has approximately 2.0 billion boe hydrocarbons initially in place, with an approximate 50 per cent. Recovery Factor. Over 100 well penetrations have been drilled in over 30 years, there are 28 platform slots and three subsea wells. It has 15 active gas-lifted producers and 11 injectors.

Oil from the Magnus reservoir is recovered by 16 deviated platform wells. The produced oil flows to collector manifolds and is processed through two identical production trains. In each train the oil passes through two separation stages at decreasing pressures to the main oil line booster pumps. Oil from the two trains is then combined, metered and exported to SVT. Gas separated from the oil is cooled and compressed to recover valuable gas liquids. The gas is then dried, compressed and exported via the FLAGS line to St Fergus. Some of the processed gas is also used to power the platform.

Recent developments and performance

Performance at Magnus in the period has been strong following successful plant de-bottlenecking, completion of the planned maintenance shutdown ahead of schedule and first production from the M-62 well delivered in May. The Group has also successfully completed the M-63 well below budget and ahead of schedule, having applied key lessons learned from the drilling of M-62. Production is expected to commence in the coming days.

Water injection performance has been strong with high levels of uptime in the first half of 2018, reflecting the Group's analysis of historical power generation reliability and focus on alleviating downtime issues. There are clear plans in place to increase injection capacity within the water system by returning to service the second of two Deaeration towers on the asset and improve pump operations in 2019.

Sullom Voe Terminal

Overview

SVT was commissioned in 1978 and receives East of Shetland oil via the Brent Pipeline System, which services Brent, Thistle, Northern Producer, Alwyn and TENCCA, and the NPS, which services Ninian, Magnus and Heather. Since 1998, the terminal has also provided services to West of Shetland fields, including Schiehallion, Clair and Foinaven. Gas from these three fields is "sweetened" at SVT before being shipped to Magnus for enhanced oil recovery and onward export. The terminal also now processes condensate from the Laggan-Tormore development.

On 1 December 2017, the Group completed the acquisition of an additional 3.0 per cent. interest in SVT (bringing its interest to 6.0 per cent.) and assumed operatorship of SVT (all as part of the same transaction whereby the Group obtained its initial 25 per cent. interest in Magnus). Following the safe and efficient transfer of operatorship to EnQuest, steady operations have continued. If approved and successfully completed, the Magnus Transaction will result in the Group's interest in SVT increasing to 15.1 per cent.

Building on the work that BP as the prior operator and EnQuest and other owners have undertaken in recent years, EnQuest is targeting cost improvements and exploring terminal life extension opportunities which could benefit wider Northern North Sea and West of Shetland operations. The Group is firmly on track to reduce operating costs at the terminal by approximately 25 per cent., from approximately £200 million in 2017 to around £150 million in 2018. These savings are being achieved while also delivering a strong safety performance and high levels of site availability. They have been driven by the application of an asset business model at the terminal, focused supply chain management including utilising the Group's increased scale, efficient project delivery through the reduction in the number of projects and concurrent activities and simplifying and improving utilisation of the resources on site. Further savings are planned for 2019.

7.2 *Central North Sea operations*

The Group's Central North Sea operations include its GKA, Scolty/Crathes, Alma/Galia and Alba assets. In 2017, the Central North Sea operations produced an average of 8,131 boepd, a 3,587 boepd, or a 30.6 per cent., decrease from an average production of 11,718 boepd in 2016. Average production in the first half of 2018 was 6,108 boepd, a 4,741 boepd, or a 43.7 per cent., decrease from an average production of 10,849 boepd in the first half of 2017.

The reduction in production in 2017 was primarily driven by lower volumes at Alma/Galia reflecting electric submersible pump ("ESP") related well shut-ins, storm-related production outages and natural declines. Field performance improved in the second half of the year following completion of the optimisation projects for power, produced water and sea water injection.

The following is an overview of each of the assets included in the Group's Central North Sea operations, including recent developments and performance.

Greater Kittiwake Area

	Kittiwake	Gadwall	Grouse	Goosander	Mallard
Location			Offshore, UKCS		
Production Facility			Kittiwake platform		
EnQuest Working Interest	50.0%	50.0%	50.0%	50.0%	50.0%
Operator			EnQuest		
Field Partners			Dana Petroleum (E&P) Limited		
Decommissioning liabilities	25.0%	50.0%	50.0%	50.0%	30.5%

Overview

GKA is located in UKCS blocks 21/12a, 21/18a, 21/19a and 21/19b, and the Group's assets there comprise five offshore oil fields: Kittiwake, Mallard, Gadwall, Goosander and Grouse. The Group also has discovered resources in the Eagle discovery, also located at GKA. The Group's interest in GKA is governed by licence P238, which expires on cessation of production.

GKA lies in water at depths ranging from 85 to 90 metres while the oil reservoirs lie at depths ranging between approximately 2,800 metres and 3,900 metres. These fields have been developed as subsea tie-backs to a steel offshore platform located at Kittiwake. Oil from GKA is processed at the offshore platform and then exported via a 33 kilometre 10" pipeline, in which the Group has taken a 100 per cent. interest following its acquisition of its working interest in GKA, to the Forties Unity platform. From there, the oil is exported to shore at Cruden Bay via the Forties Unity Pipeline system and then on to Grangemouth for further processing.

Recent developments and performance

GKA has demonstrated strong levels of production efficiency since its acquisition in March 2014.

Production decreased year on year at the GKA in 2017, driven primarily by natural decline along with the unscheduled shutdown of approximately three weeks in December 2017 of the third-party operated Forties Pipeline, during which time opportunistic maintenance work was undertaken. However, high levels of plant uptime were achieved and production efficiency has improved, reflecting the successful completion of production optimisation workscopes in 2017, including replacement of the Mallard/Gadwall water injection flowline and the E gas compressor crank shaft. The GKA team delivered a good HSE&A performance and in 2017 achieved 12 years of operations without an LTI.

In the second quarter of 2016, the Group undertook the drilling of the Eagle exploration well at the GKA. The Group acquired Eagle along with its other interests in GKA in 2014. The Eagle exploration well was completed in the second quarter of 2016 and was confirmed as a discovery. The preliminary analysis of the results indicated a Fulmar oil bearing reservoir was encountered with a vertical thickness of 67 feet with excellent reservoir properties. In addition, no oil water contact was encountered, representing potential upside volumes on the flank of the structure. Through further evaluation, the Eagle opportunity has been proved to be economically viable and the Group is assessing potential development options.

Scolty/Crathes

Location	Offshore, UKCS
Production Facility	Kittiwake platform
EnQuest Working Interest	50.0%
Operator	EnQuest
Field Partner	MOL GROWEST (II) Limited
Decommissioning liability	As per working interest

Overview

The Scolty/Crathes development assets are in blocks 21/8a (Scolty) and 21/12c and 21/13a (Crathes) of the UKCS. Scolty was discovered in 2007 by well 21/8-3 and Crathes was discovered in 2011 by well 21/13a- 5. The Group has a 50 per cent. working interest in each of Scolty and Crathes and is the operator of both. The Scolty/Crathes development received regulatory approval and was sanctioned by the Company in the second half of 2015. Scolty/Crathes was the only pure oil offshore development approved by the Oil & Gas Authority in 2015. The Group's interest in Scolty/Crathes is governed by licences P1107/1617, which expire on 30 September 2029 and 11 February 2035, respectively.

The Scolty/Crathes development consists of single horizontal wells, equipped with gas lift, drilled in each of the Scolty and Crathes fields. The fields are tied back to the Kittiwake platform, in the Greater Kittiwake Area where the fluids are processed and the oil exported to shore via the Forties pipeline system.

Recent developments and performance

On 21 November 2016, EnQuest delivered first oil from Scolty/Crathes, which had previously been anticipated by the end of the first half of 2017. Early production was consistent with pre-drill modelling and field development plan assumptions; average production in 2016 from 21 November to 31 December was 6,422 boepd. In 2017, the full year contribution from Scolty/Crathes was limited due to wax in the flowline. These wax issues continue to be managed with chemical and lift gas treatments. Full year production uptime was very high with the reservoir performing well. The unscheduled shutdown in December 2017 of the third-party operated Forties Pipeline resulted in the Scolty/Crathes fields being shut down for approximately three weeks, during which time opportunistic maintenance work was undertaken.

Production decreased for the six months ended 30 June 2018 compared to the same period in 2017 driven by the ongoing issue of wax in the flowline. In June, the Scolty/Crathes partners approved the installation of a new pipeline that the Group expects will significantly improve production levels from the development. The pipeline is expected to be installed in the summer of 2019. Wax restrictions on production will continue to be managed until the pipeline is operational.

Alma/Galia

	Alma	Galia
Location	Offshore, UKCS	Offshore, UKCS
Production Facility	EnQuest Producer FPSO	EnQuest Producer FPSO
EnQuest Working Interest	65.0%	65.0%
Operator	EnQuest	EnQuest
Field Partners	KUFPEC	KUFPEC
Decommissioning liabilities	As per working interest	

Overview

Alma and Galia were dormant offshore oil fields that were previously known as Argyll and Duncan, respectively. Alma was the first oil field to be developed in the UKCS and first produced oil in 1975. Alma and Galia lie 5.4 kilometres from each other, approximately 310 kilometres southeast of Aberdeen, Scotland, in blocks 30/24b, 30/24c and 30/25c. The Group's interest in Alma and Galia is governed by licence P1765/1825, which expire in 9 January 2033 and 9 January 2037, respectively.

The Group was awarded a 100 per cent. working interest in Alma/Galia in 2011 through the 26th licensing round conducted by the DECC. In 2012, the Group farmed out a 35 per cent. interest in each field to KUFPEC, who became its commercial partner in development. The Group is currently engaged in a dispute with KUFPEC in relation to the farm out. For further details, see paragraph 12 of Part 2 ("*Information on the Group*").

The water depth at the Alma and Galia fields is approximately 80 metres, while the Alma oil reservoir lies at a depth of approximately 2,740 metres. Six development wells were originally drilled on Alma, of which one was subsequently re-drilled due to well blockage. Oil from Alma/Galia is transmitted through a series of flowlines to the EnQuest Producer FPSO, where it is processed and stored. From there, the oil is offloaded onto a tanker and transported to buyers.

Recent developments and performance

Production in 2017 was lower than 2016, primarily reflecting ESP related well shut-ins, storm-related production outages and natural declines. Field performance improved in the second half of the year following completion of the optimisation projects for power, produced water and sea water injection. The Group sanctioned a well workover campaign scheduled for the summer of 2018, aiming to increase production levels by replacing three failed ESPs.

Production further decreased for the six months ended 30 June 2018 compared to the same period in 2017, primarily reflecting the ESP related well shut-ins. Following the successful completion of the three-well ESP related workovers, aggregate production has improved as planned. The scheduled maintenance shutdown was also completed during the workover campaign to minimise production losses.

Alba

Location	Offshore, UKCS
Production Facility	Alba Northern platform
EnQuest Working Interest	8.0%
Operator	Chevron North Sea Limited
Field Partner	Chevron North Sea Limited, Centrica Resources Limited, Endeavour Energy UK Limited, Mitsui E&P UK Limited and Statoil (U.K.) Limited
Decommissioning liability	As per working interest

Overview

Alba is located in block 16/26a in the UKCS, approximately 209 kilometres northeast of Aberdeen, Scotland. Alba was discovered in 1984 and first produced oil in 1994. Chevron is the operator of the Alba oil field. The Group's interest in Alba is governed by licence P213, which expires on cessation of production.

As of 30 June 2018, there were 22 active platform production wells, six injector wells and ten active subsea producing wells, consisting of eight producing wells and two injector wells, at Alba. The Alba Northern offshore platform is located in the northern area of the oil field, and there are two subsea manifolds located in the south of the field that are tied back to the platform. Oil is exported from the Alba Northern platform by offload tankers and delivered to onshore oil terminals.

Recent developments and performance

Production decreased for the six months ended 30 June 2018 compared to the same period in 2017, primarily reflecting natural decline.

7.3 ***Kraken operations***

The Group's Kraken operations produced an average of 4,709 boepd in 2017 (production since first oil in June 2017, averaged over the twelve months to 31 December 2017). Average production in the first half of 2018 was 21,655 boepd, reflecting the improvement in performance as field production increased.

The following is an overview of Kraken, including recent developments and performance.

Kraken

Location	Offshore, UKCS
Production Facility	Kraken FPSO
EnQuest Working Interest	70.5%
Operator	EnQuest Heather
Field Partners	Cairn Energy PLC
Decommissioning liability	As per working interest

Overview

Kraken is a large heavy oil accumulation in the East Shetland basin, located in block 9/2b to the west of the North Viking Graben located approximately 350 kilometres northeast of Aberdeen, Scotland. The Group is the operator of the asset with a 70.5 per cent. working interest with first oil delivered in June 2017. The Group's interest in Kraken is governed by licence P1077, which expires on 30 September 2029.

Kraken has two separate heavy oil fields: Kraken and Kraken North. The oil fields lie at water depths ranging from approximately 107 to 125 metres. In 2013, the DECC approved the Group's field development plan for Kraken.

As at the end of August, the Company has drilled, connected and brought online 11 production and ten water injection wells across the first three drill centres of the original field development plan.

The Group expects Kraken to have a long field life of over 20 years with the prospect of relatively low decommissioning costs.

Recent developments and performance

During the period after first oil, prolonged commissioning of the complex Kraken FPSO vessel led to lower than expected production efficiency and to initial production volumes being lower than expected. EnQuest continued with its plan of bringing wells onstream in a phased manner, in line with good reservoir management practices aimed at maximising long-term productivity and value. The second processing train, which was brought online during November 2017, assisted in bringing gross production rates to over 40,000 bopd. Since late December 2017, all DC3 wells have been brought online and operational uptime has improved.

Cargo offloads started in September 2017 and one was successfully completed in each subsequent month of the year. The quality of the crude has been well received by buyers. By as early as November 2017, a sale of cargo had been contracted at a discount to Brent of less than $5/bbl, this level of pricing being achieved earlier than targeted.

Expected gross capital expenditure for the Kraken development has been significantly reduced, primarily reflecting excellent drilling performance, lower market rates for the subsea campaign and the renegotiation of the drilling rig contract with Transocean (expected to result in approximately $60 million of net cash savings for capital expenditure in 2019). The gross full cycle capital expenditure estimate has now been reduced to approximately $2.3 billion from $3.2 billion at sanction in 2013.

Average gross production to the end of June 2018, which includes the impact of the March maintenance shutdown, was slightly below expectations. Lower water injection rates in the second quarter, due to additional maintenance of the sea water coarse filters, impacted reservoir pressure which in turn drove lower average production. Following completion of the required filter maintenance, water injection rates were significantly increased and gross production has subsequently improved.

In August, the Kraken partners agreed a compensation settlement from Armada Kraken Pte Ltd, a wholly-owned subsidiary of Bumi Armada Berhad ("**Bumi**"), in relation to historic issues with the FPSO. Bumi has agreed to pay $15 million to the Kraken partners, which is to be fully settled by 17 December 2018. Within this agreement, the parties agreed requirements for issuance of the Acceptance Certificate, which have now been met. As a result, the Acceptance Certificate has now been issued to Bumi.

Since first production, more than 10 million barrels of oil have been produced, over 7.5 million of which has been produced in 2018, and 20 cargoes offloaded from the FPSO, with 16 of these offloaded in 2018. Cargo pricing continues to be healthy reflecting the quality of Kraken crude.

The DC4 subsea manifold was installed in the second quarter, with installation of the remaining subsea infrastructure for DC4 also now being completed. As a result of improved reservoir understanding, the Group has gained approval for developing DC4 with three wells instead of the four originally planned. This reduction in well count has an immaterial impact on oil production rates or recovery and results in a $27 million reduction in capital costs of the drilling programme. Drilling is expected to commence in the coming weeks with first production from DC4 continued to be expected in early 2019.

There was significant interest in the equity farm-out process conducted earlier this year. Having reviewed the various options available to the Group, the Board approved the financing arrangement as the preferred economic option at this time. The Board will continue to keep a future potential equity farm-down of Kraken under review.

7.4 *Malaysian Operations*

The Group's Malaysian operations include its PM8/Seligi and Tanjong Baram assets. In 2017, the Malaysian operations produced an average of 8,938 boepd, a 210 boepd, or a 2.3 per cent., decrease from an average production of 9,148 boepd in 2016. Average production in the first half of 2018 was 8,225 boepd, a 744 boepd, or a 8.3 per cent., decrease from an average production of 8,969 boepd in the first half of 2017.

At PM8/Seligi, EnQuest has continued to enhance production by investing in low cost well interventions and facility projects to improve production efficiency, including gas compression package major overhauls, well test improvements with Multi-Phase Flow Meters and process simplifications to improve overall reliability. In addition, robust maintenance and integrity inspection campaigns of platform structures, topsides and subsea pipelines have continued to ensure safe operations. During 2017, the first new drilling projects were defined for execution and subsequently drilled in 2018, and significant progress has been made on rebuilding of static and dynamic reservoir simulation models in support of longer term field redevelopment. At Tanjong Baram, the focus remained on steady, safe and low-cost operations with high levels of production efficiency and uptime throughout the year.

The following is an overview of each of the assets included in the Group's Malaysian operations, including recent developments and performance.

PM8/Seligi

	PM-8 including North Raya, South Raya, Lawang, Langat, Yong and Serudon producing fields	**Seligi**
Location	Offshore Malaysia	Offshore Malaysia
Production Facility	Raya Alpha, Raya Bravo, Lawang, Serudon platforms	Seligi platforms (Alpha, Bravo, Charlie, Delta, Echo, Foxtrot, Golf, Hotel)
EnQuest Working Interest	50.0%	50.0%
Operator	EnQuest	EnQuest
Field Partners	PETRONAS Carigali Sdn Bhd	PETRONAS Carigali Sdn Bhd (40.0%) E&P Malaysia Venture Sdn Bhd (10,0%)
Decommissioning liabilities	As per working interest	Based on proportionate share of remaining oil reserves from 1 January 2014 plus as per working interest for new platforms, facilities and wells installed after 1 January 2014

Overview

The production sharing contract for PM8/Seligi covers a group of oil fields, including the producing Seligi oil field. The Seligi oil field is located in the Malay basin, approximately 240 kilometres offshore Peninsular Malaysia in a water depth of 73 metres. The field was discovered in 1971 through the Seligi-1 exploration well, and a total of 11 appraisal wells were drilled to delineate the fields. First oil at Seligi oil field was achieved in 1988. The Seligi oil field encompasses approximately 80 square kilometres and was developed via two central processing platforms and seven satellite wellhead platforms which were installed between 1988 and 2001. A total of more than 230 wells have been drilled to date. The Group's interest in PM8/Seligi is governed by the PM8/Seligi PSC, which expires on 31 March 2023.

PM8 comprises six developed fields, Lawang, Langat, Serudon, North Raya, South Raya and Yong. PM8 fields together encompasses approximately 20 square kilometres. PM8 fields are developed via four unmanned minimum facility wellhead platforms (installed between 1998 and 2001) which are linked back to the Seligi central processing facility. A total of 22 wells have been drilled to date.

After separation, crude oil from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigal Sdn Bhd) for processing and sale to the domestic market or export.

Recent developments and performance

The Group assumed offshore field operations in October 2014 and the overall transition was completed in December 2014. The PM8/Seligi asset has delivered strong production performance, well above target, due to improved production efficiency and to the successful idle well restoration activities completed since the Group assumed operatorship. In 2015, the Group was able to deliver material production improvements in both facility uptime and production.

A total of 17 idle well strings were re-activated during 2016, adding an additional c.5,000 boepd of gross production. This included two add-perforation jobs in November which added over c.1,000 boepd of gross production. As a result of the successful idle well activation programme and improvements to plant stability at Seligi-A platform, the field achieved very strong levels of oil production.

In 2017, EnQuest continued to enhance production by investing in low cost well interventions and facility projects to improve production efficiency, including gas compression package major overhauls, well test improvements with the installation of Multi-Phase Flow Meters and process simplifications to improve overall reliability. In addition, robust maintenance and integrity inspection campaigns of platform structures, topsides and subsea pipelines continued to ensure safe operations.

The first new drilling projects were defined for execution in 2018 and significant progress was made on rebuilding of static and dynamic reservoir simulation models in support of longer term field redevelopment.

Production in the first six months of 2018 was broadly consistent with that in the same period in 2017, with high levels of production efficiency maintained. The Group's planned 2018 idle well intervention programme on PM8/Seligi commenced in March 2018. As at 31 August 2018, six idle wells had been returned to service ahead of schedule and below budget, reflecting the successful execution of simultaneous operations. As seen in prior years, this work programme continues to arrest the field's natural decline.

The Group's two-well drilling programme was completed and brought into production in July 2018, with aggregate flow rates in line with pre-drill expectations.

7.5 ***Tanjong Baram***

Location	Offshore, Malaysia
Production Facility	Tanjong Baram wellhead platform
EnQuest Working Interest	70.0%
Operator	EnQuest
Field Partner	Uzma Energy Venture (Sarawak) Sdn Bhd
Decommissioning liability	No decommissioning liabilities under the RSC

Overview

The Tanjong Baram field was discovered in 1995 in the West Baram Delta province, in water depths of 10 – 20 metres and around 6 kilometres off the coast of Sarawak, East Malaysia.

The Tanjong Baram field is designated by PETRONAS as a small marginal field. The Group's interest in Tanjong Baram is governed by the Tanjong Baram SFRSC, which expires on 26 March 2023.

The Tanjong Baram development consists of an unmanned lightweight wellhead platform located in 10 metres of water, a single flexible pipeline and two producing wells. Production is evacuated through an 8-kilometre tie-back to the West Lutong-A platform operated by PETRONAS Carigali Sdn Bhd under a Production Handling Agreement.

Recent developments and performance

First production from the Tanjong Baram field was achieved on schedule in June 2015. The host platform operator PETRONAS Carigali Sdn Bhd requested changes to the receiving vessel to accommodate the volumes of liquids in the associated gas. This required the field to be shut-in for two months while the work was completed. Tanjong Baram was successfully restarted on 18 August 2015 with high production efficiency for the rest of the year and throughout 2016 and 2017.

Production efficiency remained high at the Tanjong Baram wellhead platform in the first six months of 2018, though production decreased as compared with the same period in 2017, primarily reflecting natural decline.

8. Market Overview and Competition

Certain and other information set forth in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company believes that these industry publications, surveys and forecasts are reliable, but the Company has not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See the sections entitled "Risk factors" and "Important Information – Information regarding forward-looking statements" in this document.

Oil Price Outlook

Since January 2016 when the Brent Global Spot ICE reached a low of $27.88/bbl, crude oil prices have steadily recovered with an average spot price of $72 in the year-to-date 2018. This recovery has been the result of a combination of strong growth in global demand coupled with increasing constraints on supply. Demand remained strong in the early part of 2018, with Q1 year-on-year (y-o-y) growth estimated at over 2MMboed. Whilst there are indications that the increase in price has begun to impact demand (Q2 y-o-y growth estimated at 0.9MMboed), growth in 2018 and 2019 is expected to remain robust with growth of 1.4MMboed y-o-y projected in both years. *(Source: International Energy Agency – Oil Market Report, July 2018)*

Supply remains tightly controlled despite a significant increase in US production (estimated 14.9MMboed in 2018, up from 13.2MMboed in 2017), as OPEC continues to actively manage production levels. At a meeting in Vienna in June 2018, OPEC members & Russia committed to supply cuts of 1.8MMboed from July 2018, which would see an actual increase of 1MMboed of supply. However, a number of outages are expected to restrict flows as geopolitical events impact key producing countries. Unrest in Libya has seen production levels decline this year from 1MMboed to 760Kboed in June 2018, whilst continuing political instability in Venezuela has seen production decline by nearly 800Kboed over the last 12 months. Additionally, sanctions announced in May 2018 by the US administration against Iran are expected to strongly impact Iranian oil production from Q4 2018 onwards. These headwinds, plus the limited number of countries (Saudi Arabia, the UAE and Kuwait) that hold significant latent production capacity that is readily available, indicate that global crude supply will remain constrained for the foreseeable future. *(Source: International Energy Agency – Oil Market Report, July 2018)*

The combination of robust demand and constrained supply has seen financial markets maintain a bullish outlook for the crude oil price in the medium-term. The Brent Global Spot ICE forward curve at 31 July 2018 has moved to $73.9/bbl for 2018 and to $73.4/bbl for 2019 (from respectively $57.5/bbl and $57.1/bbl as at 31 December

2017). The financial research analyst consensus on Bloomberg projects prices to remain close to $70/bbl through 2020, whilst the Economist Intelligence Unit projects prices remaining above $72/bbl until the end of 2019.

Activity in the United Kingdom Continental Shelf

The UKCS remains an attractive region for operations and investment, with production levels increasing by 16 per cent. between 2014 and 2016 *(Source: Oil & Gas UK Economic Report 2017)*. As overall OECD conventional production declines, the attractiveness of the UKCS as a well-established, stable jurisdiction will continue to increase as global oil companies look to maintain a balanced political risk in their portfolios. Oil and Gas UK estimates that there is up to 20 billion boe still to be developed, with significant further investment required to recover these reserves. The UK Government is focused on maintaining a supportive operating environment in the North Sea, with the Oil & Gas Authority's stated objective being to "maximise the economic recovery of oil and gas" whilst maintaining "a sustainable and competitive UK oil and gas industry" *(Source: OGA website)*.

The continued attractiveness of the UKCS is demonstrated by the significant planned investment in the region by a number of major oil companies. Energy consultancy Wood Mackenzie estimates that £80 billion of capital expenditure will be spent in the North Sea between 2016 and 2020 whilst there are expected to be 14 Final Investment Decisions representing £3.6bn of capital expenditure in the UKCS in 2018 alone. Additionally 15 major exploration and appraisal wells are planned to be drilled in 2018, demonstrating the continued commitment by oil companies to the region.

Cost optimisation remains a critical element of the ongoing attractiveness of operating in the region, as it both improves margins through the removal of costs whilst also enhancing revenues as field-lives, benefitting from improved economics, are extended as they increasingly remain economically viable. Between 2014 and 2016, unit operating costs declined from around $30/boe to around $15/boe. This reduction was driven by the removal of £3 billion of operational expenditure coupled with a 16 per cent. increase in production. It is expected that operational expenditure will remain stable through 2019 with unit operating costs remaining near current levels, if not lower, as operators seek to maintain cost discipline as they recover from the oil price downturn of 2014- 2016. *(Source: Oil & Gas UK Economic Report 2017)*

Competition

The Group competes with a substantial number of other companies, many of which have greater resources than it does. Many of these companies explore for, produce and market oil and natural gas, have refining operations and market the resulting products on a worldwide basis. EnQuest's competitors include national oil and gas companies, major international oil and gas companies and independent oil and gas companies. The oil and gas business is highly competitive in the search for and acquisition of reserves, in the procurement of rigs and other production equipment, in the production and marketing of oil and gas and in the recruitment and employment of qualified personnel. See "*Risk factors—Risks relating to the Group's business— The Group depends on its board of directors, key members of management, independent experts and technical and operational service providers and on its ability to retain and hire such persons to effectively manage its business.*"

In addition, EnQuest competes with oil and gas companies in the bidding for production licences, farm-ins and other contractual interests in licences that are made available by governments or are for sale by third parties. Competition for such assets is likely to come from companies already present in the region in which the production licences are located as well as new entrants. Competition also exists between producers of oil and natural gas and other industries producing alternative energy and fuel, such as solar and wind energy.

The increasing attractiveness of the UKCS has seen an unprecedented level of M&A activity in the North Sea in 2017-2018 YTD with a record £16 billion of transactions *(Source: HIS Herald)*. Many of these transactions are asset swaps between major producers looking to refine their portfolios by building scale in select fields and regions. However, a new class of entrant has emerged in the market as a significant number of private equity-backed companies look to take advantage of the lower costs and improved life-of-field economics which have become a feature of the UKCS in the last two years. These companies represent a new and direct competitor to EnQuest in a number of UKCS opportunities. EnQuest is confident that its proven operational track-record and ability to deliver value by bringing "the right assets into the right hands" continues to give it an advantage over these new entrants. Additionally, the Group's proven ability to create innovative transaction structures, as demonstrated by the Magnus Option on the Magnus field, gives them a competitive edge in being able to secure the most attractive assets.

Malaysia

The Group continues to operate in Malaysia where the Government maintains a stable fiscal and operating environment. EnQuest is one of a limited number of companies qualified to be an operator and as a mature basin, there is the potential for acquisition opportunities depending on the strategic intentions of the current incumbents.

9. Business Arrangements

9.1 ***Product lifting and distribution***

Petroleum from Heather/Broom is processed at the Heather A offshore platform and then transported through the NPS to SVT. The Group also has the capability to import fuel gas from the Western Leg pipeline to the Heather A platform. Petroleum from Magnus is also transported to SVT through the NPS. The Group imports fuel gas from West of Shetland fields for re- injection into the Magnus reservoir as part of an Enhanced Oil Recovery (EOR) programme. Produced gas is transported through the NLGP system and FLAGS to the St Fergus SEGAL gas plant; dry gas is exported to the National Transmission System and NGLs are transported to Mossmorran for processing. Petroleum from the Dons fields and Thistle/Deveron is routed over the Thistle Alpha offshore platform and then is transported to SVT through the Brent System pipeline via the Dunlin and Cormorant platforms. As a result of the decommissioning of the Dunlin Platform, the Board have sanctioned a new bypass pipeline to be installed which will re-route petroleum from the Dons Fields and Thistle/Deveron via the Magnus Platform to be transported through the NPS to SVT. This project is due for completion in 2019 which will mean that production from Heather, Broom, the Dons and Thistle/Deveron will all be through the NPS to SVT. This will have the benefit of materially reducing EnQuest’s transportation costs when compared to the Brent System route.

As part of the Group’s acquisition of its initial 25 per cent. interest in Magnus on 1 December 2017, the Group also acquired an additional 3 per cent. stake in the SVT (bringing its stake to 6 per cent.), as well as an additional 9.0 per cent. stake in NLGP and a 3.8 per cent. stake in NPS from BP. The Group also became the operator of the SVT on 1 December 2017.

The Group’s participation in these pipeline systems and the SVT is regulated by various operating agreements, and the Group holds equity interests in these assets. The costs of maintaining and operating these facilities are shared among the users thereof on a throughput-related basis. The Group is party to a cross-user liability agreement that 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 SVT, the NPS, the Dunlin to Cormorant pipeline and the Brent system pipeline. See “*Risk factors—Risks relating to the Group’s business— The Group relies on third-party infrastructure such as the Sullom Voe Terminal and the Terengganu Crude Oil Terminal that it does not control and is subject to tariff charges that it does not control.*”

Petroleum from Alba, where the Group holds a minority interest, is transported by offload tanker from the Alba Northern platform to onshore terminals. With respect to production from GKA and Scolty/Crathes, the Group holds an equity interest in an offshore platform at Kittiwake and a 100 per cent. interest in a pipeline linking this platform to the Forties Unity platform. GKA and Scolty/Crathes fields are tied via subsea infrastructure to the offshore platform at Kittiwake. Petroleum from the platform at Kittiwake is transported via pipeline to the Forties Unity platform where it is then transported to shore at Cruden Bay via the Forties Unity pipeline system. The petroleum is taken from Cruden Bay to Grangemouth for further processing.

Production from Tanjong Baram is evacuated through an 8-kilometre tie-back to the West Lutong -A platform operated by PETRONAS Carigali Sdn Bhd under a Production Handling Agreement. Production from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigali Sdn Bhd) for processing and sale.

With respect to Kraken, the Kraken FPSO is connected to wells via subsea infrastructure. Offload tankers transport produced oil from the Kraken FPSO to buyers.

9.2 ***Sales and customers***

The Company’s entitlement to Brent Blend oil (from Thistle, the Dons, Heather/Broom and Magnus) is made available for sale at SVT. The Company’s entitlement to Forties Blend crude oil (from GKA and Scolty/Crathes) is made available for sale at the Kinneil Oil Terminal and the Group’s Malaysian production is made available for sale at the Terengganu Crude Oil Terminal. Production from Kraken, Alma/Galia and Alba is lifted by tanker and delivered to the relevant buyer.

The Group's oil sales for its UKCS assets are primarily priced using the Platts Dated Brent crude oil benchmark. Brent (including Magnus) and Forties crude are priced on a month average basis, while Kraken, Alma/Galia and Alba are generally prices five days after the bill of lading date or completion of discharge date. Differentials to the benchmark price are negotiated with customers. Prices for the Group's Malaysian oil sales are set by the Malaysian OSP, which is generally a significant premium to the Platts Dated Brent benchmark. A Tapis differential is then applied to the Malaysian OSP and further differentials are negotiated with customers.

As of 31 December 2017, the Group had four customers accounting for 84 per cent. of outstanding trade and other receivables (2016: three customers, 90 per cent.; 2015: three customers, 65 per cent.) and three joint venture partners accounting for 97 per cent. of joint venture receivables (2016, five joint venture partners, 90 per cent.; 2015: five joint venture partners, 77 per cent.). Substantially all of the Group's oil sales during 2018 were to three counterparties: Mercuria Energy Trading SA (41 per cent.), Valero Energy Limited (22 per cent.) and BP (11 per cent.). Following Alma/Galia and Kraken coming onstream, the Group has diversified its customer base by selling its production lifted by tanker and delivering to buyers to ports in Northwestern Europe, the United States, the Mediterranean and/or the Far East.

9.3 *Suppliers and third-party contractors*

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

The Group has an agreement with KCA Deutag, an international drilling contractor. KCA Deutag provides platform drilling services on Heather and Thistle under this framework agreement. This is a call-out services agreement and the value of these depend on the level of drilling activity performed during the year.

Engineering and construction services for the Heather, Broom and Thistle fields have been provided by the PSN Wood Group since November 2009. The annual value of the Group's contract with the PSN Wood Group varies dependent upon the level of activity performed during the year.

9.4 *Field and commercial partners*

The majority of the Group's assets are owned, explored and developed through commercial partnerships with international and national oil and gas companies. When EnQuest evaluates whether to enter into a commercial partnership or joint venture, it seeks prospective commercial partners who will complement the Group's existing strengths. EnQuest conducts thorough business and financial diligence on all its prospective commercial partners and strive to ensure they will be able to finance their portion of any development.

During the life-cycle of the commercial partnership or joint venture, EnQuest often has a very active role in the technical, financial and administrative management of operations including in situations in which it does not take on an official operator role. The Group typically maintains involvement with many aspects of operations and works closely with its commercial partners to ensure that it remains in compliance with the ongoing obligations under the licences or agreements pursuant to which the Group operates. For a discussion of certain risks associated with the Group's reliance on commercial partners, see "*Risk factors—Risks relating to the Group's business—The Group conducts most of its operations with commercial partners which may increase the risk of delays, additional costs or the suspension or termination of the licences or the agreements that govern the Group's assets.*"

9.5 *Seasonality*

Seasonal weather conditions (particularly winter in the UKCS and the monsoon season in Malaysia) and licence stipulations can limit the Group's drilling and producing activities and other oil and natural gas operations in certain areas. These seasonal anomalies can increase competition for equipment, supplies and personnel during the spring and summer months, which can lead to shortages and increase costs or delay the Group's operations. These seasonal anomalies may also reduce the available weather windows for offloading operations to shuttle tankers from the Group's FPSO's.

9.6 ***Health, safety, environment and assurance***

The Group is subject to a wide range of laws, regulations, directives and other requirements governing the protection of the environment and health and safety matters. See "*Risk factors—Risks relating to the Group's business—The Group could incur material costs to comply with, or as a result of liabilities under, health and safety and environmental regulations.*" One of its top priorities is to achieve and maintain high health, safety and environmental performance. The Directors believe the Group has robust management systems, a culture of positive engagement and a commitment to continuous improvement. It is committed to respecting the people and environments that its business may affect, and it aims to operate its business to achieve safe results, with minimal or no harm to people or the environment. To achieve this the Company aims to manage its business in compliance with legislation and industry standards, maintain high-quality systems and processes and seek to maintain safe and healthy workplaces.

(a) *Health and safety*

To help ensure that the Group maintains safe and healthy workplaces for all the Group's employees and contractors, the Group has developed a Health & Safety Management System that is aligned with the requirements of the Occupational Health and Safety Assessment Series Standard—OHSAS 18001:2007.

Each of the Group's assets are inspected periodically by the Health and Safety Executive. There have been three instances of non-compliance with health and safety legislation reported, with improvement notices issued. The non-compliance and remediation has not had and is not expected to have a material impact on the Group.

(b) *Environmental*

The Group has in place an Environmental Management System to ensure its activities are conducted in such a way that the Group manages and mitigates its impact on the environment.

The Group's system is aligned with the requirements of the International Organization for Standardization's environmental management system standard—ISO 14001:2004. The Group's Environmental Management System was verified under The Convention for the Protection of the Marine Environment of the North-East Atlantic OSPAR Recommendation 2003/5 and applicable guidance in October 2012.

(c) *Assurance*

The Group strives for continuous improvement in its HSE&A performance. EnQuest periodically audits and reviews the Group's HSE&A management system, to help ensure compliance with all applicable regulations, as well as the Group's policies, principles, processes and procedures, and to identify areas for improvement.

The Group's risk-based audit and assurance programme is designed to measure the conformance and effectiveness of HSE&A management across all operations, including contractor and supplier organisations as applicable. Other assurance activities are also periodically conducted to ensure that the Group learns, and proactively identifies areas to improve its HSE&A performance.

9.7 ***Insurance***

The Group maintains the types and amounts of insurance coverage that it believes are consistent with customary industry practices in the jurisdictions in which the Group operates. The Group's oil and gas properties and liabilities are insured within an operational energy insurance package. Coverage under the terms of this insurance package includes physical damage, operators extra expense (well control, seepage, pollution clean-up and re-drill), third-party liabilities. Coverage is placed in respect of scheduled worldwide oil and gas exploration and production activities. The Directors believe limits and deductibles in force for the Group are in line with applicable oil industry insurance standards.

Where applicable, construction all risks insurance coverage is procured in respect of development projects. Such coverage is generally for works executed anywhere in the world in performance of contracts wherein the Group is at risk including loss of, or damage to, the pipeline systems, risers, umbilicals, oil wells and completions to be installed and liabilities to third parties arising therefrom.

The Group's philosophy is to arrange such other insurance from time to time in respect of its other operations as required and in accordance with industry practice and at levels which it feels adequately provide for the Group's needs and the risks that it faces. The Group has not had any material claims under its insurance policies that would either make them void or materially increase their premiums. There can be no assurance, however, that the Group's insurance coverage will adequately protect it from all risks that may arise or in amounts sufficient to prevent any material loss.

10. Employees

As at 30 June 2018, the Group employed 1,045 employees. As of 31 December 2015, 2016 and 2017, the Group employed 642, 602 and 1,047 full-time employees, respectively.

The following table sets forth the Group's full-time employees as of 31 December 2015, 2016 and 2017.

	As of 31 December		
	2015	2016	2017
Directors	8	7	8
Operational (onshore)	277	266	306
Operational (offshore)	137	127	432
Corporate	24	25	26
Contractors[(1)]	196	177	275
Total	**642**	**602**	**1,047**

Note:

(1) Excluding contractors who are employed through a third-party service company.

	As of 31 December		
	2015	2016	2017
United Kingdom	491	431	861
Malaysia	138	156	164
Dubai	13	15	22
Total	**642**	**602**	**1,047**

The Directors believe that the Group has satisfactory working relationships with its employees and have not experienced any significant labour disputes or work stoppages. The Directors believe that the Group has good working relationships with its employees in all territories. Save in respect of SVT, there is no unionisation currently in place for EnQuest employees at any of the Group's locations and the Group has not suffered any labour disputes or stoppages. The Group has been the operator of SVT since 1 December 2017. The technicians employed at SVT, comprising approximately 60 per cent. of SVT employees, are covered by a collective agreement with UNITE the union and, as at the latest practicable date, the 2018 pay negotiations are currently underway with UNITE for the 130 technicians working on the site.

11. Bribery laws

The Company is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery and corruption. The Group has consolidated anti-bribery policies in light of the guidance provided by the UK authorities following the introduction of the UK Anti-Bribery Act. The Company has implemented company-wide training on these policies.

The overall anti-bribery and corruption programme is reviewed annually by the Board and a corruption risk awareness email is sent out annually by the Chief Executive reminding staff of their obligations and also to prompt them to complete an obligatory online anti-corruption training course. In 2017, staff were also advised of their obligations with regard to anti-facilitation of tax evasion, alongside which the Code of Conduct was updated and distributed. In January 2018, a new anti-facilitation of tax evasion module was added to the training course. The Company also encourages staff to escalate any concerns and, to facilitate this, provides an external 'speak-up' reporting line which is available to all staff in the UK, Malaysia and the UAE. Where concerns are raised, these are investigated by the Company's General Counsel and reported to the Audit Committee.

12. Legal and arbitration proceedings

The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. Save as disclosed below, there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company's and/or the Group's financial position or profitability. See "*Risk factors—Risks relating to the Group's business—The Group's operations are subject to the risk of litigation.*"

The Group is currently engaged in a dispute with KUFPEC, the Group's field partner in respect of Alma/Galia. KUFPEC has commenced a court action in the High Court of Justice claiming an alleged breach of one of the Group's warranties provided under the Alma/Galia Farm in Agreement and seeking damages of $91 million (the maximum breach of warranty claim permitted under the Alma/Galia Farm in Agreement), together with interest. The court proceedings are on-going and the Directors believe that a considerable period will elapse before a final decision is reached by the courts. The Directors consider the merits of the claim to be poor and the Group is defending itself vigorously. The Group has not made any provisions in respect of this claim as the Directors believe the claim is unlikely to be successful; and in any event the Directors believe the chances of an outcome exposing the Group to material damages are remote. There can, however, be no assurances that this claim will not ultimately be successful, or that the Group would not otherwise seek to enter into a settlement or compromise in respect of this claim, or that in the event of any such circumstances the Group would not incur costs and expenses in excess of its estimates.

The Group is also currently engaged in discussions with EMAS, one of the Group's contractors on Kraken who performed the installation of a buoy and mooring system, in relation to the payment of approximately $15 million which EMAS claims is due as a result of soil conditions at the work site being materially different from those reasonably expected to be encountered based on soil data previously provided. The Group is confident that such claims are not valid and that accordingly such amount is not due and payable by the Group under the terms of the contract with EMAS. No formal court action has been commenced or threatened by EMAS, though external counsel for EMAS issued a Letter Before Action on 21 September 2017 in accordance with the Pre-Action Protocol (for Construction and Engineering Disputes) of the Civil Procedure Rules for England and Wales. The parties are currently still in discussions pursuant to the dispute resolution process under the contract.

PART 3

PRINCIPAL TERMS OF THE MAGNUS TRANSACTION

1. Background

On 24 January 2017, SPV entered into the Magnus SPA to acquire from BPEOC the 25 per cent. Interests and operatorship of the Magnus Assets. On 24 January 2017, SPV also delivered to BPEOC a parent company guarantee duly executed by the Company in respect of SPV's obligations under the Magnus SPA and the Magnus JOA (as defined below). Completion of SPV's acquisition of the 25 per cent. Interests (and transfer of operatorship of the Magnus Assets from BPEOC to SPV) occurred on 1 December 2017. On completion of SPV's acquisition of the 25 per cent. Interests, SPV and BPEOC entered into a joint operating agreement in relation to the operation of the Magnus field ("**Magnus JOA**"), as described in paragraph 18.2(a) (ii) of Part 11. The consideration for the acquisition of the 25 per cent. Interests was funded through a vendor loan from BPEOC in the amount of $85 million, repayable from future cashflows from the 25 per cent. Interests.

On 24 January 2017, SPV also entered into the Magnus Call Option Deed with BPEOC, pursuant to which SPV was granted an option to require BPEOC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests (the "**Magnus Option**").

2. Magnus Option

The Magnus Option is exercisable at any time after 1 July 2018 until on or before 15 January 2019 by SPV delivering a call option notice to BPEOC (the "**Call Option Notice**"). Once the Call Option Notice is served, the notice is irrevocable.

On or before the exercise of the Magnus Option, SPV is required to deliver to BPEOC a parent company guarantee duly executed by the Company in respect of SPV's obligations under the Magnus Call Option Deed.

Completion of the Magnus Option is subject to the satisfaction or waiver of various conditions precedent, including the approval of the transaction by the Company's shareholders by ordinary resolution and receipt of customary regulatory and third party consents. The long-stop date for satisfaction or waiver of the conditions is the date falling 365 days after the passing of such ordinary resolution (or such later date as SPV and BPEOC may agree). If the conditions have not been satisfied or waived by this date, both SPV and BPEOC have a right to terminate the Magnus Call Option Deed.

There are certain other termination rights which can be exercised prior to completion of the Magnus Option. SPV can terminate the Magnus Call Option Deed if any of the following events occur:

(a) a single event or any series of events which causes the failure of or physical loss of or damage to, or destruction of any of the facilities comprising the 75 per cent. Interests which does or is estimated to cost in excess of $60 million (net the relevant Interest share) to reinstate or remedy;

(b) a single event or series of events (excluding scheduled maintenance) which is likely to cause (i) the entire production attributable to the Magnus field and/or Magnus South field to be shut in; or (ii) a curtailment to expected production from the Magnus field and the Magnus South field of 50 per cent. or more (in comparison to the projected production profile set out in the agreed work programme and budget) for a period in excess of 90 continuous days or of 120 days in aggregate over a period of 365 continuous days; or

(c) any event or circumstance that arises which means that BPEOC would be in material breach of one or more of BPEOC's warranties set out in certain limited paragraphs (relating to title) were BPEOC to repeat such warranties by reference to facts, matters and circumstances existing at any time after such event or circumstance arose.

BPEOC can terminate the Magnus Call Option Deed if any of the following events occur:

(a) an insolvency event in relation to SPV, EnQuest NNS Holdings Limited or the Company; or

(b) in relation to SPV, the acquisition by a person (or persons acting in concert) of a controlling interest in SPV or in any holding company of SPV, except if such change in control is a result of the acquisition of all or a majority of the issued equity share capital of either (i) the Company or (ii) EnQuest Heather or any holding company of EnQuest Heather other than the Company (subject to certain provisos in relation to changes of control in relation to (ii); or

(c) any material breach by SPV or any member of SPV's group of the covenants set out in certain clauses of the STWD.

While the Magnus Option will be exercised by SPV, it is intended that EnQuest Heather will be the owner of the 75 per cent. Interests at completion of the Magnus Option. At the same time as completion of the Magnus Option, it is also intended that SPV will transfer the 25 per cent. Interests and operatorship of the Magnus Assets to EnQuest Heather, and all rights and obligations of SPV under the existing documentation relating to the 25 per cent. Interests, 75 per cent. Interests and under the Thistle Financing Deed will be novated from SPV to EnQuest Heather pursuant to the Permitted Novation described at paragraph 3 of this Part 3.

2.2 ***Consideration***

The base consideration for the 75 per cent. Interests is $300 million (plus or minus customary adjustments, based on an economic date of 1 January 2017) and the entry into a net cash flow sharing deed whereby BPEOC is entitled to 50 per cent. of the net profits arising from the 75 per cent. Interests. $100 million of the consideration needs to be provided by EnQuest Heather in cash, whereas the remaining consideration of approximately $200 million (plus or minus customary adjustments) will be loaned to EnQuest Heather by BP, and repaid to BP out of revenue from the 75 per cent. Interests. This loan is expected to be reduced by approximately $100 million by 31 December 2018.

The consideration for exercise of the option is $300 million (plus or minus customary adjustments) and the entry into a cash flow sharing arrangement whereby BPEOC is entitled to 50 per cent. of the net profits arising from the 75 per cent. interest the subject of the option (subject to a cap of $1 billion). $100 million of the base consideration is to be raised through the Rights Issue and paid in cash, with the remaining $200 million (plus or minus customary adjustments) to be loaned to the Group by BPCO and repaid out of cash flow from the 75 per cent. interest. EnQuest may agree to pay BPEOC the $100 million in advance of completion of the Magnus Option. If EnQuest elects to do and, the Magnus Call Option Deed terminates prior to completion for any reason, BPEOC shall be obliged to repay the $100 million to EnQuest (plus any interest which has accrued to such amount in the period from the date EnQuest made such payment to BPEOC until the date of termination) to EnQuest within 30 days of the termination, without any set-off, counterclaim, withholding or any deduction of any kind including for any taxation, but less any amounts incurred by BPEOC in respect of reasonable banking transfer or other reasonable third party costs. The economic date of the Magnus Transaction is 1 January 2017 (the "**Economic Date**") hence, on completion of the Magnus Transaction, cash flow since the Economic Date will be reclassified as accruing to EnQuest's account and reduce the amount of the BPCO vendor loan. Based on Magnus's performance to date and assuming current oil prices persist until the end of 2018, the amount of the vendor loan is expected to be reduced by approximately $100 million by 31 December 2018.

2.3 ***Loan Agreement***

On completion of the Magnus Call Option Deed, EnQuest Heather and BPCO will enter into a loan agreement (the "**Loan Agreement**"). Under the Loan Agreement, BPCO agrees to make available to EnQuest Heather certain amounts equal to the aggregate of:

(a) the lesser of: the payment payable by EnQuest Heather under the Magnus Call Option Deed at completion plus any true-up amount that is subsequently payable by EnQuest Heather under the Magnus Call Option Deed in relation to customary adjustments (based on an effective economic date of 1 January 2017), less $100 million; and (ii) $500 million; and

(b) certain additional amounts which cover any shortfall between the amount due to be paid by EnQuest Heather to the Lenders and the amount which is available to be paid to the Lenders pursuant to the Net Cashflow Share Deed and the STWD (as further described below).

Interest shall accrue on each loan made under the Loan Agreement from day to day at a daily rate equivalent to an effective rate of 7.5 per cent. per annum if compounded quarterly in arrear, on the basis of a 360 day year.

EnQuest Heather is required to make a repayment of the loans on certain dates. However, if EnQuest Heather cannot make the full repayment due at the time specified due to insufficient funds in accordance with the Net Cashflow Share Deed and the STWD, it is not a default under the Loan Agreement (and instead a shortfall loan arises, which BPCO has the obligation to loan to EnQuest Heather as described in paragraph 2 above).

Certain events constitute an "**Event of Default**" under the Loan Agreement. These include: non-payment, non-compliance with any material obligation (unless remedied within 20 business days), cross default in respect of payments, cross default in respect of performance, insolvency, moratorium, insolvency proceedings, creditors' process, negotiations with creditors as a result of financial difficulties, licence termination, relinquishment or surrender, a person being entitled to exercise forfeiture, withering or other rights pursuant to which EnQuest Heather would cease to be entitled to a Magnus Asset or revenue from a Magnus Asset or material litigation.

If an Event of Default is continuing BPCO may:

(a) cancel all or part of the loan commitment (other than shortfall loans, which shall only be cancellable if a default is continuing);

(b) subject to the STWD, declare all or part of the loans immediately due and payable;

(c) subject to the STWD, direct the security trustee to exercise its rights under the security documents; and/or

(d) deliver notice to the account bank that an Event of Default is continuing under the terms of the applicable security document.

2.4 ***Waterfall mechanics and profit share***

On completion of the Magnus Call Option Deed, BPEOC and EnQuest Heather will enter into a net cash flow deed which sets out how revenue from the 75 per cent. Interests will be shared between them (the "**Net Cashflow Share Deed**"). The Net Cashflow Share Deed will be effective from the date of signing (on completion under the Magnus Call Option Deed) and will automatically terminate on the earlier of:

(a) the date on which the aggregate amount received by BPEOC under the profit share arrangements equals \$600,000,000/(1-TR), where TR is the rate of Corporation Tax in force on date of completion under the Magnus Call Option Deed (not to exceed 40 per cent.) (the "**Profit Share Cap**");

(b) the date of completion under the RSPA (see paragraph 18.3(b)(iii) of this Part 11); and

(c) the actual date of permanent cessation of production from the Magnus field (the "**Magnus COP Date**").

The net cashflow amount for the 75 per cent. Interests is calculated quarterly by deducting any costs paid by EnQuest Heather in respect of the 75 per cent. Interests from all income received by EnQuest Heather in respect of the 75 per cent. Interests. If this results in a figure greater than \$0, such amount constitutes a "**Net Cashflow Gain**".

Each Net Cashflow Gain is applied as follows:

(a) first, to pay BPCO any outstanding amount of principal, interest (including incremental interest), costs or other amounts, then outstanding and due under the Loan Agreement to which BPCO is entitled to be paid pursuant to STWD (the "**Loan Repayment Amount**") (but excluding incremental interest);

(b) next, to reimburse EnQuest Heather up to an amount equal to any outstanding "**Positive Consideration Reimbursement Amount**", being the sum of: (i) the amount actually paid by EnQuest Heather to BPEOC as partial consideration for the 75 per cent. Interests at completion under the Magnus Call Option Deed (excluding any amounts drawn down by EHL under the Loan Agreement at or immediately prior to completion) (the "**Positive Consideration Amount**"); plus (ii) the amount of any Loan Prepayment Amounts received by BPEOC on or before the relevant date; minus (iii) the amount of any Paid Buyer Claim Settlement Amounts received by EnQuest Heather; minus (iv) any amounts already reimbursed to EnQuest Heather in respect of Positive Consideration Reimbursement Amounts, together with interest at rate of 10 per cent. per annum applied to the resulting amount;

(c) next, to reimburse EnQuest Heather up to an amount equal to any outstanding "**Accumulated Interest Costs Amount**", being the sum of: (a) the total cumulative amount of all JOA Billings accruing on or before the relevant date (together with interest at 10 per cent. per annum on each JOA Billing); minus (b) any amounts already reimbursed to EnQuest Heather in respect of Accumulated Interests Costs Amounts;

(d) next to pay BPCO any outstanding Loan Repayment Amount comprising incremental interest; and

(e) finally, any remaining Net Cashflow Gain, will be split equally between BPEOC and EnQuest Heather.

The above is paid in accordance with the Net Cashflow Share Deed and the STWD.

If any amount owing to the BP parties pursuant to the Net Cashflow Share Deed is not satisfied as a consequence of (and solely as a consequence of) insufficient income from the 75 per cent. Interests being received by EnQuest Heather at the relevant date for payment, non-payment of such amount does not constitute a breach of the Net Cashflow Share Deed but such amount remains due and outstanding until capable of being satisfied. If the Magnus COP Date (as defined in paragraph 2.4 of this Part 3) occurs and an amount owing to the BP parties pursuant to the Net Cashflow Share Deed is not satisfied as a consequence of (and solely as a consequence of) insufficient income from the 75 Interests being received by EnQuest Heather prior to the Magnus COP Date, EnQuest Heather will have no liability in respect of such amounts and will have no obligation to pay the BP parties such amounts.

2.5 ***Decommissioning liability***

Under the Magnus Call Option Deed, BPEOC agrees to be liable for and to indemnify EnQuest Heather against any decommissioning liabilities arising in respect of any property attributable to the 75 per cent. Interests in existence before completion under the Magnus SPA (each a "**Seller Decommissioning Payment**").

EnQuest Heather agrees to be liable for and to indemnify BPEOC against decommissioning liabilities arising in respect of any property attributable to the 75 per cent. Interests that comes into existence on or after completion under the Magnus SPA (subject to certain carve-outs which will be treated as existing property) (each a "**Buyer Decommissioning Payment**").

Within 30 business days of the date on which EnQuest Heather receives evidence of a Seller Decommissioning Payment or any Seller Decommissioning Payment is received by EnQuest Heather, EnQuest Heather is required to pay BPEOC an amount in US Dollars equal to 30 per cent. of the Seller Decommissioning Payment less the amount equal to notional tax relief that may be claimed by BPEOC (each a "**Positive Additional Consideration Amount**"). However, EnQuest Heather is not required to make payment of a Positive Additional Consideration Amount to the extent that on the relevant date payment is due, part or all of such payment would, when aggregated with any previous Positive Additional Consideration Amounts, exceed the amount received by EnQuest Heather through the profit sharing mechanism in the Net Cashflow Share Deed on such date.

Within 30 business days of the date on which BPEOC receives evidence of a Buyer Decommissioning Payment, BPEOC is required to pay EnQuest Heather an amount in US Dollars equal to 50 per cent. of the Buyer Decommissioning Payment less the amount equal to notional tax relief that may be claimed by EnQuest Heather (each a "**Negative Additional Consideration Amount**"). However, BPEOC is not required to make a Negative Additional Consideration Amount if part or all of such payment would, when aggregated with any previous Negative Additional Consideration Amount(s) paid by BPEOC to EnQuest Heather would exceed the amount received by BPEOC through the profit sharing mechanism in the Net Cashflow Share Deed on such date.

2.6 ***Environmental liability***

EnQuest Heather agrees to be liable for and to indemnify BPEOC against all environmental liabilities relating to the 75 per cent. Interests (whether arising before, on or after completion of the Magnus Option) (subject to certain limited carve outs).

2.7 ***Security***

Notwithstanding any other provision of the documents relating to the Magnus Transaction, the recourse of the various BP parties under the transaction documents in respect of the amounts due from the EnQuest parties is limited to the Magnus Assets and the proceeds thereof and on exhaustion thereof all claims against the EnQuest parties shall be extinguished.

On completion under the Magnus SPA, SPV entered into a bond and floating charge under which SPV granted certain floating charges over the certain property related to the 25 per cent. Interests in favour of BPCO as security trustee (the "**SPV Bond and Floating Charge**"), and a debenture under which SPV granted certain fixed and floating charges over certain property related to the 25 per cent. Interests in favour of BPCO as security trustee (the "**SPV Debenture**"). In addition, EnQuest NNS Holdings Limited entered into a charge over the shares in SPV in favour of BPCO as security trustee (the "**Parent Share Charge**" and, together with the SPV Bond and Floating Charge and SPV Debenture, the "**SPV Security**").

On completion of the Permitted Novation (as described at paragraph 3 of this Part 3, the SPV Security will be released and EnQuest Heather will be required to enter a bond and floating charge under which EnQuest Heather grants certain floating charges over the certain property related to the Magnus Transaction in favour of BPCO as security trustee, and a security agreement under which EnQuest Heather grants certain fixed and floating charges over certain property related to the Magnus Transaction in favour of BPCO as security trustee.

The security becomes enforceable at any time after the occurrence of a declared event of default which is continuing. However, EnQuest Heather has the right, prior to BP being able to enforce its security, to repay any amounts then owed to BP (subject to certain conditions and restrictions).

Where BP exercises any of its rights pursuant to any security document, BP is required to enforce its security over all of the assets secured by those security documents and procure that operatorship is transferred from EnQuest Heather to BPEOC under the Magnus JOA. This does not apply where the value of the assets has been adversely affected by EnQuest Heather taking on additional assets or liabilities in breach of its obligations under the Transaction Documents. BP is not required to procure that operatorship is transferred from EnQuest Heather to BPEOC under the operating agreements for the Sullom Voe Terminal, NLGP or NPS (and this will be governed by the terms of the relevant operating agreement).

There are various protections built into the documents to ensure that on a distressed sale effected by BPCO as the security trustee pursuant to the security documents, EnQuest Heather can recover any outstanding cash consideration which it paid for the 75 per cent. Interests plus any Accumulated Interest Cost Amounts (less amounts which EnQuest Heather has already recovered under the transaction documents).

In addition to the security described in above, BPEOC will be able to use its ordinary default and forfeiture provisions under the relevant operating agreements for Sullom Voe Terminal, NLGP and NPS.

Under the Magnus JOA, the default provisions are wider than is customary. They include if EnQuest Heather fails to pay its share of a cash call which it is required to pay pursuant to the Magnus JOA or the Magnus SPA or if an Event of Default occurs under certain of the clauses of the Loan Agreement.

Once the security given to BP pursuant to the Magnus Transaction is released in accordance with its terms, BPEOC has the right for a period of 20 business days (from the date of notification to BPEOC or BPEOC having actual awareness of such event) following an insolvency event relating to EnQuest Heather or a material breach by EnQuest Heather of its obligations under the Net Cashflow Share Deed, to require EnQuest Heather to enter into a Re-Transfer SPA, under which the EnQuest Heather is required to sell 37.5 per cent. of the Magnus Assets back to BPEOC.

3. Permitted Novation

Under a security trust and waterfall deed dated 24 January 2017 (the "**STWD**") between SPV, EnQuest NNS Holdings Limited, EnQuest Heather, the Company, BPEOC and BPCO (as agent and security trustee), SPV is entitled to transfer its rights and obligations under the documents relating to the 25 per cent. Interests, the 75 per cent. Interests and the Thistle Option by way of novation to EnQuest Heather, subject to certain conditions being satisfied. The conditions include a requirement for the transfer to be a transfer of all of the SPV's rights and obligations under the Magnus and Thistle transaction documents and the contracts relating to the Magnus Assets, the entry into an intercreditor agreement with EnQuest's senior lenders, EnQuest having all necessary consents, authorisations and approvals to enter into the relevant agreements and grant the security required, there being no potential declared event of default or insolvency event in relation to EnQuest Heather or SPV, and EnQuest Heather being capable of giving the warranties and covenants under the various agreements.

SPV is entitled to effect the Permitted Novation at any time after completion has occurred under the Magnus SPA up to and including the date falling five years after the date of completion under the Magnus SPA (meaning that the deadline is 1 December 2022).

SPV intends to effect the Permitted Novation to EnQuest Heather at the same time as completion occurs under the Magnus Call Option Deed.

Provided that the conditions have been satisfied, the relevant BP entities shall consent to the novation from SPV to EnQuest Heather and execute all documents and take all such actions which SPV and EnQuest Heather may request (acting reasonably) in order to effect the novation from SPV to EnQuest Heather, provided that the relevant BP entities do not have to bear any costs which they consider to be excessive. There is a mechanism pursuant to which SPV will bear any costs which the relevant BP entities consider excessive.

It is intended the operatorship of the Magnus Assets will transfer from SPV to EnQuest on completion of the Permitted Novation as well.

PART 4

PRINCIPAL TERMS OF THE THISTLE TRANSACTION

1. Background to Thistle and Deveron field arrangements

Under the current suite of documents relating to the Thistle and Deveron fields, the Company has a 99 per cent. working interest in the Thistle and Deveron fields, and EnQuest Heather is the current operator. Britoil retains the remaining 1 per cent. working interest in each of Thistle and Deveron.

Prior to the entry into the Thistle Financing Deed, the arrangements in relation to decommissioning of the Thistle and Deveron fields were as set out in the Thistle and Deveron Field Arrangement Agreements, as described in paragraph 18.3(b) (*Thistle and Deveron agreements*) of Part 11 ("*Additional Information*").

However, on 1 December 2017, EnQuest Heather, BPEOC and the other parties to the existing suite of documents relating to the Thistle and Deveron fields entered into an amendment agreement which provided, amongst other things, for EnQuest Heather to be the operator of the Thistle and Deveron fields after the Re-Transfer Date and during the decommissioning phase.

2. Thistle Financing Deed

On 24 January 2017, SPV, BPEOC and Britoil entered into a financing deed in respect of decommissioning of the Thistle and Deveron fields. On 30 January 2018, SPV, BPEOC and Britoil agreed to amend the terms of such financing deed by entering into the Thistle Financing Deed.

Under the terms of the Thistle Financing Deed, BPEOC agreed to pay to SPV an amount equal to $30 million within ten business days of the date of the Thistle Financing Deed, in return for SPV agreeing to pay to BPEOC an amount equal to 4.5 per cent. of each payment which Britoil is required to make in respect of decommissioning of the Thistle and Deveron fields pursuant to the provisions of the DLA (each a "**Britoil Decommissioning Payment**"), subject to a cap of £57 million. The Company currently carries a provision of $20.3 million in its balance sheet in respect of its 4.5 per cent. decommissioning costs.

Pursuant to the Thistle Option, SPV has the option to receive an additional $20 million from BPEOC, which is payable by BPEOC within 10 business days of SPV serving the Thistle Option notice.

If SPV wishes to exercise the Thistle Option, it must serve a notice on BPEOC before 11.59pm on 30 January 2018. Entry into the Thistle Option by SPV is classified under the Listing Rules as a Class 1 transaction for the Company and therefore is conditional, amongst other things, on the approval of Shareholders by ordinary resolution. Once the Thistle Option notice is served, the notice is irrevocable.

Once SPV exercises the Thistle Option and receives the $20 million from BPEOC, the payments which SPV is required to make to BPEOC in respect of each Britoil Decommissioning Payment increase to 7.5 per cent. of each Britoil Decommissioning Payment (each a "**Thistle Return Payment**"), and the cap increases to £99 million.

If Britoil makes any Britoil Decommissioning Payment prior to the Re-Transfer Date (each an "**Early Decommissioning Payment**"), SPV is not required to make the Thistle Return Payment immediately. Instead, such amounts accumulate and within 15 business days of the Re-Transfer Date, SPV is required to pay BPEOC the total aggregate sum of all Thistle Return Payments in respect the Early Decommissioning Payments (together with interest at 5 per cent. per annum).

In respect of any Britoil Decommissioning Payments which are made following the Re-Transfer Date, SPV is required to make the corresponding Thistle Return Payment within 20 business days of the Britoil Decommissioning Payment being made. No interest is due on these Thistle Return Payments (but default interest of LIBOR plus 6 per cent. accrues on any late payments made under the Thistle Financing Deed).

In the event that the cumulative Thistle Return Payments that have been made by SPV amount in aggregate to less than the $50 million (assuming the Thistle Option has been exercised) received by SPV from BPEOC under the Thistle Financing Deed, SPV is not obliged to pay BPEOC an amount equal to the shortfall.

If the cumulative Thistle Return Payments that have been made by SPV at any time amount in aggregate to more than the $50 million received by SPV from BPEOC, SPV's obligations under the Thistle Financing Deed to pay BPEOC the Thistle Return Payments (including any interest payable on any Thistle Return Payments due to Early

Decommissioning Payments being made) are capped at £99 million (assuming the Thistle Option has been exercised).

The Company has given a parent company guarantee in favour of BPEOC to guarantee SPV's obligations under the Thistle Financing Deed. In addition, SPV's obligations to make the Thistle Return Payments form part of the secured obligations for the purposes of the security given as part of the Magnus Transaction.

Although SPV is currently party to the Thistle Financing Deed, on completion of the Magnus Option and the Permitted Novation, it is envisaged that SPV's rights and obligations under the Thistle Financing Deed will be novated to EnQuest Heather.

PART 5

OPERATING AND FINANCIAL REVIEW

The following review should be read in conjunction with Part 2 ("Information on the Group") of this document and the financial information incorporated by reference in Part 6 ("Financial Information on the Group") of this document and the other financial information contained elsewhere in this document. Prospective investors should read the entire document (including information incorporated into this document by reference) and not just rely on the information set out below, and you should not rely solely on key and summarised information. Ernst & Young LLP issued an audit opinion in respect of the financial information for the Company for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017.

The Company encourages you to read the following discussion in conjunction with the Group's consolidated financial statements and the related notes thereto referred to in Part 6 ("Financial Information on the Group") (which have been incorporated into this document by reference).

The 2P reserves data presented in this section have been audited by GCA in accordance with SPE PRMS guidelines and definitions. Estimated 2P reserves presented herein may differ from estimates made in accordance with guidelines and definitions used by other companies in the industry. See "Presentation of financial information" and "Presentation of Reserves" at the beginning of the document. Unless otherwise indicated, all production figures are presented on a net to the Group's working interest basis. Where gross amounts are indicated, they are presented on a total basis—i.e. the actual interest of the relevant licence holder in the relevant fields and licence areas without deduction for the working interest of the Group's commercial partners, taxes or royalty interests or otherwise. The Group's legal and working interests in the relevant fields and licence areas are separately disclosed. See paragraph 18 of Part 11 ("Additional Information") for a more detailed discussion of the terms of the agreements governing the Group's interests. The following discussion includes forward-looking statements which, although based on assumptions that the Directors considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Important Information – Information regarding forward-looking statements" and "Risk factors" in this document.

1. Overview

EnQuest is one of the largest independent UK oil producers in the UK North Sea (as last measured for the twelve months ended 31 December 2017) and had interests in 20 UK production licences, 18 of which the Group operates, as of 30 June 2018. In addition, the Group has interests in Malaysia through the PM8/Seligi PSC and the Tanjong Baram SFRSC. The Group's average daily production on a working interest basis for the six months ended 30 June 2018 was 53,990 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2017 was 37,405 boepd and its net 2P reserves were 210 MMboe as of 31 December 2017. In the eight years since EnQuest's inception, it has increased its net 2P reserves to 210 MMboe as of 1 January 2018, representing a net 161 per cent. increase or a growth of approximately 13 per cent. per annum, and converted the equivalent of 99 per cent. of its original 81 MMboe reserves into produced oil. As of 31 December 2017, the Group's assets had a reserve life of 17 years.

EnQuest's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focussing on operational excellence, differential capability, value enhancement and financial discipline. The Group's producing assets generated EBITDA of $303.6 million during 2017. During the first half of 2018, the Group's producing assets generated EBITDA of $311.9 million, representing an increase of $160.9 million, or 106.6 per cent., over the first half of 2017.

The following table sets forth the Group's working interests in its producing assets:

Asset	Field	Working interest
UKCS		
Thistle/Deveron	Thistle	99.0%
	Deveron	99.0%
The Dons	Don Southwest	60.0%
	Conrie	60.0%
	West Don	78.6%
	Ythan	60.0%
Heather/Broom	Heather	100.0%
	Broom	63.0%
Magnus	–	25.0%
GKA	Kittiwake	50.0%
	Grouse	50.0%
	Mallard	50.0%
	Gadwall	50.0%
	Goosander	50.0%
Scolty/Crathes	Scolty	50.0%
	Crathes	50.0%
Alma/Galia	Alma	65.0%
	Galia	65.0%
Alba[1]	–	8.0%
Kraken	–	70.5%
Malaysia		
PM8/Seligi	PM8	50.0%
	Seligi	50.0%
Tanjong Baram	–	70.0%

Notes:

(1) Non-operated

The following table sets forth the net daily average production on working interest basis for each of the Group's producing areas for the years ended 31 December 2015, 2016 and 2017 and the six month periods ended 30 June 2017 and 30 June 2018:

	Net daily average production (boepd)				
	Year ended 31 December			Six months ended 30 June	
Asset	2015	2016	2017	2017	2018
Northern North Sea	21,263	18,885	15,627[1]	17,099	18,002[4]
Central North Sea	6,242	11,718	8,131	10,849	6,108
Kraken	–	–	4,709[2]	97[3]	21,655
Total UKCS	27,505	30,603	28,467	28,045	45,765
Malaysia	9,062	9,148	8,938	8,969	8,225
Total	36,567	39,751	37,405	37,015	53,990

Notes:

(1) Includes 334 boepd from Magnus reflecting production since first oil in December 2017, averaged over the twelve months to 31 December 2017.

(2) Production since first oil in June 2017, averaged over the twelve months to 31 December 2017.

(3) Production since first oil in June 2017, averaged over the six months to 30 June 2017.

(4) Includes production of 3,816 boepd from Magnus.

All of the Group's assets, with the exception of the Group's Malaysian assets, PM8/Seligi and Tanjong Baram, are located in the UKCS in the North Sea.

The Group's primary producing asset is Kraken, in which it currently owns a 70.5 per cent. interest. Kraken, of which the Group is the operator, is its largest development to date and one of the largest projects in the UKCS in recent years. First oil was delivered in June 2017. As at the end of August, the Company has drilled, connected and brought online 11 production and ten water injection wells across the first three drill centres of the original field development plan and improved production efficiency through an ongoing systematic and measured approach to resolving FPSO topside commissioning issues since first production, achieving gross production rates of approximately 40,000 bopd towards the end of 2017. Average gross production in the six months to end June 2018, which includes the impact of the March maintenance shutdown was c.31,000 bopd. Kraken average gross production has since improved.

EnQuest was founded in 2010 through a combination of PEDL and certain assets of Lundin. The Company purchased PEDL and the UKCS assets of Lundin in exchange for shares. Following the Company's initial public offering in April 2010, its shares are listed and trade on both the London Stock Exchange and the NASDAQ Stockholm.

2. Significant factors affecting results of operations

2.1 *Price of oil*

The Group is exposed to the impact of changes in Brent crude oil prices. Changes in oil prices can impact the levels of the Group's reserves and, therefore, depletion charges, as well as revenues, which in turn would impact on the Group's profits and cash flow. Substantially all the Group's reserves are constrained by a commercial materiality threshold and therefore are impacted by changes in oil prices. Decreases in oil prices could lead to reduction in the economic life of a field, which will decrease the reserves. Oil prices have historically been volatile, dependent upon the balance between supply and demand and particularly sensitive to changes in OPEC and other production levels. The Group's policy is to attempt to manage the impact of oil prices to protect against volatility and to ensure the availability of cash flow for reinvestment in capital programmes that are driving business growth. As part of this strategy, the Group has entered into commodity hedging contracts and crude oil prepayment transactions. As at 30 June 2018, the Group had in place put options for approximately 5.3 MMbbls for the second half of 2018 at an average price of approximately $66/bbl. This ensures that the Group will receive a minimum oil price for its production. As further mitigation, the Directors, in line with Group policy, will continue to pursue hedging at the appropriate time and price. In November 2017, the Group entered into an 18-month collar structure for the 2017 Mercuria Prepayment Facility of $80 million. Repayment will be in equal monthly instalments over 18 months, through the delivery of an aggregate of approximately 1.8 mmbbls of oil. EnQuest will receive the average Brent price over each month subject to a floor of $45/bbl and a cap of approximately $64/bbl.

The Group's oil sales for its UKCS assets are primarily priced using the Platts Dated Brent crude oil benchmark and the majority of sales are priced on a month average basis. Differentials to the benchmark price are negotiated with customers. Prices for the Group's Malaysian oil sales are set by the Malaysian OSP, which is generally a significant premium to the Platts Dated Brent benchmark. A Tapis differential is then applied to the Malaysian OSP and further differentials are negotiated with customers. The average realised price for the Group's UKCS and Malaysian oil sales (excluding hedging) together increased by 33.4 per cent. to $69.1/bbl for the six months ended 30 June 2018 from $51.8/bbl for the six months ended 30 June 2017. The average realised price per barrel sold (excluding hedging) increased by 21.7 per cent. to $53.9/bbl for the year ended 31 December 2017 from $44.3 per barrel for the year ended 31 December 2016 and decreased by 13.0 per cent. to $44.3 per barrel for the year ended 31 December 2016 from $50.9 per barrel for the year ended 31 December 2015.

The average quoted price increased by 34.5 per cent. to $71.05/bbl for the six months ended 30 June 2018 from $52.83/bbl for the six months ended 30 June 2017. The average quoted price increased by 21.2 per cent. to $54.79/bbl for the year ended 31 December 2017 from $45.19/bbl for the year ended 31 December 2016 and decreased by 15.7 per cent. to $45.19/bbl for the year ended 31 December 2016 from $53.60/bbl for the year ended 31 December 2015.

The following table sets forth information on Brent oil prices for the six month periods ended 30 June 2018 and 30 June 2017 and the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December			**Six months ended 30 June**	
(in $/bbl)	**2015**	**2016**	**2017**	**2017**	**2018**
Average price for the period	53.60	45.19	54.79	52.83	71.05
Highest price for the period	67.77	56.96	66.87	57.10	79.80
Lowest price for the period	36.11	27.88	44.82	44.82	62.59

Source: International Commodities Exchange

2.2 ***Production volumes***

In addition to oil prices, production volumes are a primary revenue driver. The Group's production levels also affect the level of the Group's reserves and depletion charges. The volume of the Group's oil reserves and resources and production volumes may be lower than estimated or expected. See "*Risk factors—Risks relating to the oil and gas industry—The levels of the Group's 2P reserves and contingent resources, their quality and production volumes may be lower than estimated or expected*". While the most material of the Group's assets, Kraken, is early in its expected producing life, many of the Group's interests are in maturing fields that currently have, or previously had, declining production.

Based on the Group's anticipated production, volumes are nominated for lifting approximately two months in advance. Buyers of Kraken, Alma/Galia, Alba and Malaysian crude are invoiced for the volume loaded on crude oil tankers as measured by an independent inspector and/or the fiscal meter. Buyers of the Group's Brent and Forties production are invoiced for the agreed payment quantities. Volumes lifted and sold out of the terminals will normally be lower than those fiscally measured as being produced at the Group's platforms, reflecting "shrinkage". Shrinkage may occur from three potential sources—process fuel, terminal flaring and value adjustment. The Group is required to contribute fuel necessary to process the hydrocarbons at the Kinneil Oil Terminals. There is also flaring at the terminals to which all pipeline entrants are required to contribute. Oil from Thistle/Deveron and the Dons is exported through the Brent pipeline and oil from Magnus and Heather/Broom is exported through the Ninian pipeline. SVT uses commingled crude (Brent and Ninian), which results in a "blend" oil price being calculated. A value adjustment is then calculated based on the relative quality of the Group's crude against the blend as a whole and this normally results in a further element of shrinkage. Historically, the Group's shrinkage factor has been less than 3 per cent. of produced volumes for total gross production across all the Group's assets. The resulting invoice volume after deduction of shrinkage, entitlement and over/underlift as applicable to each producing asset is the Group's sales volume.

The following table sets forth information on the Group's oil production and sales volumes for the six month periods ended 30 June 2017 and 2018 and the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December			Six months ended 30 June	
(boepd)	**2015**	**2016**	**2017**	**2017**	**2018**
Total average daily production for the period	36,567	39,751	37,405	37,015	53,990
Total average daily sales volume for the period	34,142	36,131	32,589	30,630	49,512

2.3 ***Reserves***

The Group estimates its 2P reserves, which are reflected in the Group's financial statements, using standard recognised evaluation techniques. This estimate is reviewed internally at least annually and is also audited annually by GCA. The Group estimates future development costs taking into account the level of development required to produce the reserves the Group has elected to develop. The amount of development costs in turn influences the economic recoverability of resources and, therefore, what proportion of resources are recognised as reserves.

Separately, the depletion of oil assets charged to the Group's income statement under cost of sales is dependent on the estimate of the Group's oil reserves. An increase in estimated reserves will cause a reduction in the charge to the Group's annual income statement because a larger base exists on which to depreciate the asset. Correspondingly, a decrease in estimated reserves will cause an increase in the charge to the Group's annual income statement. The estimate of oil reserves also underpins the net present value of a field used for impairment calculations, and in significant cases a reduction to the reserves estimate can lead to an impairment charge. These impairment charges would not impact the Group's cash flow nor the Group's UK tax charges.

2.4 ***Development and production success and impairment***

The Group faces inherent risks in connection with its development and production activities. These risks include the difference between estimated and actual reserves, the Group's cost efficiency in development, timing of production activities and its level of production. The Group reviews its development and production projects at least semi-annually for indicators of impairment. Where such an indicator does exist, the Group compares the net present value of the asset (based on discounted cash flows) with the carrying value on the Group's balance sheet. If the net present value is lower than the carrying value, the Group records any impairment to the "Impairment of oil and gas assets" line of the Group's income statement.

Following first oil from Scolty/Crathes in 2016 and, in particular, Kraken in 2017, the company's exposure to development risks has now reduced. As at the end of August, the Company has drilled, connected and brought online 11 production and ten water injection wells across the first three drill centres of the original field development plan at Kraken and improved production efficiency through an ongoing systematic and measured approach to resolving FPSO topside commissioning issues since first production. More than 10 million barrels of oil have been produced, over 7.5 million barrels of which has been produced in 2018, and 20 cargoes offloaded from the FPSO, with 16 of these cargoes offloaded in 2018. Cargo pricing continues to be healthy reflecting the quality of Kraken crude.

In the year ended 31 December 2017, the impairments to the Group's oil and gas assets were $172 million. This charge primarily related to Alma/Galia, Heather/Broom, Thistle/Deveron, the Dons fields and Alba as a result of changes in assumptions and lower production performance, including the impact of ESP issues at Alma/Galia. In the year ended 31 December 2016, the Group recorded a net reversal of impairments on oil and gas assets of $148 million. This net reversal was primarily driven by the impact of higher short term prices impacting revenues and reserves and the deterioration in the GBP/USD exchange rate on the underlying costs of the Heather/Broom, Thistle/Deveron and the Dons assets in the Northern North Sea. At Alma/Galia, lower reservoir and well performance than had been estimated previously resulted in an impairment charge in the period. The impairment charges in the year ended 31 December 2015 of $1,224 million related to the Heather/Broom, Thistle/Deveron, the Dons, Alma/Galia, Alba and Tanjong Baram assets, and were triggered by the decline in oil prices and the resulting reduction in expected future revenues and reserves.

2.5 ***Underlying operating costs***

(a) *Fixed*

Fixed operating costs are substantially independent from production levels and therefore do not increase (or decrease) with an increase (or decrease) of the Group's level of production. Fixed operating costs include routine and non-routine maintenance costs, certain labour costs and power costs. Certain regular maintenance programmes also result in the temporary shut-in of production. An increase in fixed operating costs will result in an increase in underlying operating costs per barrel due to higher costs with no associated increase in production.

(b) *Variable*

The variable element of operating costs will increase (or decrease) with the level of production. An increase (or decrease) in production will result in an increase (or decrease) in underlying variable operating costs. The primary variable operating costs that affect the Group's results include the costs associated with the use of infrastructure (including third-party infrastructure such as pipeline systems and terminals), consumable well supplies and fuel. The Group pays tariffs for use of third-party infrastructure based on the Group's proportionate use of the infrastructure and such tariffs are likely to increase as the Group's production increases. Tariffs are set in part based on the infrastructure operator's total expenses.

The greatest portion of the Group's infrastructure costs arise through tariffs charged for the use of the SVT, through which the oil from the Magnus, Thistle, Heather and the Dons is transported and marketed. These charges are based on a cost share commercial model. The Group is firmly on track to reduce operating costs at the terminal by approximately 25 per cent., from approximately £200 million in 2017 to around £150 million in 2018. Further savings are planned for 2019.

With respect to production from GKA and Scolty/Crathes, the Group holds an equity interest in an offshore platform at Kittiwake and a 100 per cent. interest in a pipeline linking Kittiwake to the Forties Unity pipeline. GKA fields and Scolty/Crathes are tied via subsea infrastructure to the offshore platform at Kittiwake. Oil from the platform at Kittiwake is transported via pipeline to the Forties Unity platform where it is then transported to shore at Cruden Bay through the Forties Unity pipeline system. The oil then continues through the pipeline to Hound Point, Scotland, where it is loaded on tankers, and raw gas and natural gas liquids are taken to Grangemouth, Scotland for further processing. Oil produced at Alma/Galia is loaded from the EnQuest Producer FPSO onto shuttle tankers and then delivered to buyers in Northwest Europe. Oil from Alba, where the Group holds a minority interest, is also transported by shuttle tanker from the Alba Northern platform to onshore terminals. Oil produced at Kraken is loaded from the Armada Kraken FPSO onto shuttle tankers and then delivered directly to buyers in Northwest Europe or transferred to other conventional oil tankers for delivery into the United States, the Mediterranean and/or the Far East. Production from Tanjong Baram is transported through an 8-kilometre tie-back to the West Lutong A platform operated by PETRONAS Carigali Sdn Bhd under a Production Handling Agreement and production from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigali Sdn Bhd) for processing and sale.

2.6 Acquisitions and disposals

The Group's results will be affected by acquisitions and disposals of assets that take place during the period. Any acquisition of or sale of interests in producing assets will affect the Group's production volumes and revenues. If the Group elects to divest an asset, it could impact several line items in the Group's income statement depending, in part, on the stage of the asset's life in which the disposal occurs. For example, a farm-down during the development phase may result in either a gain or loss. When the Group enters the development phase of a project with a high equity stake and farm-down a portion of the equity in that licence in return for cash consideration and a carry of all, or a portion of, the Group's share of development costs, the cash consideration and/or the fair value of the carry will be assessed against the carrying value of the percentage disposal to calculate the gain or loss on disposal. The Group continually evaluates potential acquisitions and dispositions and the timing of any such transaction is uncertain.

The Group's results also may be affected by acquisitions, although the extent of the impact largely depends on the mix of assets acquired or sold. For example, the Group's acquisition of an 8 per cent. interest in Alba in 2013 resulted in limited additional production volume and revenues. Acquisitions and disposals also affect the Group's liquidity and cash position in the relevant period to the extent the purchase price is paid or received in cash.

Acquisitions and disposals during the periods presented included, among others, those set forth below.

- First six months of 2018: Relinquished a number of exploration licences in the UK;
- 2017: Acquired an initial 25 per cent. interest in Magnus, an additional 3.0 per cent. interest in the SVT and additional interests in associated infrastructure from BP, becoming operator of Magnus and the SVT, and relinquished a number of exploration licences in the UK;
- 2016: Increased the Group's stake in Kraken from 60.0 per cent. to 70.5 per cent. through the acquisition of a portion of First Oil's interest;
- 2015: Exited investments in Egypt, Norway and Tunisia, sold exploration interests in Malaysia and relinquished a number of exploration licences in the UK.

See paragraph 18.3 of Part 11 ("*Additional Information*") for further details of the terms of the agreements governing the Group's interests.

2.7 *Currency exchange rates*

The Group's functional and presentational currency is the US dollar, primarily because the Group prices its oil sales in US dollars and substantially all of the Group's revenues are denominated in US dollars. However, because a significant percentage of the Group's staffing and other administration costs are denominated in pounds sterling, the Group's results are affected by changes in the US dollar/pounds sterling exchange rate. The Group has also incurred capital expenditure costs in both Euro and Norwegian Kroner in connection with Kraken.

For the six months ended 30 June 2018, 100 per cent. of the Group's costs including capital expenditure were denominated in currencies other than the US dollar, as compared to 59 per cent. for the six months ended 30 June 2017. Costs denominated in currencies other than the US dollar were 83 per cent., 81 per cent. and 85 per cent. for the years ended 31 December 2017, 2016 and 2015, respectively.

(in £/$)	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
Average rate for the period	0.655	0.741	0.777	0.794	0.727
Highest rate for the period	0.683	0.824	0.829	0.829	0.764
Lowest rate for the period	0.630	0.676	0.736	0.768	0.698

Source: Bank of England

See paragraph 8.3 of this Part 5 ("*Operating and Financial Review*") for a discussion of foreign currency risk management.

2.8 ***Derivative financial instruments***

The Group's results are affected by commodity, foreign currency and interest rate hedging. The Group's commodity hedging policy allows it to hedge oil prices up to a maximum of 75 per cent. of the next 12 months' production on a rolling annual basis, up to 60 per cent. in the following 12 month period and up to 50 per cent. in the subsequent 12 month period. As of 30 June 2018, the Group had put options in place for approximately 5.3 MMbbls at an average price of approximately $66/bbl for the remainder of 2018. The Group's foreign currency hedging policy generally allows for up to 70 per cent. of non-US dollar denominated operating and capital expenditure to be hedged (although the Group may hedge up to 100 per cent. of non-US dollar capital expenditure in relation to specific contracted capital expenditure projects). As at 30 June 2018, the Group has hedged its exposures to pounds sterling in line with this policy. See paragraph 8.4 of Part 5 ("*Operating and Financial Review*").

The Group categorises its derivative instruments for accounting purposes as follows:

(a) *Cash flow hedge*

The effective portion of the gain or loss on the hedging instrument is recognised in the cash flow hedge reserve, while the ineffective portion is recognised in the profit and loss under revenue for the Group's commodity hedges or under cost of sales for its foreign exchange hedges. A cash flow hedge only has measured ineffectiveness where the change in the fair value of the derivative instrument exceeds the change in the present value of the future cash flows of the hedged item. Amounts transferred to the cash flow hedge reserve are transferred to the income statement under other comprehensive income when the underlying hedged transaction affects profit or loss. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in other comprehensive income.

(b) *Derivatives that do not qualify for hedge accounting*

When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately within revenue for commodity derivatives and within cost of sales for foreign exchange derivatives.

2.9 ***Exploration and evaluation success and exploration costs written-off or impaired***

The Group faces inherent risks in connection with its exploration and evaluation activities. The success or failure of the Group's exploration and evaluation activities will affect the level of the Group's resources recognised and the Group's future development plans for a particular licence area. After the acquisition of an exploration licence, exploration costs (e.g. seismic purchase and evaluation and exploration drilling) are capitalised as intangible assets. The value of the Group's intangible assets is reviewed regularly throughout the year and, when appropriate, values are impaired or written off where the Company does not expect to make a sufficient economic return from the investment (e.g. if an exploration well is dry or has insufficient reserves to be commercial or if a licence has insufficient commercial prospectivity).

For the six months ended 30 June 2018 and 2017, the Group either wrote off or impaired costs totalling $0.5 million and $0.1 million, respectively, in relation to the Group's intangible exploration and evaluation assets following unsuccessful exploration and evaluation activities. For the year ended 31 December 2017, the Group either wrote off or impaired such costs totalling $0.2 million. For the year ended 31 December 2016, the Group recorded a net impairment reversal of such costs totalling $0.8 million. For the year ended

31 December 2015, the Group either wrote off or impaired such costs totalling $9.1 million. The extent of the Group's write offs and impairments in a period relates to the Group's success in evaluating assets prior to receipt of a licence. Such evaluations have become less significant to the Group's operations because of its decreased exploration and evaluation activities. Write-offs and impairments of intangible exploration and evaluation assets are expensed through the exploration and evaluation expenses line of the Group's income statement. The Group accounts for such write-offs and impairments using the successful efforts method of accounting. In line with the successful efforts method of accounting, all licence acquisition, exploration and evaluation costs are initially capitalised as intangible oil and gas assets in cost centres by field or exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised insofar as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred. If prospects are deemed to be impaired on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres. These costs are then depreciated on a unit of production basis upon field production commencement. All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Group's depletion and amortisation accounting policy. See paragraph 10 of this Part 5 ("*Operating and Financial Review*").

2.10 ***Interest rates***

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings under the SFA, which has a floating EURIBOR or LIBOR linked interest rate, and the Tanjong Baram Project Finance Loan, which has a floating USD LIBOR linked interest rate. In 2015, the Group entered an interest rate swap which effectively swapped 50 per cent. of floating USD LIBOR rate interest on the Tanjong Baram Project Finance Loan into a fixed rate of 1.035 per cent. until 2018. To the extent the Group has hedged its floating EURIBOR or LIBOR linked borrowings, it may be affected by changes in market interest rates at the time it seeks to refinance these borrowings.

2.11 ***Taxation***

Taxation can have a significant impact on the Group's results of operations. The Group is subject to corporate income taxes, UK Corporation Tax and Ring Fence Supplementary Corporation Tax ("**SCT**"), in the UK as well as petroleum and corporate income taxes in Malaysia. The Group had a cumulative UK corporate tax loss of $3,139 million as of 30 June 2018. 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 the Group's 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.

In respect of the Group's UKCS operations, as at 30 June 2018, the Group had UK corporation tax payable of $4.8 million. The income tax liability at 30 June primarily relates to Magnus and associated assets acquired from BP in December 2017. The Group has no significant UK corporation tax or SCT liability at 30 June 2018, outside of that associated with Magnus, due to the availability of UK corporate tax losses, which remains unchanged from 2017. The Group has also historically paid Petroleum Revenue Tax ("**PRT**") in respect of its UKCS operations, which is based on taxable profits of individual production fields. However, beginning on 1 January 2016, the PRT rate was reduced to 0 per cent. Therefore, during the first six months of 2018 the Group paid no PRT in relation to its UKCS operations.

The Group's taxation is also affected by UK tax incentive programmes known as investment allowances. This regime basically provides for a reduction in SCT (10 per cent.) where investments in new or existing UKCS assets qualify for a relief known as investment allowances. Investment allowances are only triggered when production from the field commences. The Group is eligible for a number of investment allowances which will materially reduce the level of future SCT. Investment allowances are recognised as a reduction in the charge to taxation in the years claimed. Prior to the implementation of the Finance Act 2015, the Group received tax relief on certain of its UKCS assets in the form of field allowances. These existing field allowances have been reclassified as investment allowances as of 1 April 2015.

Asset	Unutilised Investment Allowance as at 30 June 2018 (millions)
Alma/Galia	$273.0
Thistle/Deveron	$270.0
Kraken North	$745.0
Kraken South	$745.0
Heather/Broom	$117.0
Greater Kittiwake Area	$20.0
West Don/Don South West	$9.0
Alba	$7.0
Ythan	$119.0
Conrie	$36.0
Crathes	$103.0
Scolty	$103.0
Magnus	$19.0

With continuing investment in the Group's existing assets and major developments, the Group does not expect to pay material UK cash income tax for the foreseeable future but will continue to pay petroleum income taxes in Malaysia throughout the life of the PSC.

With respect to its Malaysian operations, the Group pays a 38 per cent. petroleum income tax on the profit oil derived from the production sharing agreement under which it operates its Malaysian assets in addition to a royalty payable on its oil sales. There are no tax losses carried forward in relation to the Group's Malaysian operations. The Group will continue to pay petroleum income taxes in Malaysia throughout the life of the PSC.

The Group is subject to various tax claims which arise in the ordinary course of its business, including tax claims from tax authorities in the UK and Malaysia. The Group assesses all such claims in the context of the tax laws of the countries in which the Group operates and, where applicable, makes provision for any settlements which the Company considers to be probable. See "*Risk Factors—Risks relating to the Group's business—The Group's tax liability is subject to estimation and the Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which it does business*".

The Company may also be affected by how taxes impact its counterparties and contracts. Modifications may cause certain third parties with which the Group contracts to experience increased costs, which they may seek to pass on to the Group through contractual pass-through provisions or in future negotiations. The Group may be required to pay some or all of these increased costs.

2.12 *Exceptional items*

The Group's results are affected by exceptional items. The effect of exceptional items and depletion of fair value uplift during the periods presented is set forth below.

	Year ended 31 December			Six months ended 30 June	
(in millions of $)	**2015**	**2016**	**2017**	**2017**	**2018**
Recognised in arriving at profit/(loss) from operations before tax:					
Fair value remeasurement	(45.3)	(19.2)	3.7	64.8	37.2
Impairments & write-offs	(1,252.0)	147.1	(174.5)	(79.7)	(7.5)
Debt restructuring	–	(38.1)	–	–	–
Surplus lease provision	(26.6)	22.9	–	–	–
Loss on disposal	(10.7)	(16.1)	–	–	–
Other	(4.8)	4.3	26.6	(5.1)	4.8
	(1,339.4)	100.9	(144.2)	(20.0)	34.5
Tax on items above	634.4	(56.6)	69.7	5.1	2.4
Change in tax rate	56.8	(29.4)	–	–	–
Other tax exceptional items	(239.1)	48.8	47.2	20.5	(1.2)
Total	**(887.3)**	**63.7**	**(27.3)**	**5.7**	**35.7**

Fair value re-measurements include unrealised mark to market movements on derivative contracts and other financial instruments where the Group does not classify them as effective hedges. It also includes the impact of recycling realised gains and losses (including option premiums) out of 'Re-measurements and exceptional items' and into 'Business performance' profit or loss. For the six months ended 30 June 2018 other items included the fair value adjustment of the discounted purchase option valuation for Magnus and associated infrastructure assets of $41.8 million and the fair value adjustment to the contingent consideration on the initial acquisition of Magnus and associated assets of $6.3 million. The year ended 31 December 2017 includes $1.3 million gain in respect of the disposal of the Ascent Resources loan notes.

Impairments and write offs include net (impairments)/reversals of tangible oil and gas assets, which are mainly triggered by the change in the oil price. Additional charges include $2.7 million in relation to inventory write downs during the year ended 31 December 2017 and the write off of unsuccessful exploration costs.

The debt restructuring during 2016 was deemed to result in a substantial modification of the terms of the Group's credit facility. This resulted in a $38.1 million charge, relating to $15.0 million of unamortised costs associated with the previous credit facility, $11.1 million costs for modifications, and a $12.0 million restructuring fee.

During the year ended 31 December 2015, a surplus lease provision of $26.6 million was recognised for the unavoidable contracted costs on the expected utilisation of the Stena Spey drilling vessel. Following changes to the Group's drilling schedule, the contracted days were utilised in full and the provision was reversed in full.

During the year ended 31 December 2016, the Group disposed of its interest in the Avalon prospect resulting in a loss on disposal of $16.2 million. The losses on disposal in 2015 includes a $2.3 million loss on the disposal of the Group's Norwegian exploration licence areas, and an $8.5 million loss on the disposal of Annan House.

Other income includes other items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior periods and to better assess trends in financial performance. For the six months ended 30 June 2018, this mainly related to the reversal of a of $5.3 million provision associated with an exploration licence relinquished in the period and the six months ended 30 June 2017 includes a charge of $4.0 million for the cancellation of a crude marketing contract.

For the year ended 31 December 2017, other mainly relates to the excess of fair value over cost arising on the acquisition of the Magnus oil field and other interests totalling a gain of $48.7 million. Other items include a charge of $10.3 million in relation to the 2014 PM8 cost recovery settlement agreement and a charge of $6.4 million for the cancellation of contracts.

Other tax exceptional items mainly includes the tax effect of previously derecognised tax losses, as well as the impact on deferred tax of a revision to the balance of non-qualifying expenditure.

3. Explanation of income statement items

3.1 *Revenue and other operating income*

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Oil and gas revenues, the Group's largest sources of revenue, 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. Tariff revenue is recognised in the period in which the services are provided at the agreed contract rates. Rental income is accounted for on a straight line basis over the lease terms and is included in revenue in the income statement.

Other operating revenue is comprised of realised gains and unrealised gains on the Group's commodity hedging contracts. See paragraph 4.2 of this Part 5 ("*Operating and Financial Review*").

3.2 *Cost of sales*

The Group's cost of sales consists of the costs of operations, changes in lifting position, oil inventory movements, depletion of oil and gas assets and underlying operating costs such as tariff and transportation expenses charged back to the Group based on its proportionate use of third-party infrastructure and according to the total costs of the operator of such infrastructure. 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 basis. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Oil assets are depleted, on a field-by-field basis, using the unit-of-production method based on 2P reserves, taking account of capital expenditures to date as well as an estimate of total future capital expenditure, in each case relating to those reserves.

The Group includes in cost of sales an amount for changes in lifting position. Changes in lifting position occur when there has been a change in the Group's cumulative "over-lift" or "under-lift" for the period ending on a balance sheet date. Over-lifts/under-lifts occur when there is an imbalance during a given period between the amount of saleable production (which is the Group's interest in gross production less shrinkage, e.g. due to process fuel used at the terminal or to value adjustments) and the Group's sales. Such an imbalance occurs because the Group typically nominates the volume to be lifted and invoiced approximately two months in advance and cannot estimate future saleable production volumes with certainty. Where multiple production companies share the pipeline and processing infrastructure, any over-lift is effectively a sale of another producer's production. Underlift for Kraken and Alma/Galia, which do not utilise shared infrastructure, represents the Group's share of the oil which has been produced but has yet to be sold (i.e. stored on the Armada Kraken or EnQuest Producer FPSO vessels, respectively, or being transported to discharge). Under-lifted or over-lifted positions are valued at market prices prevailing at the balance sheet date. An under-lift of production from a field is included in current receivables and valued at the reporting date spot price or prevailing contract price and an over-lift of production from a field is included in current liabilities and valued at the reporting date spot price or prevailing contract price.

Cost of sales also includes gains or losses related to the ineffective portion of the Group's foreign exchange hedging contracts.

3.3 *Impairment to oil and gas assets*

At each balance sheet date, the Group reviews the carrying amounts of its oil and gas 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 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 and the Group recognises a non-cash impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only 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.

3.4 ***Gain/loss on disposal of intangible oil and gas assets and gain/loss on disposal of land and buildings***

The Group recognises a non-cash gain or loss on the difference between the price at which it disposed of an asset or of property, plant and equipment and the carrying value of that asset prior to the sale.

3.5 ***General and administration expenses***

General and administration expenses include staff costs, depreciation, other general and administration costs and recharge of costs to operations and joint venture partners. Staff costs are capitalised or expensed based on time writing entries. Capitalised staff costs are included within property, plant and equipment or intangible oil and gas assets based on the balance sheet classification on the underlying assets on which the employee has worked. With respect to the assets at which the Group is the operator, the Group's joint venture agreements typically allow it to charge back its expenses as operator to its partners at specified percentages and subject to certain conditions. These agreements typically allow the Group to charge to its commercial partners an additional amount up to a specified percentage of the total costs at an asset to compensate for parent company overhead. Payments received through such chargebacks offset general and administration costs.

General and administration expenses also include business development costs, such as the costs of evaluating potential acquisitions and disposals.

3.6 ***Other income***

For the periods presented, other income is comprised mainly of the recognition of accounting for the excess of fair value over consideration income for the Group's recent acquisitions and a change in fair value on the purchase option relating to the acquisition, a change in in surplus lease provision relating to the lease of the Stena Spey drilling vessel and the net foreign exchange gains relating to the effective portion of the Group's foreign currency forwards and trades, as well as foreign exchange gains on other working capital.

3.7 ***Other expenses***

For the periods presented, other expenses are comprised mainly of expenses stemming from the 2017 settlement agreement with PETRONAS Carigali Sdn Bhd in relation to the prior period PM8 cost recovery at the PM8 concession, a change in surplus lease provision relating to the lease of the Stena Spey drilling vessel, costs relating to cancelling contracts as well as net foreign exchange losses.

3.8 ***Finance costs***

Finance costs primarily include loan and bond interest, finance charges payable under finance leases primarily relating to the lease of the Kraken FPSO vessel from June 2017 and the unwinding of discount on decommissioning provisions.

3.9 ***Finance income***

Finance income includes bank interest receivable, unwinding of discount on financial assets and other financial income.

3.10 ***Income tax***

Income tax represents the sum of tax currently payable and deferred tax under the laws of each jurisdiction in which the Group do business. This includes UK corporation and SCT as well as PRT which is payable on profits from individual fields in the UK, and Malaysian petroleum and corporate income taxes.

3.11 ***Other comprehensive income***

(a) *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve. Upon settlement of the hedged item, the change in fair value is transferred to the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in the cash flow hedge reserve are transferred to the profit or loss in the period when the hedged item will affect the profit or loss. When the hedged item no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in the cash flow hedge reserve is transferred to profit and loss when the forecast transaction which was the subject of the hedge occurs.

(b) *Available-for-sale financial assets*

Listed and unlisted shares held by the Group that are traded in an active market are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is reclassified to profit or loss.

4. Results of operations

4.1 ***Results of operations for the six months ended 30 June 2017 and 2018***

The following table sets forth certain of the Group's historical revenue and expense items for the six month periods ended 30 June 2017 and 2018.

	Six months ended 30 June					
	2017			2018		
(in millions of $, unless stated)	**Business performance**	**Remeasure-ments and exceptional items**	**Reported in period**	**Business performance**	**Remeasure-ments and exceptional items**	**Reported in period**
Revenue and other operating income	294.8	47.6	342.4	548.3	2.5	550.8
Cost of sales	(248.6)	14.7	(233.9)	(447.5)	(0.8)	(448.3)
Gross profit/(loss)	**46.1**	**62.3**	**108.5**	**100.8**	**1.7**	**102.5**
Net impairment (charge)/reversal to oil and gas assets	–	(79.7)	(79.7)	–	(6.6)	(6.6)
General and administration expenses	(1.3)	–	(1.3)	(7.0)	–	(7.0)
Other income	–	–	–	12.6	47.1	59.7
Other expenses	(11.3)	(2.5)	(13.8)	(1.2)	(1.4)	(2.6)
Profit/(loss) from operations before tax and finance income (costs)	**33.6**	**(19.8)**	**13.7**	**105.2**	**40.8**	**146.0**
Finance costs	(36.3)	(0.1)	(36.5)	(122.0)	(6.3)	(128.3)
Finance income	1.4	–	1.4	1.4	–	1.4
Profit/(loss) before tax	**(1.3)**	**(20.0)**	**(21.3)**	**(15.4)**	**34.5**	**19.1**
Income tax	25.0	25.7	50.6	23.0	1.2	24.2

(in millions of $, unless stated)	Six months ended 30 June 2017 Business performance	Remeasure-ments and exceptional items	Reported in period	2018 Business performance	Remeasure-ments and exceptional items	Reported in period
Profit/(loss) for the year attributable to owners of the parent	**23.6**	**5.7**	**29.3**	**7.6**	**35.7**	**43.3**
Other comprehensive income:						
Items that may be reclassified to profit or loss:						
Fair value gains/ (losses) on cash flow hedges	**0.0**	**–**	**0.0**	**–**	**–**	**–**
Transfers to income statement of cash flow hedges	**0.0**	**–**	**0.0**	**–**	**–**	**0.0**
Total other comprehensive income for the year, net of tax	**0.0**	**–**	**0.0**	**–**	**–**	**0.0**
Total comprehensive income for the year, attributable to owners of the parent	**29.3**	**–**	**29.3**	**–**	**–**	**43.3**

4.2 ***Comparison of results of operations for the six months ended 30 June 2017 and 2018***

(a) *Revenue and other operating income*

Revenue and other operating income increased by $208.4 million, or 60.9 per cent., to $550.8 million for the six months ended 30 June 2018, from $342.4 million for the six months ended 30 June 2017, primarily due to material growth in the Groups production, primarily reflecting the contributions from Kraken and Magnus, and higher market prices, partially offset by the impact of the Group's hedging programme.

Revenue is predominantly derived from oil sales and also includes gains or losses from the Group's commodity hedging activities. For the six months ended 30 June 2018, oil sales were $608.9 million compared with $286.8 million in the six months ended 30 June 2017. The increase in oil sales reflected the material growth in the Group's production and the increase in the Group's blended average realised price per barrel of oil sold (excluding hedging) by $17.3 or 33.4 per cent., to $68.1 for the six months ended 30 June 2018 from $51.8 for the six months ended 30 June 2017.

Revenue derived from sales from the Group's UKCS operations (including Kraken) was $550.5 million for the six months ended 30 June 2018, an increase of $314.1 million, or 132.9 per cent., from $236.4 million for the six months ended 30 June 2017. This increase was primarily due to the contribution of six months production from both Kraken (onstream at the end of June 2017) and the initial 25 per cent. interest in Magnus (acquired on 1 December 2017), combined with an increase in the average realised oil price. The Group's UKCS production, on a working interest basis, increased by 17,720 boepd, or 63.2 per cent., to 45,765 boepd for the six months ended 30 June 2018 from 28,045 boepd for the six months ended 30 June 2017.

Revenue derived from the Group's Malaysian operations was $75.1 million for the six months ended 30 June 2018, an increase of $17.1 million, or 29.5 per cent., from $58.0 million for the six months ended 30 June 2017. This increase was primarily due to an increase in the average realised oil price. The Group's Malaysian production, on a working interest basis, for the six months ended

30 June 2018 averaged 8,225 boepd, a decrease of 744 boepd, or 8.3 per cent., from 8,969 boepd for the six months ended 30 June 2017. The decrease in production was primarily attributable to natural decline rates.

The increase in revenue during the six months ended 30 June 2018 was partially offset by the impact of the Group's hedging activities. The Group recognised $77.3 million of realised losses and $2.5 million of unrealised gains from its commodity derivatives contracts in the six months ended 30 June 2018, as compared to realised gains of $0.3 million and unrealised gains of $47.6 million for the six months ended 30 June 2017.

(b) *Cost of sales*

Cost of sales increased by $214.4 million, or 91.7 per cent., to $448.3 million for the six months ended 30 June 2018 from $233.9 million for the six months ended 30 June 2017. Cost of sales before remeasurements and exceptional items increased by $198.9 million, or 80.0 per cent., to $447.5 million for the six months ended 30 June 2018 from $248.6 million for the six months ended 30 June 2017. The increase in cost of sales primarily reflected to the impact of both Kraken coming on stream on 23 June 2017 and the acquisition of 25 per cent. interest in Magnus on 1 December 2017 impacting both operating costs and depletion expenses.

Operating costs, which include production costs, tariff and transportation costs and the effect of any realised foreign exchange hedging gains or losses relating to the ineffective portion of the Group's hedging arrangements, increased by $54.0 million, or 32.4 per cent., to $220.6 million for the six months ended 30 June 2018 from $166.6 million for the six months ended 30 June 2017, reflecting the increase in production mainly due to Kraken coming on stream on 23 June 2017 and the acquisition of 25 per cent. interest in Magnus on 1 December 2017. Production costs increased to $181.4 million for the six months ended 30 June 2018 from $135.8 million for the six months ended 30 June 2017, while tariff and transportation costs increased to $39.2 million for the six months ended 30 June 2018 from $30.8 million in the six months ended 30 June 2017. The Group's unit operating costs per barrel decreased by $2.3 to $22.6 for the six months ended 30 June 2018 from $24.9 for the six months ended 30 June 2017, primarily as a result of the material increase in volumes at Kraken, which are delivered at a lower unit operating cost than the group average.

The Group's change in lifting position was a charge of $3.3 million for the six months ended 30 June 2018, compared with a credit of $23.7 million for the six months ended 30 June 2017.

(c) *Impairment of oil and gas assets*

Impairment of oil and gas assets decreased by $73.1 million, or 91.7 per cent., to $6.6 million for the six months ended 30 June 2018 from $79.7 million for the six months ended 30 June 2017. Impairments in 2017 were triggered by the decline in the oil price with the assets impaired including Thistle, the Dons, Alma/Galia and Alba.

(d) *General and administration expenses*

General and administration expenses of $7.0 million for the six months ended 30 June 2018 represented an increase/decrease of $5.7 million from $1.3 million for the six months ended 30 June 2017. The prior period benefitted from historical cost recovery.

(e) *Other income/expenses*

Net other income of $57.1 million (2017: net expenses of $13.8 million) is primarily driven by the fair value adjustment of the discounted purchase option valuation for Magnus and associated infrastructure assets of $41.8 million and the reversal of a $5.3 million provision associated with an exploration licence relinquished in the period. The remainder is mainly comprised of net foreign exchange gains, which relate to the revaluation of Sterling denominated amounts in the balance sheet. In the first half of 2018, the Pound weakened against the Dollar, whereas in the first half of 2017, the Pound strengthened against the Dollar.

(f) *Finance costs*

Finance costs increased by \$91.8 million, or 251.5 per cent., to \$128.3 million for the six months ended 30 June 2018 from \$36.5 million for the six months ended 30 June 2017. This increase was primarily caused by \$28.5 million of finance charges on finance leases (2017: \$nil), \$13.9 million of additional bond and loan interest payable and the fair value adjustment to the contingent consideration on the acquisition of Magnus and associated assets of \$6.3 million. In the six months ending 30 June 2017, the Group capitalised \$42.3 million of interest payable on borrowing costs in respect of Kraken capital expenditure.

(g) *Finance income*

Finance income of \$1.4 million for the six months ended 30 June 2018 was in line with the six months ended 30 June 2017.

(h) *Income tax*

The Group recorded an income tax credit of \$24.2 million at 30 June 2018, compared to an income tax credit for the six months ended 30 June 2017 of \$50.6 million. The income tax credit in both periods is primarily due to capital allowances from ongoing investment in UKCS assets and the Ring Fence Expenditure Supplement ("**RFES**").

(i) *Other comprehensive income*

Other comprehensive income decreased by \$0.032 million to a loss of \$0.036 million for the six months ended 30 June 2018 from a loss of \$0.004 million for the six months ended 30 June 2017. See paragraph 4.3 of this Part 5 ("*Operating and Financial Review*").

(j) *Total comprehensive income for the year attributable to owners of the parent*

As a result of the factors described above, the Group's total comprehensive income attributable to owners of the parent for the six months ended 30 June 2018 was \$43.3 million, compared to income of \$29.3 million for the six months ended 30 June 2017.

4.3 *Results of operations for the years ended 31 December 2015, 2016 and 2017*

The following table sets forth certain of the Group's historical revenue and expense items for the years ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December,								
	2015			2016			2017		
(in millions of \$, unless stated)	Business performance	Remeasure-ments and exceptional items	Reported in year	Business performance	Remeasure-ments and exceptional items	Reported in year	Business performance	Remeasure-ments and exceptional items	Reported in year
Revenue and other operating income	906.6	1.9	908.5	849.6	(51.5)	798.1	635.2	(7.7)	627.5
Cost of sales	(733.4)	(15.1)	(748.5)	(653.5)	(2.8)	(656.4)	(569.5)	5.5	(564.0)
Gross profit/(loss)	**173.2**	**(13.2)**	**160.0**	**196.1**	**(54.4)**	**141.8**	**65.7**	**(2.2)**	**63.4**
Net impairment (charge)/reversal to oil and gas assets	–	(1,224.5)	(1,224.5)	–	147.9	147.9	–	(172.0)	(172.0)
Gain/(loss) on disposal of land and buildings	–	(8.5)	(8.5)	–	–	–	–		
Gain/(loss) on disposal of intangible oil and gas assets	–	(2.3)	(2.3)	–	(16.2)	(16.2)	–	–	–
General and administration expenses	(14.4)	(3.6)	(18.0)	(10.9)	–	(10.9)	(0.8)	–	(0.8)
Other income	15.4	1.4	16.8	51.9	31.6	83.5	6.8	50.6	57.4
Other expenses[(i)]	(0.3)	(38.7)	(39.0)	(0.1)	(0.9)	(1.0)	(24.4)	(20.4)	(44.7)

(in millions of $, unless stated)	2015 Business performance	2015 Remeasure-ments and exceptional items	2015 Reported in year	2016 Business performance	2016 Remeasure-ments and exceptional items	2016 Reported in year	2017 Business performance	2017 Remeasure-ments and exceptional items	2017 Reported in year
Profit/(loss) from operations before tax and finance income (costs)	**173.9**	**(1,289.3)**	**(1,115.4)**	**237.0**	**108.0**	**345.1**	**47.3**	**(144.0)**	**(96.7)**
Finance costs	(176.4)	(50.1)	(226.5)	(122.2)	(7.0)	(129.3)	(149.0)	(0.3)	(149.3)
Finance income	1.0	–	1.0	1.4	–	1.4	2.2	–	2.2
Profit/(loss) before tax	**(1.5)**	**(1,339.4)**	**(1,340.9)**	**116.3**	**101.0**	**217.2**	**(99.6)**	**(144.2)**	**(243.8)**
Income tax	129.4	452.1	581.5	5.2	(37.3)	(32.0)	66.0	116.9	182.9
Profit/(loss) for the year attributable to owners of the parent	**127.8**	**(887.3)**	**(759.5)**	**121.5**	**63.7**	**185.2**	**(33.6)**	**(27.3)**	**(60.8)**
Other comprehensive income:	–	–	–	–	–	–	–	–	–
Items that may be reclassified to profit or loss:									
Fair value gains/ (losses) on cash flow hedges	–	–	**356.5**	–	–	**(29.0)**	–	–	–
Transfers to income statement of cash flow hedges	–	–	**(244.4)**	–	–	**(239.6)**	–	–	**(0.0)**
Transfers to balance sheet of cash flow hedges	–	–	–	–	–	**0.3**	–	–	–
Deferred tax on cash flow hedges	–	–	**(37.3)**	–	–	**134.2**	–	–	–
Other comprehensive income for the year, net of tax	–	–	**74.8**	–	–	**(134.2)**	–	–	**(0.0)**
Total comprehensive income for the year, attributable to owners of the parent	–	–	**(684.7)**	–	–	**51.0**	–	–	**(60.8)**

For the year ended 31 December,

Notes:

(i) Impairment to investments were included into the "Other Income" line item beginning with year ended 31 December 2017.

(ii) Exploration and evaluation expenses were included with the "Other Expenses" line item beginning with the year ended 31 December 2017.

4.4 *Comparison of results of operations for the years ended 31 December 2016 and 2017*

(a) *Revenue and other operating income*

Revenue and other operating income decreased by $170.6 million, or 21.4 per cent., to $627.5 million for the year ended 31 December 2017, from $798.1 million for the year ended 31 December 2016, primarily due to lower realised oil prices, reflecting the forward prices available at the time at which the Group's commodity hedge programme was implemented, combined with lower production.

Revenue is predominantly derived from oil sales and also includes gains or losses from the Group's commodity hedging activities. For the year ended 31 December 2017, oil sales were $637.0 million compared with $577.8 million in the year ended 31 December 2016. The increase in the price of oil was reflected by the increase in the Group's blended average realised price per barrel of oil sold (excluding hedging) by $9.6, or 21.8 per cent., to $53.9 for the year ended 31 December 2017 from $44.3 for the year ended 31 December 2016.

Revenue derived from sales from the Group's UKCS operations was $535.9 million for the year ended 31 December 2017, an increase of $50.3 million, or 10.4 per cent., from $485.6 million for the year ended 31 December 2016. This increase was primarily due to the increase in oil prices and was partially offset by a decrease in production. The Group's UKCS production, on a working interest basis, decreased by 2,136 boepd, or 7.0 per cent., to 28,467 boepd for the year ended 31 December 2017 from 30,603 boepd for the year ended 31 December 2016. This reduction was driven by lower volumes from Alma/Galia reflecting ESP-related well shut-ins, storm-related production outages and natural declines. Production at other assets was also reduced by lower water injection, natural declines and an unscheduled shutdown in December 2017 of the third-party operated Forties Pipeline. Partially offsetting this decline was production from Kraken, a full year of production from Scolty/Crathes, limited by wax in the flowline, and the initial contribution from Magnus.

Revenue derived from the Group's Malaysian operations was $119.9 million for the year ended 31 December 2017, an increase of $11.7 million, or 10.8 per cent., from $108.2 million for the year ended 31 December 2016. The impact of the increased oil price was slightly offset by a decrease in production. The Group's Malaysian production, on a working interest basis, for the year ended 31 December 2017 averaged 8,938 boepd, a decrease of 210 boepd, or 2.3 per cent., from 9,148 boepd from the year ended 31 December 2016.

The decrease in revenue during the year ended 31 December 2017 was augmented by losses stemming from the Group's hedging activities. The Group's commodity hedges and other oil derivatives generated $20.6 million of realised losses for the year ended 31 December 2017 compared to income of $255.8 million for the year ended 31 December 2016, including $10.4 million of non-cash amortisation of option premiums (2016: $31.2 million).

(b) *Cost of sales*

Cost of sales decreased by $92.4 million, or 14.1 per cent., to $564.0 million for the year ended 31 December 2017 from $656.4 million for the year ended 31 December 2016. Cost of sales before remeasurements and exceptional items decreased by $84.0 million, or 12.9 per cent., to $569.5 million for the year ended 31 December 2017 from $653.5 million for the year ended 31 December 2016.

The decrease in cost of sales was primarily due to a reduction in operating costs, depletion expense and the Group moving to a net underlift position compared to the prior year end net overlift position, resulting in a $20.4 million credit to cost of sales (2016: charge of $2.8 million). The Group's change in lifting position and inventory reflected the unwind of the overlift balance that had accrued at 31 December 2016, primarily on Thistle and GKA, partially offset by the unwind of underlift at Alma/Galia and the build-up of an overlift at Scolty/Crathes.

Operating costs, which include production costs, tariff and transportation costs and the effect of any realised foreign exchange hedging gains or losses relating to the ineffective portion of the Group's hedging arrangements, decreased by $8.1 million, or 2.3 per cent., to $349.3 million for the year ended 31 December 2017 from $357.4 million for the year ended 31 December 2016, reflecting the benefit of a weaker Sterling exchange rate and net lease charter payment credits of $19.5 million arising from the non-availability of the Kraken FPSO, partially offset by a full year of operations at Scolty/Crathes. Production costs were $287.1 million for the year ended 31 December 2017, in line with production costs of $279.7 million for the year ended 31 December 2016. Tariff and transportation costs of $62.2 million were in line with costs of $58.1 million for the year ended 31 December 2016. There was no realised gain or loss on foreign exchange derivatives relating to operating costs in the year ended 31 December 2017, compared to a gain of $19.6 million for the year ended 31 December 2016. As a result of the above, the Group's unit operating costs per barrel increased by $1.0 to $25.6 for the year ended 31 December 2017 from $24.6 for the year ended 31 December 2016. The Group's depletion expense per barrel for the year ended 31 December 2017 was $16.3 per barrel, a slight decrease from $16.6 per barrel for the year ended 31 December 2016.

(c) *Impairment of oil and gas assets*

Impairment of oil and gas assets changed to a charge of $172.0 million for the year ended 31 December 2017 from a gain of $147.9 million for the year ended 31 December 2016.

Impairment of oil and gas assets for the Group's UKCS operations was $187.7 million for the year ended 31 December 2017, an increase of $19.9 million, or 11.9 per cent., from $167.8 million for the year ended 31 December 2016. The impairments in 2017 related to Thistle/Deveron, Heather/Broom, the Dons, Alma/Galia and Alba.

Impairment of oil and gas assets for the Group's Malaysian operations for the year ended 31 December 2017 amounted to a gain of $15.7 million compared to a charge of $20.0 million for the year ended 31 December 2016. This consisted entirely of a reversal to the impairment to Tanjong Baram.

The impairments to the Group's UKCS oil and gas assets were principally due to changes in assumptions combined with lower production performance in the North Sea.

(d) *Gain/loss on disposal of land and buildings*

The Group had no gain or loss on disposal of land and buildings during the years ended 31 December 2017 and 2016.

(e) *Gain/loss on disposal of intangible oil and gas assets*

The Group did not record a gain or loss on intangible oil and gas assets for the year ended 31 December 2017. During the year ended 31 December 2016, the Group disposed of its interest in the Avalon prospect for cash proceeds of $1.5 million, resulting in a loss on disposal of $16.2 million.

(f) *General and administration expenses*

General and administration expenses decreased by $10.1 million, or 92.7 per cent., to $0.8 million for the year ended 31 December 2017 from $10.9 million for the year ended 31 December 2016. This decrease was primarily due to the Group's ongoing efforts to reduce costs across the organisation. General and administration expenses relating to non-cancellable operating leases relating increased to $5.3 million for the year ended 31 December 2017 from $4.8 million for the year ended 31 December 2016. The leases have non-cancellable lease terms remaining between 1 and 20 years, on which the Group has future minimum rental commitments. The Group sub-leases part of its Aberdeen office generating income of $1.3 million for the year ended 31 December 2017 and $1.6 million for the year ended 31 December 2016.

(g) *Other income*

Other income decreased by $26.1 million, or 31.3 per cent., to $57.4 million for the year ended 31 December 2017 from $83.5 million for the year ended 31 December 2016. This was due to the effect of net foreign exchange gains of $51.9 million for the year ended 31 December 2016 compared to nil for the year ended 31 December 2017, partially offset by $48.7 million in recognition of accounting for the excess of fair value over consideration income for the Group's recent acquisitions (2016: nil).

(h) *Other expenses*

Other expenses amounted to $44.7 million for the year ended 31 December 2017, an increase of $43.7 million from $1.0 million for the year ended 31 December 2016. The increase was due to net foreign exchange losses of $23.9 million for the year ended 31 December 2017 (2016: nil) as well as $10.3 million costs associated with the 2014 PM8 cost recovery settlement agreement.

(i) *Finance costs*

The following table sets forth details of the Group's finance costs for the years ended 31 December 2016 and 2017.

	Year ended 31 December		
(in millions of $)	**2016**	**2017**	**% Change**
Loan interest payable	50.8	74.4	46.5
Bond interest payable	59.7	63.5	6.4
Unwinding of discount on decommissioning provisions	10.7	11.5	7.7
Unwinding of discount on other provisions	3.2	1.8	(43.8)
Unwinding of discount on financial liabilities	0.3	0.2	(33.3)
Fair value loss on financial instruments at fair value through profit or loss	36.5	(0.0)	(100.0)
Finance charges payable under finance leases	–	31.3	–
Amortisation of finance fees on loans and bonds	5.9	2.8	(52.5)
Other financial expenses	10.5	5.9	(43.8)
	177.6	**191.3**	**7.7**
Less: amounts capitalised to the cost of qualifying assets	(55.3)	(42.3)	(23.5)
Business performance finance expenses	**122.2**	**149.0**	**21.9**
Fair value (gain)/loss on financial instruments at fair value	(31.1)	–	–
Debt restructuring costs	38.1	–	–
Unwinding of discount on other provisions.	–	0.3	–
Finance costs	**129.3**	**149.3**	**15.5**

Finance costs increased by $20.0 million, or 15.5 per cent., to $149.3 million for the year ended 31 December 2017 from $129.3 million for the year ended 31 December 2016. The increase in charges primarily relate to $137.9 million of bond and loan interest payable (2016: $110.5 million) and the June 2017 commencement of the Group's lease of the BUMI vessel, which caused the Group to record a finance lease interest of $31.3 million within finance costs. Also, in 2016, $36.5 million of finance costs related to the amortisation of put option premium relating to the Group's oil hedge portfolio were recognised. No corresponding charge existed in 2017 as no put options had been used to hedge 2017 production.

In 2016, the Group recognised a charge of $38.1 million reflecting debt restructuring costs (2017: nil), partially offset by a gain of $31.1 million related to the increase in the time value portion of the Group's commodity put option contracts above the premium paid.

Finance income

The following table sets forth details of the Group's finance income for the years ended 31 December 2016 and 2017.

	Year ended 31 December		
(in millions of $)	**2016**	**2017**	**% Change**
Bank interest receivable	0.3	0.4	13.1
Unwinding of discount on financial asset	1.0	1.8	80.1
Other financial income	0.1	–	–
Finance income	**1.4**	**2.2**	**57.1**

Finance income increased by $0.8 million, or 57.1 per cent., to $2.2 million for the year ended 31 December 2017 from $1.4 million for the year ended 31 December 2016. The primary reason for the increase in finance income is the 80.1 per cent. increase in the unwinding of discount on financial asset from $1.0 million to $1.8 million.

(j) *Income tax*

The Group recorded an income tax credit of $182.9 million for the year ended 31 December 2017 compared to an income tax charge of $32.0 million for the year ended 31 December 2016. Due to capital allowances from ongoing investment in UKCS assets and the Ring Fence Expenditure Supplement, the Group has no UK corporation tax or SCT liability at 31 December 2017, which remained unchanged from 2016. The Group's income tax credit increased by $60.8 million to $66.0 million for the year ended 31 December 2017 from $5.2 million for the year ended 31 December 2016. Total current income tax charges increased by $0.7 million from $10.0 million for the year ended 31 December 2016 to $10.7 million for the year ended 31 December 2017, due to an increase in respect of current income tax of previous years.

(k) *Other comprehensive income*

Other comprehensive income decreased to $5 thousand for the year ended 31 December 2017 from $134.2 million for the year ended 31 December 2016, mainly due to transfers to income statement of cash flow hedges and associated tax in 2016 not occurring in 2017. See paragraph 4.2 of this Part 5 ("*Operating and Financial Review*").

(l) *Net profit and loss for the year attributable to owners of the parent*

As a result of the factors described above, after remeasurements and exceptional items, the Group recorded a net loss of $60.8 million for the year ended 31 December 2017, compared to a net profit of $185.2 million for the year ended 31 December 2016.

4.5 ***Comparison of results of operations for the years ended 31 December 2015 and 2016***

(a) *Revenue and other operating income*

Revenue and other operating income decreased by $110.4 million, or 12.2 per cent., to $798.1 million for the year ended 31 December 2016 compared to $908.5 million for the year ended 31 December 2015. This decrease was primarily due to the decline in oil prices during 2016 and was partially offset by an increase in production.

Revenue is predominantly derived from oil sales and also includes gains or losses from the Group's commodity hedging activities. For the year ended 31 December 2016, oil sales were $577.8 million compared with $634.3 million for the year ended 31 December 2015. The Group's blended average realised price per barrel of oil sold (excluding the impact of hedges) decreased by $6.6, or 13.0 per cent., from $50.9 during 2015 to $44.3 during 2016. The Group's commodity hedges and other oil derivatives generated $255.8 million of realised income during the year ended 31 December 2016 (2015: $261.2 million). This includes $31.2 million of non-cash amortisation of option premiums and $2.5 million of hedge accounting gains deferred from 2015 (2015: $111.6 million of non-cash amortisation of option premiums). The Group's average realised oil price after hedging was $63.8 per barrel in 2016 compared with $72.0 per barrel in 2015.

Revenue derived from sales from the Group's UKCS operations was $485.6 million for the year ended 31 December 2016, a decrease of $42.6 million, or 8.1 per cent., from $528.2 million for the year ended 31 December 2015. This decrease was primarily due to the decline in oil prices during 2016 and was partially offset by an increase in production. The Group's UKCS production, on a working interest basis, increased by 3,098 boepd, or 11.3 per cent., to 30,603 boepd for the year ended 31 December 2016 from 27,505 boepd for the year ended 31 December 2015. 2016 production benefitted from the drilling programme in the second half of 2015 and from the new Scolty/Crathes development, brought onstream ahead of schedule and under budget. Production was negatively impacted by third-party shutdowns for maintenance, which were delayed and took longer than anticipated, also by the well performance issues at Alma/Galia, and reliability issues with its ESPs.

Revenue derived from sales from the Group's Malaysian operations was $108.2 million for the year ended 31 December 2016, a decrease of 9.0 million or 7.7 per cent. from $117.2 million for the year ended 31 December 2015. This decrease was caused primarily by the decrease in oil prices during 2016. The Group's Malaysian production, on a working interest basis, was 9,148 boepd for the year ended 31 December 2016, in line with production of 9,062 boepd for the year ended 31 December 2015.

(b) *Cost of sales*

Cost of sales were $656.4 million during the year ended 31 December 2016 compared with $748.5 million in the year ended 31 December 2015. The decrease of $92.1 million, or 12.3 per cent., was primarily due to a decrease in operating costs and depletion of oil and gas assets and was partially offset by an increase in realised losses on foreign exchange derivative contracts.

Operating costs, which include production costs, tariff and transportation costs,. and the effect of any realised foreign exchange hedging gains or losses relating to the ineffective portion of the Group's hedging arrangements, decreased by $23.9 million, or 6.3 per cent., to $357.4 million for the year ended 31 December 2016 from $381.3 million for the year ended 31 December 2015. Tariff and transportation costs decreased by $11.0 million, or 15.9 per cent., to $58.1 million for the year ended 31 December 2016 from $69.1 million for the year ended 31 December 2015, primarily due to lower unit costs per barrel at the Sullom Voe Terminal. Production costs decreased by $38.7 million, or 12.2 per cent., to $279.7 million for the year ended 31 December 2016 from $318.4 million for the year ended 31 December 2015, due primarily to the Group's cost saving initiatives and the benefit of a weaker Sterling exchange rate. Offsetting these reductions were realised losses on foreign currency derivatives relating to operating costs of $25.8 million.

Realised losses on foreign currency derivatives during the year ended 31 December 2016 related to capital expenditure of $47.3 million, reflecting the significant devaluation of Sterling against the US Dollar since June 2016 (2015: loss of $9.4 million).

Depletion expense of $240.6 million for the year ended 31 December 2016 represented a $58.3 million decrease from the prior year's $298.9 million expense, reflecting the impact of impairments recognised for the year ended 31 December 2015 on the average depletion rate, which decreased from $22.4 per barrel to $16.6 per barrel, partially offset by the impact of increased production.

The Group's overlift position decreased significantly during the year, primarily reflecting the unwind of the balances that had accrued at 31 December 2015 on Thistle and GKA. The impact of this movement on the change in lifting position recognised in cost of sales was offset by the impact of higher oil prices on the valuation of the position at 31 December 2016 compared to 31 December 2015, resulting in an overall $2.8 million expense in 2016 (2015: $28.5 million).

Other cost of sales, which principally include the supplemental payment due on profit oil in Malaysia, decreased by $9.9 million, reflecting the impact of lower oil prices on the supplemental payment.

As a result of the foregoing, the Group's unit operating costs per barrel decreased by $5.1 to $24.6 for the year ended 31 December 2016 from $29.7 for the year ended 31 December 2015.

(c) *Exploration and evaluation expenses*

Exploration and evaluation expenses decreased by $8.6 million to $0.8 million for the year ended 31 December 2016 from $9.4 million for the year ended 31 December 2015. The decrease from 2015 was due to the effect of a $7.2 million write-off incurred in the year ended 31 December 2015 for unsuccessful exploration expenditure.

(d) *Impairment of investments*

Impairment of investments decreased to $48 thousand for the year ended 31 December 2016 from $0.6 million for the year ended 31 December 2015. This decrease was primarily due to the effect of a change in the value of the Group's investment in Ascent Resources plc, which was acquired in 2011 as consideration for an asset disposal.

(e) *Impairment of oil and gas assets*

Impairment of oil and gas assets was a net reversal of $147.9 million for the year ended 31 December 2016 compared to a charge of $1,224.5 million for the year ended 31 December 2015.

UKCS impairments totalled a net reversal of $167.8 million for the year ended 31 December 2016, compared to a net charge of $1,216.7 million for the year ended 31 December 2015. The UKCS impairments in 2016 related to Alma/Galia and Alba and were primarily driven by lower reservoir and well performance than had been estimated previously. These impairments were offset by a reversal to impairments for Heather Broom, Thistle/Deveron and the Dons caused by higher short-term oil prices and the impact of a deterioration of the GBP/USD exchange rate on the underlying costs of the assets. The comparatively large impairment charges from 2015 was principally due to the continuing fall in the oil price during 2015 and the resulting reduction in future revenues and 2P reserves, together with the impact of cutting the Group's capital programme, in response to the changing economic conditions.

Impairment of oil and gas assets for the Group's Malaysian operations for the year ended 31 December 2016 amounted to $20.0 million, an increase of $12.2 million over the charge of $7.8 million for the year ended 31 December 2015. This consisted entirely of an impairment to Tanjong Baram.

(f) *Gain/loss on disposal of intangible oil and gas assets*

The Group had losses on disposal of intangible oil and gas assets of $2.3 million and $16.2 million for the year ended 31 December 2015 and 2016, respectively. During the year ended 31 December 2016, the Group disposed of its interest in the Avalon prospect for cash proceeds of $1.5 million, resulting in a loss on disposal of $16.2 million. The losses on disposal in 2015 include a $2.3 million loss on the disposal of the Group's Norwegian exploration licence areas.

(g) *General and administration expenses*

General and administration expenses decreased by $7.1 million, or 39.4 per cent., to $10.9 million for the year ended 31 December 2016 compared to $18.0 million for the year ended 31 December 2015, primarily due to a reduction in staff costs and recharge of costs to operations and joint venture partners.

General and administration expenses relating to non-cancellable operating leases relating increased to $4.8 million for the year ended 31 December 2016 from $4.1 million for the year ended 31 December 2015. The leases have non-cancellable lease terms remaining between 1 and 20 years, on which the Group has future minimum rental commitments. The Group sub-leases part of its Aberdeen office generating income of $1.6 million for the year ended 31 December 2016.

(h) *Other income*

Other income was $83.5 million for the year ended 31 December 2016, an increase of $66.7 million compared to $16.8 million for the year ended 31 December 2015. The increase was primarily the result of an increase in net foreign exchange gains to $51.9 million for the year ended 31 December 2016 from $15.0 million for the year ended 31 December 2015 as well as the $22.9 million income relating to the release of a surplus lease provision in connection with the Group's lease of the Stena Spey drilling vessel.

(i) *Other expenses*

Other expenses decreased to $1.0 million for the year ended 31 December 2016 from $39.0 million for the year ended 31 December 2015. This was primarily the result of the effect of the surplus lease provision of $22.9 million recorded in 2015 that was subsequently released in 2016.

(j) *Finance costs*

Finance costs decreased by $97.2 million, or 42.9 per cent., to $129.3 million for the year ended 31 December 2016 compared to $226.5 million for the year ended 31 December 2015.

The following table sets forth details of the Group's finance costs for the years ended 31 December 2015 and 2016.

(in millions of $)	Year ended 31 December 2015	2016	% Change
Loan interest payable	22.0	50.8	130.9
Bond interest payable	58.2	59.7	2.6
Unwinding of discount on decommissioning provisions	17.0	10.7	(37.1)
Unwinding of discount on other provisions	4.9	3.2	(34.7)
Unwinding of discount on financial liabilities	0.3	0.3	–
Fair value loss on financial instruments at fair value through profit or loss	70.0	36.5	(47.9)
Finance charges payable under finance leases	–	–	–
Amortisation of finance fees on loans and bonds	7.3	5.9	(19.2)
Other financial expenses	11.0	10.5	(4.5)
	190.8	**177.6**	**(6.9)**
Less: amounts included in the cost of qualifying assets	(14.4)	(55.3)	284.0
Business performance finance expenses	176.4	122.2	(30.7)
Fair value (gain)/loss on financial instruments at fair value through profit or loss	49.8	(31.1)	(162.4)
Debt restructuring costs	–	38.1	
Unwinding of discount on other provisions.	0.3	–	
Finance costs	**226.5**	**129.3**	**(42.9)**

Finance costs before remeasurements and exceptional items decreased by $54.2 million, or 30.7 per cent., to $122.2 million for the year ended 31 December 2016 from $176.4 million for the year ended 31 December 2015. This primarily reflects an increase in the amount of interest capitalised to the cost of qualifying assets.

In 2016, the Group's finance costs included the recognition of a $38.1 million charge in reflecting debt restructuring costs, largely offset by a $31.1 million gain related to the increase in the time value portion of the Group's commodity put option contracts above the premium paid. Finance costs for 2015 included a $49.8 million fair value loss on financial instruments at fair value. The Group's loss in 2015 related to the decrease in the time value portion of the Group's commodity put option contracts below the premium paid for the options that did not relate to the amortisation of the option premium paid over the life of the contract.

(k) *Finance income*

Finance income increased by $0.4 million, or 40.0 per cent., to $1.4 million for the year ended 31 December 2016 compared to $1.0 million for the year ended 31 December 2015.

The following table sets forth details of the Group's finance income for the years ended 31 December 2015 and 2016.

(in millions of $)	Year ended 31 December 2015	2016	% Change
Bank interest receivable	0.3	0.3	–
Unwinding of financial asset	0.5	1.0	100.0
Other financial income	0.1	0.1	–
Finance income	**1.0**	**1.4**	**40.0**

(l) *Income tax*

The Group had no UK corporation tax or SCT liability for the year ended 31 December 2016 as the Group recorded losses from its operations in connection with the decline in oil prices during the second half of the year and the Group's ongoing investment in UKCS assets. The Group's reported income tax was a charge of $32.0 million for the year ended 31 December 2016 compared to a credit of $581.5 million for the year ended 31 December 2015. The movement is primarily due to Ring Fence Expenditure Supplement on UK activities and the tax effect on foreign exchange gains. Current income tax charges decreased by $1.5 million, or 13.0 per cent., from $11.5 million for the year ended 31 December 2015 to $10.0 million for the year ended 31 December 2016.

(m) *Net profit and loss for the year attributable to owners of the parent*

As a result of the factors described above, after remeasurements and exceptional items, the Group recorded a net profit of $185.2 million for the year ended 31 December 2016, compared to a net loss of $759.5 million for the year ended 31 December 2015.

5. Liquidity

The Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant results to ensure the Group has sufficient funds to meet forecast cash requirements. The Group regularly produces cash forecasts and sensitivity tests relating to changes in crude oil prices, production rates and development project timing and costs.

The Group's liquidity requirements arise principally from its capital investment and working capital requirements. For the periods presented, the Group met its working capital requirements primarily from oil revenues from the Group's producing assets and debt financing through ongoing drawings on the SFA, the issue of the High Yield Notes and the Retail Notes. As of 30 June 2018 the Group had drawn down $1,075.0 million under the SFA and had headroom of $68.1 million.

The Group held cash and cash equivalents of $188.7 million and $66.9 million as of 30 June 2018 and 2017, respectively and $173.1 million, $174.6 million and $269.0 million as of 31 December 2017, 2016 and 2015, respectively.

Following the significant decline in oil prices in the second half of 2014, the Group implemented certain cost saving programmes with the aim of reducing planned operational expenditure, general and administrative spend and capital expenditure. In addition, the Group renegotiated certain liquidity covenants within the SFA and the Retail Notes in 2015. On 21 November 2016, the Company concluded a comprehensive financial restructuring comprising: amendments to the SFA, High Yield Notes and Retail Notes; renewal of Surety Bonds; and a placing and open offer (the "**Restructuring**"). The Restructuring significantly improved EnQuest's liquidity position.

5.1 *Cash flow*

The following table sets forth consolidated cash flow information for the years ended 31 December 2015, 2016 and 2017 and for the six month periods ended 30 June 2017 and 30 June 2018.

	Year ended 31 December			Six months ended 30 June	
(in millions of $)	**2015**	**2016**	**2017**	**2017**	**2018**
Cash flow from operating activities					
Cash generated from operations . .	221.7	408.2	327.0	136.9.	318.3
Cash (paid)/received on sale/(purchase) of financial instruments	29.6	(14.5)	(1.2)	18.6	–
Payment from part exercise of Thistle decommissioning option	–	–	–	–	30.0
Decommissioning spend	(5.3)	(6.4)	(10.6)	(2.7)	(7.2)
Income taxes paid	(1.4)	(7.9)	(13.5)	(2.2)	(1.9)

(in millions of $)	Year ended 31 December 2015	2016	2017	Six months ended 30 June 2017	2018
Net cash flows from operating activities	**244.6**	**379.5**	**301.8**	**150.6**	**339.1**
Investing Activities					
Purchase of property, plant and equipment	(807.0)	(601.7)	(358.4)	(195.9)	(125.8)
Purchase of intangible oil and gas assets	(19.6)	(8.9)	(9.2)	(9.2)	–
Proceeds from disposal of land and buildings	68.4	–	–	–	–
Proceeds from disposal of intangible oil and gas assets	7.1	1.5	–	–	–
Proceeds from disposal of loan notes	–	–	3.6	3.6	–
Acquisitions	(3.0)	–	–	–	–
Interest received	0.4	0.4	0.3	0.3	0.6
Net cash flows used in investing activities	**(753.7)**	**(608.7)**	**(363.7)**	**(201.2)**	**125.2**
Financing Activities					
Gross proceeds from issue of shares	–	101.6	–	–	–
Share issue and debt restructuring costs paid	–	(21.2)	(1.4)	(1.4)	–
Shares purchased by Employee Benefit Trust	–	(3.1)	–	–	–
Proceeds from bank facilities	736.1	175.0	163.0	–	44.9
Repayment of bank facilities	(48.5)	(10.2)	(51.0)	(21.4)	(80.0)
Repayment of vendor loan					(27.2)
Repayment of obligations under finance leases	(0.0)	0.0	–	–	(77.3)
Interest paid	(76.1)	(83.2)	(46.1)	(33.8)	(39.9)
Other finance costs paid	(15.2)	(9.8)	(6.3)	(2.9)	(15.8)
Net cash flows from financing activities	**596.2**	**149.2**	**58.3**	**(59.4)**	**(195.4)**
					–
Net (decrease)/increase in cash and cash equivalents	87.1	(80.1)	(3.6)	(110.0)	18.5
Net foreign exchange on cash and cash equivalents	(1.5)	(9.4)	5.2	2.5	(2.7)
Cash and cash equivalents at 1 January	171.9	257.5	168.1	168.1	169.7
Cash and cash equivalents at 31 December	**257.5**	**168.1**	**169.7**	**60.6**	**185.5**
Reconciliation of cash and cash equivalents					
Cash and cash equivalents per statement of cash flows	257.5	168.1	169.7	60.6	185.5
Restricted cash	11.5	6.6	3.5	6.3	3.3
Cash and cash equivalents per balance sheet	**269.0**	**174.6**	**173.1**	**66.9**	**188.7**

5.2 ***Net cash flows from operating activities***

Net cash flows from operating activities were \$339.1 million generated for the six months ended 30 June 2018 compared to \$150.6 million generated for the same period of 2017. This increase was primarily due to the impact of higher production and higher market oil prices on revenue.

Net cash flows from operating activities were \$301.8 million generated for the year ended 31 December 2017 compared to \$379.5 million generated for the year ended 31 December 2016. The main driver for this reduction was the reduced contribution from commodity price hedging, where total cash flows received in 2017 were \$3.6 million as compared to \$198.8 million for 2016. This reduced cash flow was partially offset by the impact of higher market oil prices on revenue and reduced operating and general and administrative expenses.

Net cash flows from operating activities were \$379.5 million for the year ended 31 December 2016 compared to \$244.6 million generated for the year ended 31 December 2015. The increase in operating cash flows was mainly due to the Group's increased production and lower operating expenses.

5.3 ***Net cash flows used in investing activities***

Net cash flows used in investment activities was \$125.2 million for the six months ended 30 June 2018 compared to \$201.2 million for the same period of 2017. Net cash used in investing activities was \$363.7 million for the year ended 31 December 2017, compared to \$608.7 million for the year ended 31 December 2016. The net cash used in investing activities for the six months ended 30 June 2018 and for the year ended 31 December 2017 primarily related to spending on development projects, including the following:

- the continued Kraken investment, including completion of drill centres and subsea systems;
- the intervention chemical treatments for the Scolty/Crathes pipelines; and
- the continued Thistle lifetime extension projects, including investment in new systems and water injection.

Net cash flows used in investing activities was \$608.7 million for the year ended 31 December 2016, compared to \$753.7 million for the year ended 31 December 2015. The net cash used in investing activities for the year ended 31 December 2016 was primarily related to spending on development projects, including the following:

the continued Kraken investment, including completion of drill centres and subsea systems;

- the intervention chemical treatments for the Scolty/Crathes pipelines;
- the continued Alma/Galia development; and
- the continued Thistle life extension project and development of wells.

The net cash used in investing activities for the year ended 31 December 2015 was primarily related to spending on development projects, including the following:

- the continued Kraken development, including completion of drill centres and the installation of the submerged turret/buoy and mooring system;
- the continued Alma/Galia development ahead of the achievement of first oil in the fourth quarter of 2015;
- the Thistle life extension project, as well as the commencement of the construction of additional wells;
- the ongoing programme of well intervention work in PM8/Seligi;
- the completion of the Tanjong Baram development; and
- the completion of the Ythan production well in the Dons.

For a more detailed description of the Group's recent capital expenditure, see paragraph 5.5 of this Part 5 ("*Operating and Financial Review*").

5.4 ***Net cash flows from financing activities***

Net cash flows from financing activties was an outflow of $195.4 million for the six months ended 30 June 2018 compared to an outflow of $59.4 million for the same period of 2017. The increase is primarily driven by the beginning of repayments of obligations under finance leases in relation to the Kraken FPSO in 2018. Net cash flows from financing activities amounted to inflows of $58.3 million, $149.2 million and $596.2 million in the years ended 31 December 2017, 2016 and 2015, respectively.

For a more detailed description on the Group's recent financing activities, see paragraph 7 of this Part 5 ("*Operating and Financial Review*").

5.5 ***Capital investment***

The primary objective of the Group's capital management is to optimise the return on investment, by managing its capital structure to achieve capital efficiency while maintaining flexibility for the investment of additional capital where required. The Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable the Group to better anticipate the timing of requirements for additional capital.

Capital investment represents the Group's cash outflow on capital additions. The following table sets forth a reconciliation of the Group's capital investment to capital additions.

	Year ended 31 December			Six months ended 30 June	
(in millions of $)	**2015**	**2016**	**2017**	**2017**	**2018**
Capital additions	764.0	718.1	1,221.2	962.1	95.2
Cost carry (Kraken) (firm)	66.5	–	–	–	–
Cost carry (Kraken) (contingent)	80.0	(26.6)	–	–	–
Non-cash acquisition of 10.5% of Kraken		(33.6)	–	–	–
Non-cash acquisition of 15.15% of West Don		(7.1)	–	–	–
Non-cash acquisition of 25.0% of Magnus		–	(124.5)	–	–
Recognition of finance lease asset at Kraken			(772.0)	(772.0)	–
Capitalised interest	(14.4)	(55.3)	(42.3)	(42.3)	–
Capital accruals and other	(68.4)	15.2	85.2	57.3	30.6
Proceeds on disposal of building	(69.5)	–	–	–	–
Other proceeds	(7.1)	(1.5)	–	–	–
Capital investment	751.1	609.2	367.6	205.1	125.8

"Cost carry (Kraken) (contingent)" represents amounts capitalised due to the Group's obligations to carry Nautical Petroleum plc and First Oil plc based on the volume of 2P reserves in the field development plan for Kraken. At 31 December 2015, due to the low oil price environment, management's view was that no carry would be payable. When the reserve determination was finalised in 2016, the subsequent increase in oil price resulted in a carry amount of US$26.6 million becoming due under the arrangement. As at 31 December 2016, US$21.1 million of the carry had been paid and a liability for the remaining US$5.5 million is recognised on the balance sheet. "Non-cash acquisition of 10.5 per cent. of Kraken" represents the value ascribed to oil and gas assets upon the Group's acquisition of an additional 10.5 per cent. interest in the Kraken development asset from First Oil PLC ('First Oil') for nominal consideration in February 2016. "Non-cash acquisition of 15.15 per cent. of West Dons" represents the value ascribed to oil and gas assets upon the Group's acquisition of an additional 15.15 per cent. interest in the West Dons producing field from First Oil in August 2016. "Non-cash acquisition of 25.0 per cent. of Magnus" represents the value ascribed to oil and gas assets upon the Group's acquisition of an additional 25.0 per cent. interest in the Magnus producing fields, an additional 3.0 per cent. interest in the SVT and additional interests in associated infrastructure from BP in December 2017. "Capital accruals and other" primarily includes the movement in capital accruals reflecting the repayment of prior period capital deferals.

Capital investment has historically comprised the costs of construction of oil and gas facilities, the acquisition of interests in new assets and farm-ins to additional equity in existing assets, costs of technical services and studies, seismic acquisition and interpretation, exploration, evaluation, development and productivity enhancement drilling and well testing.

The following tables set forth the Group's cash outflow on capital expenditure for the years ended 31 December 2017, 2016 and 2015 and the six month periods ended 30 June 2018 and 2017.

(in millions of $)	Year ended 31 December 2015	2016	2017	Six months ended 30 June 2017	Six months ended 30 June 2018
North Sea capital expenditure	677.4	592.2	355.3	194.3	115.7
Malaysia capital expenditure	90.2	8.2	3.1	1.6	8.6
Exploration and evaluation capital expenditure	19.6	8.9	9.2	9.2	–
Other capital expenditure	39.4	1.4	–	–	1.5
Proceeds on disposal of Aberdeen new buildings	(68.4)	–	–	–	–
Other proceeds	(7.1)	(1.5)	–	–	–
Capital expenditure	**751.1**	**609.2**	**367.6**	**205.1**	**125.8**

The Group's capital investment during the six months ended 30 June 2018 primarily related to drilling at Kraken and Heather/Broom.

The Group's capital investment in 2017 principally related to drilling campaigns at Kraken, primarily related to drilling and completing 14 wells across drill centres 2 and 3, and the settlement of deferred invoices in respect of the Alma/Galia and Scolty/Crathes developments and the Eagle discovery.

The Group's capital investment in 2016 principally related to the Kraken development, in particular the continuation of the drilling programme and completion of the subsea installation programme, combined with the completion of the Scolty/Crathes development, drilling of the K7 (AP6) well and workover of the K3Z (AP1) well at Alma/Galia and drilling the Eagle exploration well.

The Group's capital investment in the year ended 31 December 2015 principally related to the continued development of Kraken, including work on the subsea systems and risers, and drill centres 1 and 2, and the Group's currently owned producing fields. During the low oil price environment, capital investment was reduced for both the Group's development and producing assets as part of its cost optimisation programme.

5.6 *Future capital investment*

The Group's capital investments are driven largely by its development of new oil and gas projects through to production. Since 2016, the Group has transitioned from a period of heavy capital investment to one in which the Group can begin to reduce its debt. Having successfully executed the drilling programmes at Magnus and PM8/Seligi by the end of August 2018, the Group remains focused on completing the Kraken development by the end of the first quarter of 2019 and executing the Dunlin Bypass and Scolty/Crathes pipeline projects later that year.

6. Contractual obligations and contingent liabilities

The following table sets forth the Group's remaining contractual maturity for its non-derivative financial liabilities with contractual repayment periods as of 31 December 2017.

The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay including interest projected to be paid thereon.

Contractual obligations (in millions of $)	Total	On demand	Payments due by period Up to 1 year	1-2 years	2-5 years	More than 5 years
Loans and borrowings	1,440.5	–	424.9	347.6	668.0	–
Bonds[1]	1,245.1	–	66.1	66.1	1,112.8	–
Obligations under finance leases	797.9	–	118.0	64.1	225.8	390.0
Trade and other payables	552.0	–	364.5	157.6	–	–
Other financial liabilities	7.2	–	7.2	–	–	–
Total	**4,012.8**	**–**	**980.7**	**635.4**	**2,006.6**	**390.0**

(1) Includes both the High Yield Notes and the Retail Notes.

As is common within the Group's industry, the Group has entered into various commitments related to the exploration and evaluation of, and production from, commercial oil and gas properties. As of 31 December 2017, 2016 and 2015, the Group had future capital commitments of $33.8 million, $267.3 million and $433.5 million, respectively. These amounts represent the Group's obligations during the course of the following years to fulfil its contractual commitments.

The decrease in capital commitments from $267.3 million as of 31 December 2016 to $33.8 million as of 31 December 2017 is primarily due to decreased future expenses at Kraken as the asset reached the production phase, as well as a general reduction in the Group's exploration and evaluation activities.

The Group also has potential liability for decommissioning the Group's assets. The Group makes full provision for the future costs of decommissioning the Group's oil production facilities and pipeline systems on a discounted basis based on the Group's decommissioning liability. With respect to Heather/Broom, GKA and PM8/Seligi, the decommissioning provisions are based on the Group's contractual obligations rather than its equity interest in the fields. These contractual obligations range from a low of 25 per cent. for the Kittiwake field to a high of 63 per cent. for the Broom field. The Group makes decommissioning provisions on a working interest basis for the Dons, Alma/Galia and Alba. The provisions the Group makes represent the present value of decommissioning costs which are expected to be incurred up to 2034 assuming no further development of the Group's assets and are discounted at a risk-free rate based on the yields of government bonds. As of 31 December 2017, the Group has discounted this liability at a rate of 2.0 per cent., whereas previously it had discounted it at a rate of 2.3 per cent. The unwinding of the discount is classified as a finance cost.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The Company cannot assure you, however, that actual decommissioning costs will not be materially greater than its estimates. See "*Risk factors—Risks relating to the Group's business—The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*".

7. Financing

The Group's liquidity requirements arise principally from its capital investment and working capital requirements. For the periods presented, the Group met its capital investment and working capital requirements primarily from oil sales revenues, oil hedge proceeds and the proceeds of debt financing.

7.1 *Equity financing*

As of 30 June 2018 the Group had 1,186,084,304 allotted and fully paid ordinary shares of 5 pence each.

7.2 *Debt financing*

Total debt as of 30 June 2018 amounted to $2,188.7 million.

(a) *Notes*

As of 30 June 2018, the Group's total debt in respect of the Retail Notes together with the High Yield Notes was $999.9 million.

In April 2014, the Group issued a US$650 million high yield bond with an originally scheduled maturity of 15 April 2022 and paying a 7 per cent. coupon semi-annually in April and October. In 2013, the Group issued a £155 million retail bond with an originally scheduled maturity of 15 February 2022 and paying a 5.5 per cent. coupon semi-annually in February and August. For the interest period commencing 15 August 2016, in accordance with the terms of the bond, the rate of interest increased to 7 per cent. following the determination of the Company's leverage ratio at 31 December 2015. On 21 November 2016, EnQuest amended both the High Yield Bond and retail bond pursuant to a scheme of arrangement whereby all notes were exchanged for new notes. The new notes continue to accrue a fixed coupon of 7 per cent. payable semi-annually in arrears but interest will only be payable in cash if during the six months prior to an interest payment date average dated Brent is equal to or above US$65 per barrel (the "Cash Payment Condition"). If the Cash Payment Condition is not satisfied in respect of an interest payment date, the interest due is not paid in cash and is capitalised and satisfied by the issue of additional notes. EnQuest pays interest on the High Yield Notes semi-annually on 15 April and 15 October of each year. The High Yield Notes will mature on 15 April 2022. EnQuest pays interest on the retail notes semi-annually on 15 February and 15 August of each year. The retail notes will mature on 15 April 2022. The Company has the option to extend the maturity date of both notes to 15 April 2023. Further, the maturity date of the new notes will be automatically extended to 15 October 2023 if the Credit Facility is not repaid or refinanced in full prior to 15 October 2020.

The High Yield Notes require the Group to comply with certain financial covenants. See paragraph 18.4(l) of Part 11 ("*Additional Information*").

(b) *SVT Working Capital Facility*

EnQuest NNS Limited has entered into a revolving loan facility with BNP Paribas in, among others, its capacity as lender for an aggregate amount of £42 million dated 1 December 2017 (the "**SVT WCF**") in connection with its assumption of the role of operator of the SVT by EnQuest NNS Limited.

(c) *2017 Mercuria Prepayment Facility*

EnQuest Heather entered into a structured prepayment facility dated 25 October 2017 (the "**2017 Mercuria Prepayment Facility**") with Mercuria Energy Trading SA ("**Mercuria**") whereby EnQuest Heather, in its capacity as borrower, obtained an up to $80 million loan from Mercuria as lender. EnQuest Heather, in its capacity as seller, and Mercuria, in its capacity as buyer, also entered into a term physical off-take and marketing agreement for certain volumes of crude oil dated 25 October 2017 (the "**Mercuria Off-take Agreement**"), which also includes an embedded producer collar hedging programme.

(d) *Tanjong Baram Project Finance Loan*

EP Developments Malaysia (as Borrower) entered into a limited recourse $35,000,000 term loan facility with DBS Bank LTD, Labuan Branch (as facility agent, security agent, account bank, hedging bank and mandated lead arranger), dated 11 June 2015 (the "**2015 TB Facility Agreement**"). The 2015 TB Facility Agreement was subsequently refinanced by an up to $34,630,000 (total commitments as amended by the amendment no. 2) loan facility provided by Castleton Commodities Merchant Asia Co. Pte. Ltd ("**CCI**") (as facility agent, security agent and mandated lead arranger) pursuant to a facility agreement dated 25 October 2017, as amended by the amendment agreement no.1 dated 24 November 2017, amendment agreement no.2 dated 22 December 2017 and amendment agreement no.3 dated 31 January 2018 (the "**2017 TB Facility Agreement**").

(e) *Kraken Structure Finance Loan – OZ*

EnQuest Advance (as Borrower), an indirect wholly-owned subsidiary of EnQuest Heather entered into a $175,000,000 credit facility with Sculptor Investments IV S.A.R.L. ("**OZ**") (as original backstop lender), Global Loan Agency Services Limited (as facility agent) and GLAS Trust Corporation Limited (as security agent) dated 4 September 2018 (the "**OZ Facility Agreement**"). The availability of the facility under the OZ Facility Agreement is subject to satisfaction of customary conditions precedent.

(f) *Term and Revolving Credit Facility*

The Company and certain of its subsidiaries entered into an agreement establishing the SFA on 6 March 2012, which agreement the Company amended and restated including on 17 November 2016. BNP Paribas SA is the fronting bank and the facility agent. The term facility of the SFA may be utilised in US dollars by drawing of cash advances and the revolving credit facility of the SFA may be utilised in US dollars or sterling by drawing of cash advances or by issuances of letters of credit. Borrowings may be used for the purposes of funding oil and gas related expenditure of the Company and its subsidiaries from time to time.

Under the SFA, the Group has a $1.125 billion dollar term loan tranche (of which, as of 30 June 2018, $1.075 billion was outstanding following the Company's voluntary cancellation of $50 million of this facility in May 2018) and a $75 million multicurrency revolving credit tranche (of which, as of 30 June 2018, $6.8 million was outstanding). After including Payment in Kind interest of $9.3 million, the balance sheet amount for the Group's liability represented by the SFA was $1.084 billion as of 30 June 2018.

The following table sets forth information on the Group's total debt as of 30 June 2018, excluding unamortised arrangement fees.

(in millions of $)	as of 30 June 2018 Current	Non-current
Bonds	–	999.9
SFA	395.0	689.3
Tanjong Baram Project Finance Facility	4.4	28.8
2017 Mercuria Prepayment Facility	48.6	–
SVT Working Capital Facility	17.6	–
Other loans	5.0	–
Total	470.7	1,718.0

(1) – Includes both the High Yield Notes and the Retail Notes.

The following table sets forth the Group's remaining contractual maturity for debt, as of 30 June 2018. The table has been compiled based on the undiscounted cash flows of financial liabilities on the earliest date on which the Group can be required to pay.

(in millions of $)	as of 30 June 2018
Due within one year	470.7
Due within one to five years	718.1
Due after five years	999.9
Total	2,188.7

For a more detailed description of the Group's financing arrangements, see paragraph 18.4 of Part 11 ("*Additional Information*").

7.3 *Letters of credit and surety bonds*

The Group enters into letters of credit and surety bonds principally to provide security for its leases and decommissioning obligations.

The Group has a letter of credit of £5.2 million in respect of the Group's lease at Annan House in Aberdeen, expiring 31 October 2019.

The Group has two surety bonds of £28.00 million and £46.05 million (expiring 31 December 2018) in respect of its decommissioning obligations in Heather and benefitting BG Great Britain Limited and two surety bonds of £14.0 million and £2.47 million (expiring 31 December 2018) in respect of its decommissioning obligations in Alba and benefitting Chevron North Sea Limited; the Group also has surety bonds of £5.0 million and £2.3 million expiring 31 December 2018 and 30 September 2018, respectively and benefitting Chevron North Sea Limited and TAQA Bratani Limited, respectively.

The Group does not currently have letters of credit or surety bonds in respect of its other assets. See "*Risk factors—Risks relating to the Group's business—The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*".

8. Qualitative and quantitative disclosures about market risk

8.1 *Credit risk management*

Credit risk refers to the risk that a counterparty will fail to perform or fail to pay amounts due, resulting in financial loss to the Group. The Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The Group trades only with recognised international oil and gas operators. As of 31 December 2015, 2016 and 2017, the Group has trade receivables past due of nil, $5.6 million and $23.6 million, respectively. The Group has joint venture receivables past due but not impaired of $1.5 million, $8.6 million and $1.7 million as of 31 December 2015, 2016 and 2017, respectively.

As of 31 December 2017, the Group had four customers accounting for 84 per cent. of outstanding trade and other receivables (2016: three customers, 90 per cent.; 2015: three customers, 65 per cent.) and three joint venture partners accounting for 97 per cent. of joint venture receivables (2016: five joint venture partners, 90 per cent.; 2015: five joint venture partners, 77 per cent.). Following Alma/Galia and Kraken coming onstream, the Group has diversified its customer base by selling its production lifted by tanker and delivering to buyers to ports in Northwestern Europe, the United States, the Mediterranean and/or the Far East.

With respect to credit risk arising from the Group's other financial assets, which comprise cash and cash equivalents, 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.

The Group's cash balances can be invested in short term bank deposits and AAA rated liquidity funds, subject to Board approved limits and with a view to minimising counterparty credit risks.

With respect to the Group's decommissioning obligations, it is exposed to the risk of its commercial partners defaulting on their proportionate share of decommissioning costs once such costs became payable, which could result in the Group being required to bear such costs.

8.2 ***Liquidity risk management***

Liquidity and refinancing risks refer to the risk that the Group will not be able to obtain sufficient financing from lenders and the capital markets to meet the Group's working capital and project financing and refinancing requirements. The Group monitors its liquidity risk by reviewing the Group's cash flow requirements on a regular basis relative to the Group's existing bank facilities and outstanding debt instruments and the maturity profile of these facilities and instruments. The Group closely monitors and manages the Group's liquidity requirements through the use of both short-term and long-term cash flow projections, supplemented by maintaining debt financing plans and active portfolio management. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and potential delays in development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the Group's financial capacity and flexibility. Ultimate responsibility for liquidity risk management rests with the Company's Board, which has built a liquidity risk management framework which it believes to be appropriate for the management of all the Group's funding and liquidity management requirements. Throughout the year ending and as of 31 December 2017, the Group was in compliance with all applicable financial covenant ratios agreed and managing ongoing compliance remains a priority. Where necessary or appropriate, the Group has and would seek waivers and/or consents.

As of 30 June 2018, the Group had drawn down $1,075.0 million under the SFA. The Group held cash and cash equivalents of $188.7 million as of 30 June 2018, $66.9 million as of 30 June 2017 and $173.1 million, $174.6 million and $269.0 million as of 31 December 2017, 2016 and 2015, respectively.

8.3 ***Foreign currency risk management***

The Group is exposed to foreign currency risk arising from movements in currency exchange rates. The Group's functional currency is the US dollar, primarily because it prices its oil in US dollars and substantially all of the Group's revenues (98 per cent. in 2017 and 99 per cent. in 2016 and 2015) are denominated in US dollars. However, the Group's operations are entirely outside the United States and the majority of the Group's costs are denominated in currencies other than the US dollar. Additionally, a portion of the Group's debt is denominated in currencies other than the US dollar. As a result, the Group is exposed to both transactional and translational foreign exchange risk.

The Group's transactional foreign currency risk arises primarily from sales or purchases in currencies other than the Group's functional currency, the US dollar. The Group manages this risk by converting US dollar receipts at spot rates periodically and as required for payments in other currencies. In 2017, 2 per cent. (2016: 1 per cent.; 2015: 1 per cent.) of the Group's sales and 83 per cent. (2016: 81 per cent.; 2015: 85 per cent.) of costs were denominated in currencies other than the US dollar.

Additionally, the Group's Retail Notes require the payment of interest and principal in pounds sterling.

The Group's translational foreign currency exposure arises from the translation of assets and liabilities denominated in currencies other than US dollars. To mitigate the risks of substantial fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70 per cent. of non-US dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100 per cent. can be hedged.

During the year ended 31 December 2015, the Group entered into various forward currency contracts to hedge its exposure in 2016 to operating and capital expenditure in Sterling, Euros and Norwegian Kroner. These contracts resulted a realised loss of $66.9 million and an unrealised gain of $7.7 million recognised in the income statement for the year ended 31 December 2016 (2015: similar contracts resulted in a realised loss of $3.2 million and an unrealised gain of $2.3 million).

During the year ended 31 December 2016, the Group entered into a structure covering the first half of 2017: the counterparty could elect to sell £47.5 million to EnQuest at an exchange rate of $1.4:£1 or purchase 1.3 million barrels of oil at $58 per barrel. The counterparty chose to exchange currency due to the respective oil price and foreign currency exchange rates The contract resulted in an unrealised loss of $9.3 million for the year ended 31 December 2016. This structure expired on 30 June 2017. During the year ended 31 December 2017, the Group entered into a second exchange structure allowing the counterparty to elect to sell £66 million to EnQuest at an exchange rate of $1.2:£1 or purchase 1.5 million barrels of oil at $60/bbl. This structure expired on 31 December 2017. From the exchange structures in the year, $4.4 million was recognised within other foreign currency contracts within cost of sales.

The Company will continue to consider opportunities to enter into foreign exchange hedging contracts.

The following table sets forth the impact on the Group's pre-tax profit (due to change in the fair value of monetary assets and liabilities) of the variations in the US dollar to pound sterling exchange rate covered below.

	Pre-tax profit	
(in $ millions)	**+10% dollar rate increase**	**-10% dollar rate increase**
31 December 2017	(43.1)	43.1
31 December 2016	(48.3)	48.3
31 December 2015	(58.2)	58.2

The Company cannot assure you that its financial condition and results of operations will not be negatively affected by risks related to foreign currency movements. See "*Risk factors—Risks relating to the Group's business—The Group is subject to both transactional and translational foreign exchange risks, which might adversely affect its financial condition and results of operations*".

8.4 ***Commodity price risk management***

(a) *Oil price hedging*

The Group is exposed to the impact of changes in oil prices on its revenue and profits. The Group's policy is to have the flexibility to hedge oil prices up to a maximum of 75 per cent. of the next 12 months' production on a rolling annual basis, up to 60 per cent. in the following 12 month period, and 50 per cent. in the subsequent 12 month period.

In October 2017, the Group entered into an 18-month collar structure for $80 million. The collar includes 18 separate call options and 18 separate put options, subject to a floor of $45/bbl and a cap of approximately $64/bbl. During 2017, losses totalling $5.2 million were recognised within unrealised revenue in the income statement. The Group did not enter into any other put options within 2017. All put options entered into in 2016 matured within the year ended 31 December 2016. In 2016, gains of $193.2 million were included in realised revenue in the income statement in respect of these matured options and $2.5 million of gains deferred in the prior year on the early close-out of effective hedges were recognised in realised revenue. Mark to market losses on the time value element of the put options in 2016 totalling $5.4 million was recognised in finance costs. Of this amount, $36.5 million was recognised within the Group's business performance results as it relates to the amortisation of the option premium paid, over the life of the option. The balance of the mark to market losses were recognised as an exceptional credit/charge in line with the Group's accounting policy.

Gains totalling $43.9 million were realised during 2016 in respect to fixed price oil swap contracts designated as effective hedges. These contracts were for 2 million barrels of 2016 production with a fixed price of $66.6/bbl and were designated as effective hedges at 31 December 2015. An unrealised gain of $5.8 million was recognised as an exceptional item in the income statement.

During 2015, the Group increased the amount of its hedging contracts in response to the continued low oil price environment. Gains totalling $127.8 million were realised during 2015 in respect to fixed price oil swap contracts designated as effective hedges. These contracts were for 10 million barrels with a fixed price of $65/bbl.

(b) *Commodity derivative contracts at fair value through profit or loss*

Commodity derivative contracts are designated as at FVTPL, and gains and losses on these contracts are recognised as a component of revenue. These contracts typically include bought and sold call options, bought put options and commodity swap contracts.

For the year ended 31 December 2017, losses totalling $28.3 million (2016: losses of $35.3 million) were recognised in respect of commodity contracts designated as FVTPL. This included losses totalling $20.6 million (2016: gains of $16.2 million) realised on contracts that matured during the year, and mark to market losses totalling $7.7 million (2016: losses of $51.5 million). Of the realised amounts recognised during the year, $10.4 million (2016: $31.2 million) was realised in business performance revenue in respect of the amortisation of premium income received on sale of these options. The premiums received are amortised into business performance revenue over the life of the option.

The mark to market of the Group's open contracts as at 31 December 2017 was a loss of $29.2 million in respect of fixed price swap contracts for 4,150,000 barrels of 2018 production at a weighted average price of $59.1/bbl (2016: $40.5 million in respect of fixed price swap contracts for 5,998,000 barrels of 2017 production at a weighted average price of $51.3/bbl). The mark to market position on the Group's other commodity derivative contracts (including contracts to purchase crude oil for trading purposes which are accounted for as a derivative), was $nil (2016: asset of $8.9 million).

9. Interest rate risk management

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under the Group's Tanjong Baram Project Finance Loan and SFA. During the year ended 31 December 2015, the Group entered an interest rate swap which effectively swaps 50 per cent. of floating USD LIBOR rate interest on the Malaysian loan into a fixed rate of 1.035 per cent. until 2018. The swap, which is effective from a hedge accounting perspective, had a net asset fair value of $0.04 million (2016: $0.04 million; 2015: US$0.05 million). The impact on the income statement was $0.02 million (2016: $0.06 million; 2015: $0.03 million) recognised within finance expenses.

10. Critical accounting estimates and judgements

This "Operating and Financial Review" discusses the Group's consolidated financial statements, which have been prepared in accordance with IFRS. Accounting estimates are an integral part of the preparation of the financial statements and the financial reporting process and are based upon current judgements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Certain accounting estimates are particularly sensitive because of their complexity and the possibility that future events affecting them may differ materially from the Group's current judgements and estimates. See "*Risk factors—Risks relating to the Group's business—The Group's tax liability is subject to estimation and the Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which it does business*".

This listing of critical accounting policies is not intended to be a comprehensive list of all the Group's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by IFRS, with no need for management's judgement regarding accounting policy. The Directors believe that of the Company's significant accounting policies, the following policies may involve a higher degree of judgement and complexity.

10.1 *Reserves estimates*

Reserves are estimated using standard recognised evaluation techniques. The Group reviews the estimates at least once annually and independent consultants annually review such estimate. The Group's internal engineers estimate future development costs taking into account the level of development required to produce the reserves and, where applicable, by reference to other operators. Estimates of reserves are used in the calculations for impairment tests and accounting for depletion and decommissioning. Changes in estimates of reserves resulting in different future production estimates affect impairment testing, decommissioning and depletion charges.

10.2 ***Intangible oil and gas assets***

Expenditure directly associated with the Group's evaluation or evaluation activities is capitalised as an intangible asset. Such costs include the costs of acquiring an interest, evaluation well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such evaluation activity, which may require drilling of further wells, costs continue to be carried as an asset while 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 impaired and any impairment loss is recognised in the statement of comprehensive income. When exploration licences are relinquished without further development, any previous impairment loss is reversed and the carrying costs are written off through the statement of comprehensive income. When assets are declared part of a commercial development, related costs are transferred to property, plant and equipment oil and gas assets. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the statement of comprehensive income.

10.3 ***Carrying value of 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.

Oil and gas assets are depleted, 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.

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 is included in the statement of comprehensive income when the item is derecognised. Gains are not classified as revenue.

10.4 ***Decommissioning costs***

(a) *Decommissioning*

The Group makes for provisions for future decommissioning costs in full when it 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 and gas asset. The unwinding of the discount applied to future decommissioning provisions is included under finance costs in the statement of comprehensive income.

(b) *Other*

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.

10.5 ***Income tax***

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, deferred 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 tax is measured on an undiscounted basis 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 tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The Company's judgement is required to determine the value of the deferred tax asset, based upon the timing and level of future taxable profits.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legal right exists to offset current tax assets against current tax liabilities, the red income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

10.6 ***Other tax provisions***

The Group is subject to various claims which arise in the ordinary course of its business. The Group assesses all such claims and, where applicable, makes provisions for any settlements which it considers probable. Estimating the amount of such claims is inherently uncertain, given the unpredictability of dispute resolution processes and other factors.

PART 6

FINANCIAL INFORMATION ON THE GROUP

1. Background

The consolidated financial statements of the Group as at and for the year ended 31 December 2015, as set out in the 2015 Financial Statements, the consolidated financial statements of the Group as at and for the financial year ended 31 December 2016, as set out in the 2016 Financial Statements, the consolidated financial statements of the Group as at and for the financial year ended 31 December 2017, as set out in the 2017 Financial Statements and the consolidated financial statements of the Group as at and for the six months ended 30 June 2018, as set out in the 2018 Unaudited Interim Financial Statements, are incorporated by reference into this document. See Part 13 ("*Documents Incorporated by Reference*"). A copy of each of these documents is available for inspection in accordance with paragraph 26 of Part 11 ("*Additional Information*").

The audit reports for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 were unqualified.

The consolidated financial statements for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordaned with IFRS as adopted by the EU. The condensed consolidated interim financial statements for the six months ended 30 June 2018 (unaudited) were prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

2. Cross reference list

Investors are referred to Part 13 ("*Documents Incorporated by Reference*") for specific items of information which have been incorporated by reference into this document.

GCA TECHNICAL REPORT ON MAGNUS

Gaffney,
Cline &
Associates

Competent Person's Report on the Magnus Field as at 30th June, 2018

Prepared for

EnQuest Plc

7th September, 2018

This document has been prepared for EnQuest plc. ("EnQuest") and the other addressees named herein, in order to meet certain requirements of the London Stock Exchange. It may not be distributed or made available, in whole or in part, for any other reason without the prior knowledge and written consent of Gaffney, Cline & Associates ("GCA"). GCA is acting in an advisory capacity only and, to the fullest extent permitted by law, disclaims all liability for actions or losses derived from any actual or purported reliance on this document (or any other statements or opinions of GCA) by any person or entity.

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Appendix I: Glossary
Appendix II: Abbreviated Form of SPE PRMS
Appendix III: Production and Cost Forecasts

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7th September, 2018

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Dear Sirs

Competent Person's Report on the Magnus Field, UK North Sea

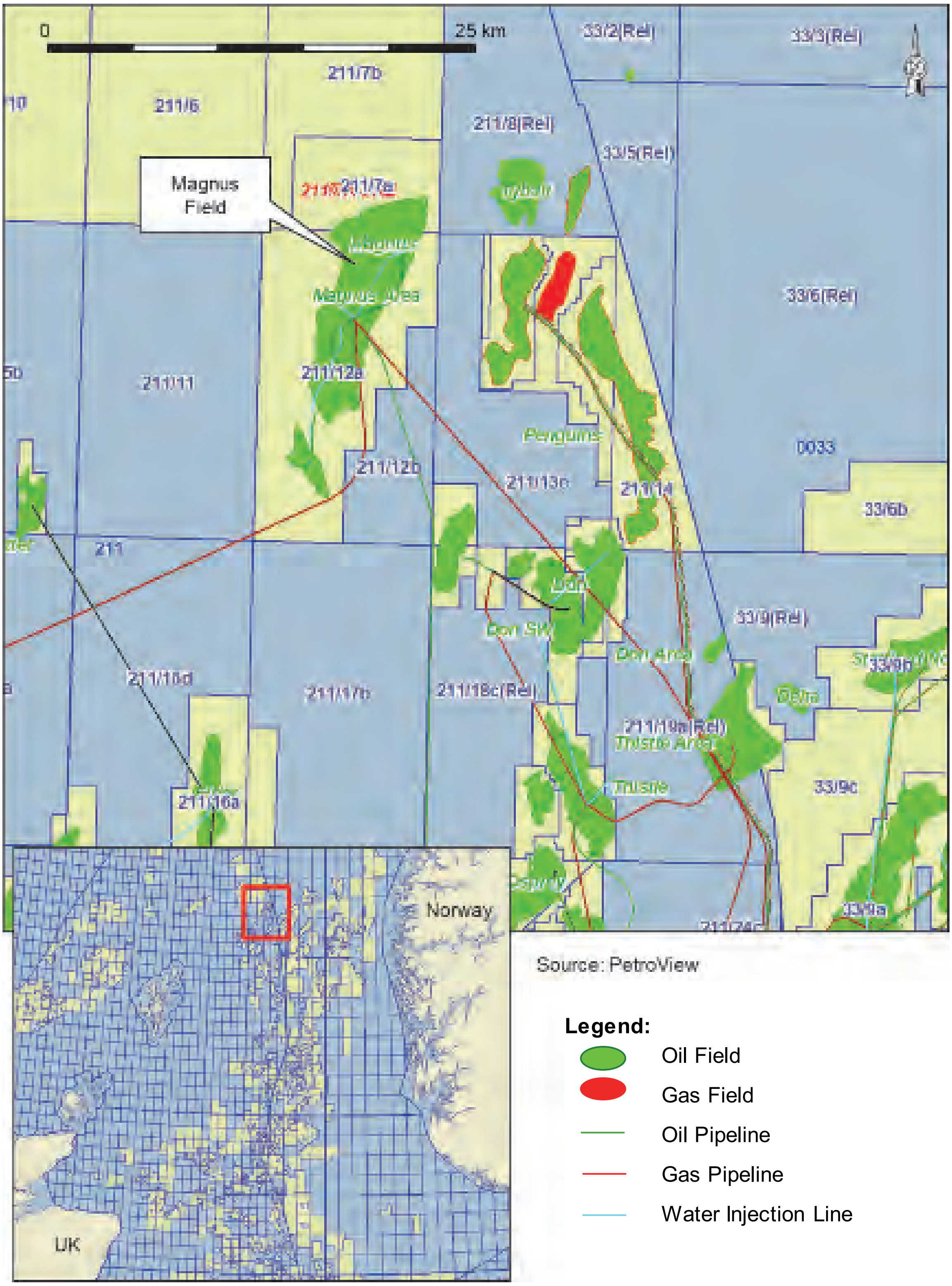
Introduction

At the request of EnQuest Plc (EnQuest), Gaffney, Cline & Associates (GCA) has performed an independent technical and economic assessment of the Reserves and Contingent Resources in the Magnus Field in the UK North Sea at an Effective Date of 30th June, 2018. The location of the field is shown in Figure 1.

GCA understands that EnQuest intends to exercise an existing option to purchase a 75% interest in Magnus from BP Exploration Operating Company Ltd. ("BP", the Vendor). EnQuest is listed on the London Stock Exchange (LSE) and it is further understood that it intends to use this Competent Person's Report (CPR) as part of a Prospectus to seek support for this transaction through the LSE.

This CPR fulfils the requirements of the Prospectus Rules published by the UK Financial Services Authority, the Prospectus Directive 2003/71/EC (as amended by 2010/73/EU), the Prospectus Directive Regulation (no. 809/2004) and the European Securities and Markets Authority's document ESMA/2013/319 dated 20th March, 2013.

Figure 1: Magnus Field Location Map



Furthermore, for the purposes of Prospectus Rule 5.5.3R(2)(f), GCA accepts responsibility for the CPR insofar as it is based on data provided by EnQuest, the accuracy and completeness of which GCA has relied upon. EnQuest has provided GCA with a data set of technical information, including production, geological, geophysical, petrophysical, engineering and financial data as well as the fiscal terms applicable to the various assets.

Further, GCA confirms that, to the best of its knowledge and belief and having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts and contains no omission likely to affect its import.

This report relates specifically and solely to the subject matter as defined in the scope of work, as set out herein, and is conditional upon the specified assumptions. The report must be considered in its entirety and must only be used for the purpose for which it is intended.

A glossary of abbreviations used in this report is included as Appendix I.

Executive Summary

Licence Summary

The Magnus Field is in the northernmost part of the UK North Sea and straddles Blocks 211/12a and 211/7a, both governed by UK Licence P193. The Blocks were originally awarded to BP in the 4th Offshore Licensing Round in 1972 and their Development Phase commenced in 1978. The term was originally for 40 years and expired on 16th March, 2018, but a Deed of Amendment has been executed by the UK Oil and Gas Authority (OGA) on 12th March, 2018 to allow the term of the Licence to be extended and for production from the field to continue.

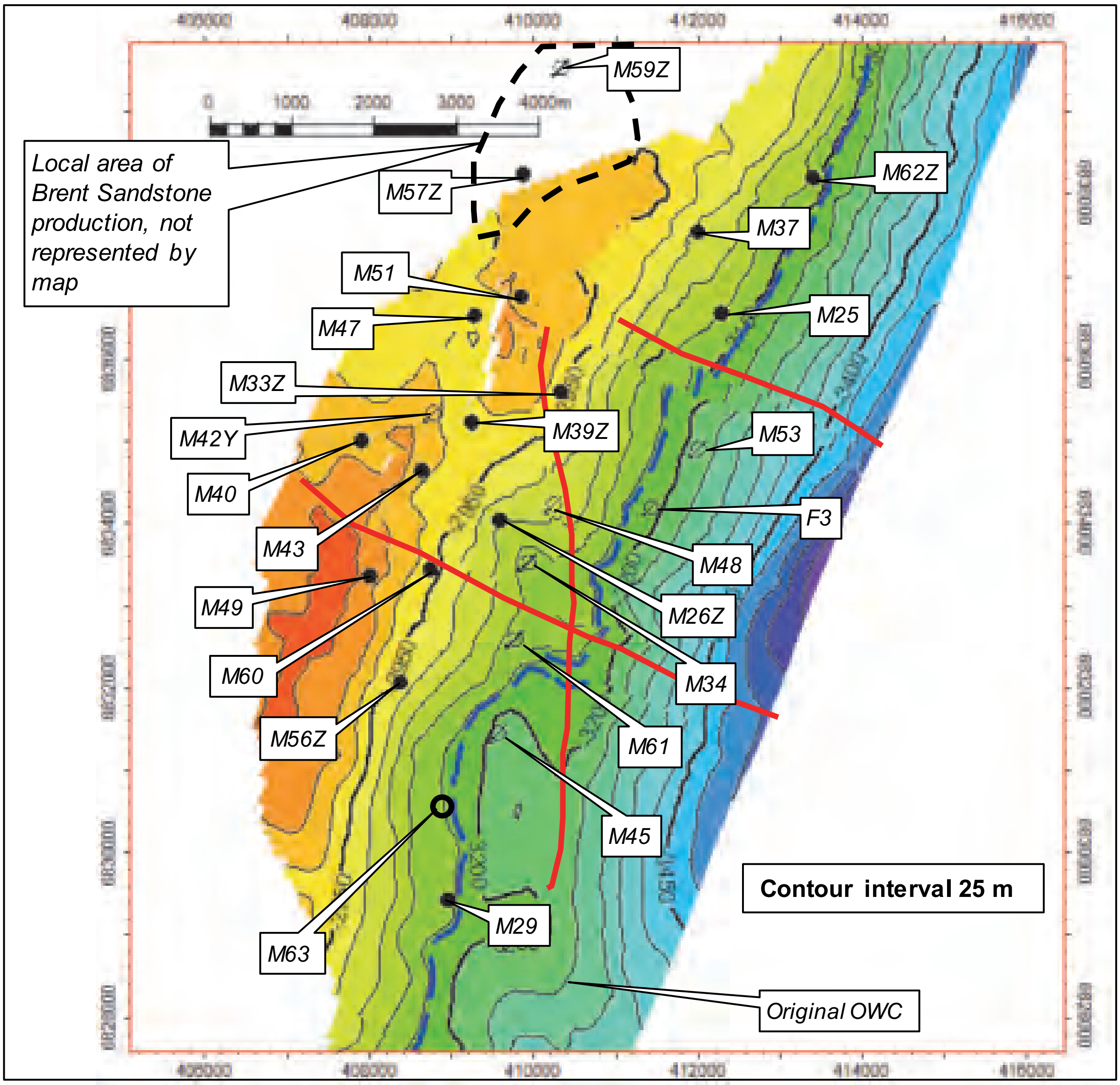
Operatorship currently resides with EnQuest NNS Limited, with a 25% working interest, the remainder being currently held by BP Exploration Operating Company Limited. EnQuest acquired this interest and the operatorship from BP on 1st December 2017.

Field Overview

Magnus is the most northerly UK oil field, located 160 km northeast of the Shetland Islands, in a water depth of 186 m. It was discovered by well 211/12-1 in March, 1974. Reservoirs were encountered at a depth of -2,985 m subsea in sandstone units of Upper Jurassic age in the Kimmeridge Clay Formation. The field is a structural trap, controlled by a major normal fault on its westerly margin, and dip-closed to the east. The original OWC is at -3,160 m subsea.

Production commenced in August, 1983 via a single platform with a total of 28 platform slots. Water injection commenced in 1984 and was supplemented by gas injection in Water Alternating Gas (WAG) configuration from 2002. Over its 35 year life, there have been over 100 well penetrations, including exploration, appraisal and development wells. At 30th June 2018, there were 15 active production wells, 2 shut-in producers, 8 platform injectors, 5 of which are WAG-enabled, and three subsea injectors, one of which is active. One additional production well is currently drilling at 211/12a-M63. Overall top reservoir structure and the location of the current well stock are shown in Figure 2.

Figure 2: Magnus Field: Top Magnus Sand Depth Structure and Current Operational Well Stock



Cumulative production to 30th June, 2018 was 930 MMBbl of oil and 810 Bscf gas, with a water cut of 89%. GCA estimates that produced gas represents approximately 685 Bscf of indigenous solution gas, with the remainder being recycled injected gas from other sources. The recovery factor to date is around 49%.

The Magnus Field has had recent, comprehensive, structural surveys in 2017 and each pipeline was surveyed in 2017, with only minor issues identified. However, the greatest risk to the commerciality of the investment is the possibility of a major failure of one or more of the key components of the infrastructure resulting in an extended shut-down for repairs, and while this is unlikely with a prudent and rigorous inspection and maintenance programme, it should be recognised as a potential outcome, given the age of much of this infrastructure.

Reserves Summary

Reserves, as at 30th June, 2018, for the Magnus field are summarised in Table 1, as confirmed by GCA. Reserves are shown both on a gross (100% working interest) basis and Net to BP's current 75% working interest. Reserves are shown for the Proved (1P), and Proved plus Probable (2P) categories.

The Economic Limit Tests were performed based on GCA's 3Q 2018 Brent oil price scenario. Assumptions for costs were provided by EnQuest; following review, GCA accepted these as reasonable. However, no Economic Limit was encountered prior to the Cessation of Production (COP) in 2030 which has been assumed by EnQuest, based on a prudent view of infrastructure availability (particularly the Sullom Voe Terminal, where EnQuest is also the operator).

It is GCA's opinion that the estimates of Reserves volumes at 30th June, 2018 are reasonable and the classification and categorization of hydrocarbon volumes are appropriate and consistent with the definitions and guidelines of the PRMS.

GCA concludes that the methodologies employed by EnQuest in the derivation of the volume estimates are appropriate and that the quality of the data relied upon, the depth and thoroughness of the estimation process are adequate.

Production and cost forecasts for the Reserves categories are presented in Appendix III.

Table 1: Summary of Reserves, Magnus Field, as at 30th June, 2018

(a) Oil and NGL (MMBbl)

	Gross Field		BP WI (%)	Net to BP's Interest	
	Proved	Proved plus Probable		Proved	Proved plus Probable
Oil	48.6	59.3	75.0	36.5	44.5
NGL	2.30	2.94	75.0	1.73	2.20

(b) Gas (Bscf)

	Gross Field		BP WI (%)	Net to BP's Interest	
	Proved	Proved plus Probable		Proved	Proved plus Probable
Sales Gas	16.4	27.7	75.0	12.3	20.8
Fuel Gas	39.5	39.5	75.0	29.6	29.6
Total	55.9	67.2	75.0	41.9	50.4

Notes:

1. Gross Field Reserves are 100% of the volumes estimated to be commercially recoverable from the field.
2. Sales gas is quoted as a dry gas, with NGLs removed. Fuel gas is consumed without NGL removal and is therefore quoted as a wet gas volume. The sum is thus a composite volume of these two gas types.
3. No Proved plus Probable plus Possible scenario is presented by EnQuest for audit as part of this project.

Contingent Resources Summary

2C (best estimate) Contingent Resources associated with potential further infill drilling already identified by EnQuest are shown in Table 2.

Table 2: Summary of 2C Contingent Resources, Magnus Field, as at 30th June, 2018

Target Area	Gross Field		BP WI (%)	Net to BP's Interest	
	Oil (MMBbl)	Gas (Bscf)		Oil (MMBbl)	Gas (Bscf)
	2C	2C		2C	2C
Western Flank Magnus Sandstone Member	8.8	6.1	75.0	6.6	4.6
Central Area Lower Kimmeridge Clay	7.5	5.2	75.0	5.6	3.9
Total	**16.2**	**11.3**	**75.0**	**12.2**	**8.5**

Notes:

1. Gross Field Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that it goes ahead, assuming as for the Reserves cases, a Cessation of Production in 2030.
2. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved and the different basis on which the volumes are determined.

Economic Summary

GCA understands that EnQuest has the option to acquire BP's remaining 75% working interest in Magnus field from BP under an existing sale-purchase agreement. This option can be exercised at any time between 1st July, 2018 and 15th January, 2019, back-dated to an effective date of 1st January, 2017. It further understands that the consideration to be paid by EnQuest for acquisition of this interest comprises a payment of US$300 MM (as at 1st January, 2017, subject to some customary adjustments), of which US$100 MM will be paid in cash and the rest will be covered by a loan from BP. The loan will be re-paid, with interest, out of the cash flow from the 75% interest in the field, and once the loan is paid off, additional earn-out payments will be made to BP comprising 50% of the cash flow from the 75% interest in the field, up to a limit of US$600 MM (grossed up for tax at a maximum of 40%). BP will remain responsible for almost all of the abandonment costs, but EnQuest must pay BP 22.5% of the after-tax value of these costs.

GCA has evaluated the NPVs of the cash flows from BP's 75% interest in the Magnus field in two ways:

1. Field Level: This evaluation is done independent of the sale-purchase transaction between EnQuest and BP and assuming no relief from UK tax liabilities due to opening tax loss positions. This effectively represents the NPV of a 75% interest in the Magnus field on a stand-alone basis.
2. Net to EnQuest: This evaluation includes the impact of the sale-purchase transaction between EnQuest and BP and the impact of EnQuest's stated assumptions on its UK tax liabilities (see Section 4.1.2). This effectively represents the NPV to EnQuest of its acquisition of BP's 75% interest in the Magnus field under the terms of the sale-purchase agreement.

Resulting NPVs at 10% discount rate are shown in Table 3.

Table 3: Post-Tax NPV (US$ MM) of 75% of Future Cash Flows from Magnus at 10% Discount Rate, as at 30th June, 2018

	Proved	Proved + Probable
Field Level	477	694
Net to EnQuest	355	524

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset.
2. All cash flows are discounted on a mid-period basis to 30th June, 2018.
3. The NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.

Discussion

1 Database

Data has been provided to GCA by EnQuest, comprising the following key elements:

- Technical Field Data:
    - Geological database: a geological database in "PETREL" format has been provided containing mapped surfaces from seismic data, wireline logs and tops from all of the exploration, appraisal and development wells drilled on the field, petrophysical results, and a static model of the reservoirs.
        - Geophysical database: three seismic data volumes for the field, including raw amplitude data, acquired in 2011 via ocean bottom cable (OBC) processed as a PSDM volume and two volumes derived from seismic inversion.
    - Production: historical production data and certain production forecasts.
    - Projects: description, rationale and results of well intervention, facilities upgrade and maintenance, and field abandonment.
    - Subsurface: presentations summarising G & G interpretations, core data, summary of production forecasts, summary of PVT and well test data, and forward predictions of field performance, including some results of preliminary dynamic modelling.
    - Operations: description of facilities, analysis of operational efficiency, and a summary of HSE activities.
- Strategy and plans: recent business plans.
- Meetings: OCM presentations and meetings for 2017-2018.
- Finance and Tax: budgets for 2017 onwards.
- Legal and Commercial: governmental authorisations.
- Economics: an economic model with key input assumptions, production forecasts and cash flows.

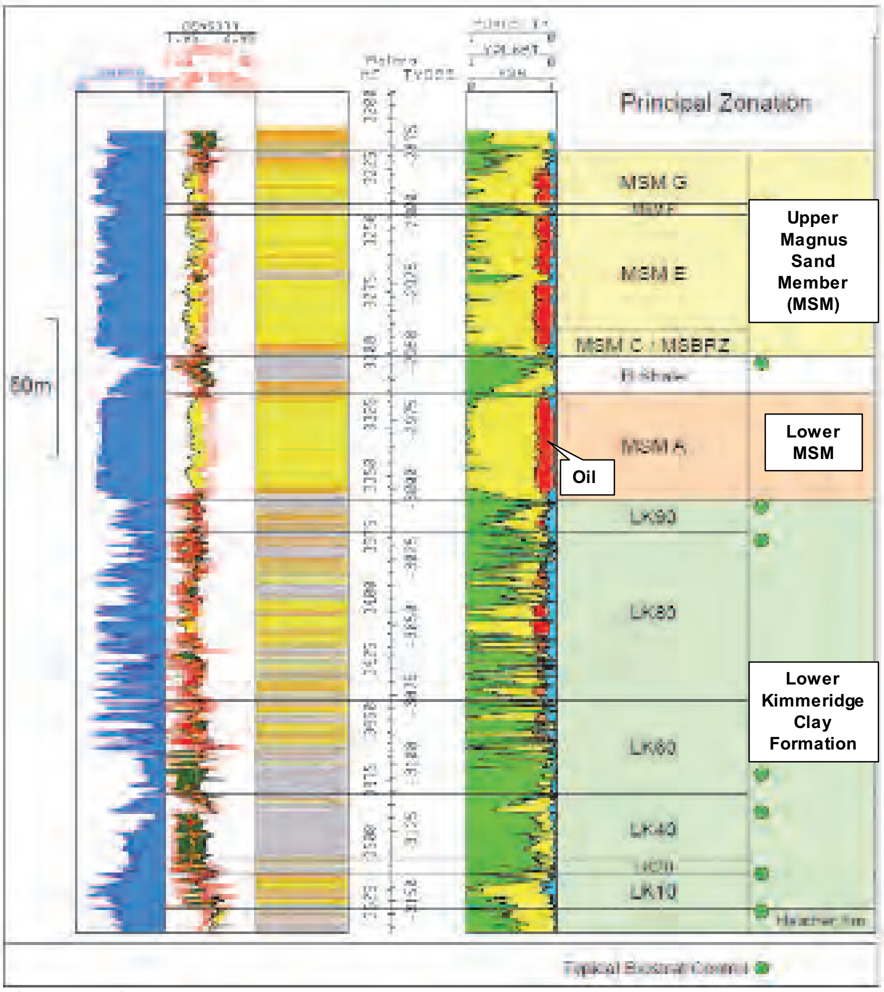
The overall quality and robustness of EnQuest's data and representations is high and GCA has not identified any material inconsistencies or anomalies. The detailed presentation material and data base have enabled GCA to perform its audit with a high degree of confidence.

2 Field Description

2.1 Geology of Field

Reservoirs are Upper Jurassic in age and comprise a series of deep water sandstones, deposited in fault-controlled depocentres. The upper, more massive units, designated the Magnus Sandstone Member (MSM), are the principal reservoirs, overlying more minor, heterolithic sandstones and mudstones in the Lower Kimmeridge Clay Formation (LKCF) (Figure 3). Upper and Lower Magnus Sandstone Members are separated by the "B shale", which is extensive throughout the field. The Upper MSM is divided into several units, of which the E and G zones are the most significant, followed by the C zone. Trapping is within an overall NNE-SSW oriented, tilted extensional fault block, but complicated by WNW-ESE oriented extensional relays and by synsedimentary rotational slumping at the fault block crest. Sandstone distribution is thus controlled by original sedimentary and tectonic factors, but also by erosional truncation beneath intra-Kimmeridge Clay and Base Cretaceous Unconformities.

Figure 3: Magnus Field, Type Stratigraphic Section (Well 211/12a-M16)



Source:EnQuest

Preservation of the Lower Kimmeridge Clay Formation is extensive throughout the field, but the Lower Magnus Sandstone Member is restricted to a central and northern depocentre, mantled by the Upper Magnus Sandstone Member. This latter unit is dissected on the crest of the structure by erosion and faulting into isolated or poorly connected compartments. Despite the sedimentary and structural compartmentalisation the field is comprised of one pool with a common original OWC at -3,160 m subsea.

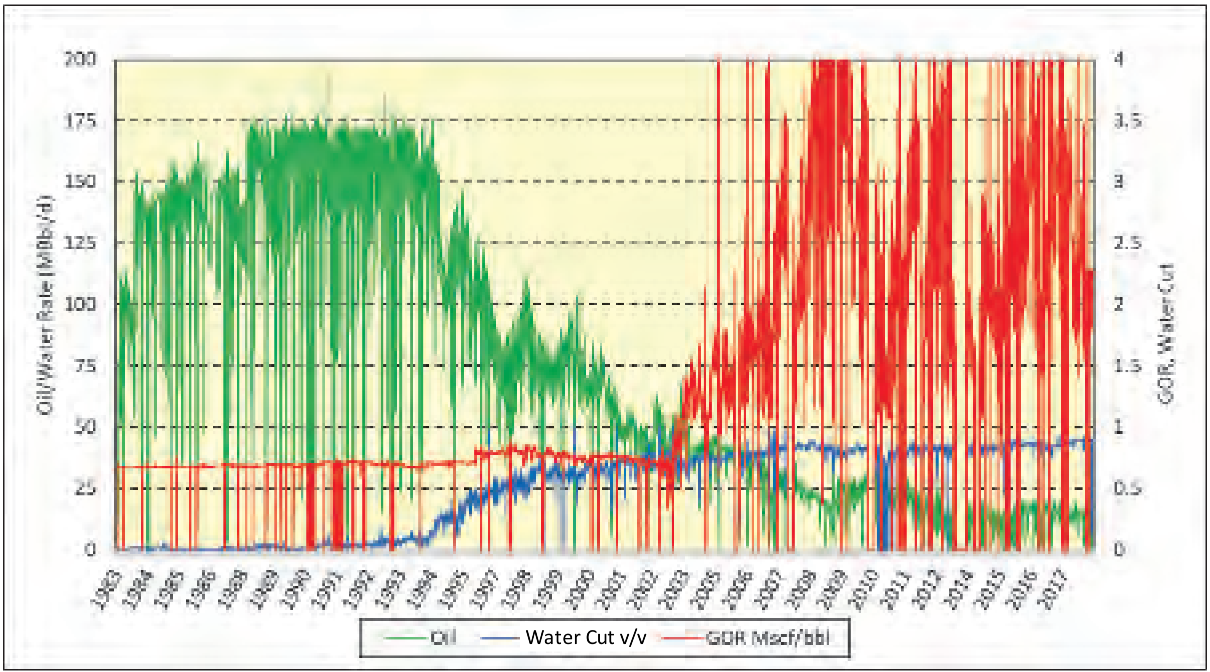
EnQuest has recently re-interpreted the structure and stratigraphy of the field, utilising the 2011 OBC seismic dataset, processed as a PSDM volume and with certain processing enhancements, including spectral bluing, to enhance frequency content and to reduce signal/noise ratio. It has also utilised part of a seismic inversion dataset that shows some correlation with reservoir NTG. The new interpretation allows more confident mapping of the updip limit of reservoir intervals and reservoir sandstone in the Upper Magnus Sand Member, and also of the LKCF. This improved reservoir definition has been instrumental in selecting new well locations included in the 2P Reserves Case.

2.2 Hydrocarbons Initially In Place and Production

The total hydrocarbon initially in place has been assessed by EnQuest as including 1,877 MMBbl of STOIIP, of which 1,496 MMBbl were in the Magnus Sandstone Member, and 381 MMBbl in the Lower Kimmeridge Clay Member, with some additional volume in localised reservoirs in the Brent Group. GCA has confirmed the general validity of the static model from which these volumes are derived as part of this study.

Field peak production rate was about 195 Mbopd, which had declined to about 16.6 Mbopd by June, 2018 (Figure 4). Cumulative production to 30th June, 2018 was 930 MMBbl of oil and 810 Bscf gas, with a water cut of 89%. GCA estimates that produced gas represents approximately 685 Bscf of indigenous solution gas, with the remainder being recycled injected gas from other sources. The recovery factor to date is therefore around 49%.

Figure 4: Magnus Production History



Source: GCA from EnQuest Database

2.3 Field Development

Magnus was developed as a single central combined drilling and production platform. Produced oil is transported through a 24" oil pipeline to the Ninian Central platform while gas is piped to shore using a joint pipeline with Thistle and Murchison fields linked to the Shell/Esso Far North Liquid and Associated Gas System (FLAGS), which runs to St. Fergus.

The active wells are being supported with waterflood or WAG. The current well stock and average June, 2018 performance are shown in Table 4.

GCA has reviewed the positions of the wells with regard to field architecture and their production performance. In general there is reasonable consistency, supporting the overall field model and the forecasts of future production.

Magnus is a mature producing oilfield that has been largely swept by both water and gas. Any new development wells will be expected to encounter high water cuts and/or GORs. The field has been producing at over 85% water cut since about 2003 (Figure 4) and, with effective reservoir management, wells can be expected to recover significant amounts of oil at increasingly high water cuts.

EnQuest's development plans for the field are based on drilling new wells and recompleting existing wells to target areas that will have already been partially swept. There is some risk in this philosophy in that the success of any new wells will depend on the degree that the reservoir has been swept and the initial oil rates. The Reserves attributed to new locations have been estimated largely on the basis of analogy with offset wells and this is considered a reasonable process to establish Reserves. However it is anticipated that more detailed reservoir analysis underway will provide additional technical support prior to finalising precise well trajectories, and commencing drilling in 2019.

Table 4: Current Well Stock and Average June, 2018 Performance

	Producer	Injector	Oil Rate (bopd)	Gas Rate (MMscfd)	Water Cut	Oil Cum (MMBbl) to June'18	Gas Cum (Bscf) to June'18
Active WAG Supported	A3 (M47)	B3	993	4.45	64%	8.39	41.46
	B8 (M39Z)	C4	1,075	10.31	94%	13.90	32.98
	B7 (M43)	C3	754	4.99	96%	9.05	36.68
Under waterflood, WAG support option under review	B5 (M49)	E10	645	0.36	90%	7.05	4.82
	E8 (M56Z)	E10	1,610	1.37	94%	8.93	17.36
	A7 (M29)	C5	1,741	1.04	68%	6.37	4.26
MSM Waterflood	A1 (M25)	C2	1,257	0.68	92%	14.40	10.16
	A2 (M51)	C2	566	0.31	85%	12.30	12.76
	B1 (M37)	C2	1,420	0.77	85%	15.23	10.47
	A5 (M40)	None	1,331	5.16	26%	16.86	18.93
	E7 (M57Z)	E4	699	3.02	95%	6.42	13.41
	E9 (M62Z)	None	538	0.32	87%	0.02	0.01
LKCF Waterflood	A4 (M26Z)	C3/C4	473	0.26	98%	10.71	8.25
	A6 (M60)	C3/C4	2,086	1.17	12%	3.18	2.22
	C7 (M33Z)	C3/C4	1,383	0.74	40%	11.26	8.45
Total			16,571	34.93			

Notes:

1. M43 (B7) is the only well currently producing from the Lower Magnus Sandstone Member.
2. Other Magnus Sandstone Member wells variably produce from the E and G zones, with the C zone contributing at M29 (A7) in the extreme south of the field.

2.4 Planned Development

EnQuest has presented a development scenario that forms the basis of the Proved (1P) and Proved plus Probable (2P) Reserves. This scenario is based on the following projects, all of which are included in EnQuest's development plan and budget.

- Continued production from existing wells excluding M62Z;
- Well M62Z which was completed and brought onto production in May, 2018;
- Well M63 completed and brought onto production in September, 2018;
- 2018 well work on two wells;
- Voidage Management;
- Drill well in 2019 to Canute location in Lower Kimmeridge Clay Formation;
- Drill well in 2019 to Central Area T10/T11.

Each of these projects is discussed in more detail in the following sections. GCA has reviewed each of these projects and the data provided to assess the reasonableness of EnQuest's oil and gas production forecasts for each Reserve category. The best estimate (Mid Case) predicted recovery to 2030 for each project is summarised in Table 5. 75% of the future production is attributed to the Base wells.

Table 5: Mid Case Oil Recovery from 1st July 2018 to end 2030

Project	Oil Recovery to 2030 (MMBbl)
Base	46.7
M62z	1.7
M63	4.6
2018 Wellwork	1.0
Voidage Management	2.6
Canute LKCF	4.1
Central Area T10/T11	2.0
Total	**62.5**

Note:

1. Volumes shown here are produced volumes; sales volumes will be 5% lower due to shrinkage.

EnQuest has based these estimates primarily on decline analysis, volumetric and analogue studies. Dynamic reservoir simulation studies are still in progress, and EnQuest has presented preliminary results of some of its work to GCA, but they are not sufficiently advanced to form the basis of the production forecasts or Reserves. There is hence some degree of uncertainty with the individual forecasts, although in aggregate GCA considers that they are reasonable and achievable with EnQuest's development plans.

EnQuest considers that the WAG project does not contribute significantly to the production performance and that the production is supported mainly by water injection. Gas import contracts run until 2023, and pending the results of further studies, gas injection rates may be reduced or terminated prior to this date. EnQuest's oil production forecasts are primarily based on decline analysis and do not reflect any potential changes in the gas injection strategy. This may be simplistic and it is possible that the decline rates could change after

2023 for the active WAG-supported wells (B6 (M39Z) and B7 (M43)). EnQuest report implementation of a comprehensive surveillance plan to enable effective monitoring of individual WAG well performance in conjunction with any changes in water injection, including a planned reinstatement of the test separator. This is expected to lead to improvements in waterflood management and increase produced water handling capacity in the facilities, as field water cut increases.

EnQuest has assumed a production efficiency of 85% in deriving the forecasts and recoveries in Table 5.

2.4.1 Base

EnQuest has estimated Base production from decline analysis on the existing wells, assuming hyperbolic decline with b=0.2 for the Low Case and b=0.5 for the Mid case. There is a relatively small difference between the Low and Mid case forecasts, but GCA has reviewed this and the forecasts are viewed as reasonable.

2.4.2 M62z

Well M62Z is the latest producer drilled in the field. The well started production from one zone, the MSM C in mid-May, 2018. The well is producing around 600 bopd of oil with 87% WC. There are plans to also perforate zones E and G later this year. The well total cost was £12.1 MM.

2.4.3 M63

211/12a-M63 is in the progress of being drilled and completed, and preliminary results only are available. It is located in the southwest of the field and targets a relatively undeveloped area, where good reservoir developments of the MSM G, E and C Members were expected. The uppermost unit in particular, the MSM G Member, is mapped as extending southward from the area of the 211/21a-M36 well. Initial results from the well bear out this prognosis, with 42.7 m of net pay with water saturations ranging from 0.59 to 0.74. Production data from the nearby 211/12a-M29 and M56Z wells have been reviewed by GCA as analogues, correcting for the anticipated high water cut, to support the expected Mid Case production estimate of 4.6 MMBbl of oil.

2.4.4 2018 Wellwork

EnQuest is planning additional perforations on well A1 and developing the LKCF in well B2 during the second half of 2018. The benefits attributed to this programme in the Mid Case appear reasonable and consistent with analogue wells (no incremental is attributed in the Low Case).

2.4.5 Voidage Management

EnQuest is planning to increase water injection capacity from the current 150 Mbwpd to about 200 Mbwpd by re-activating a de-aeration tower and water injection pumps during 2019. This will improve the voidage replacement and oil production from the field. EnQuest has not presented any reservoir studies that support the estimated incremental recovery of 2.6 MMBbl (Mid Case, no incremental is attributed in the Low Case). The forecast is based on an assumed reduced decline rate, resulting in an incremental forecast that increases with time. In reality, any benefits would be expected to be in the short to medium term, rather than in later field life. GCA has accepted, however, that there would be an overall reduction in field decline and that the estimated additional recovery should be achievable.

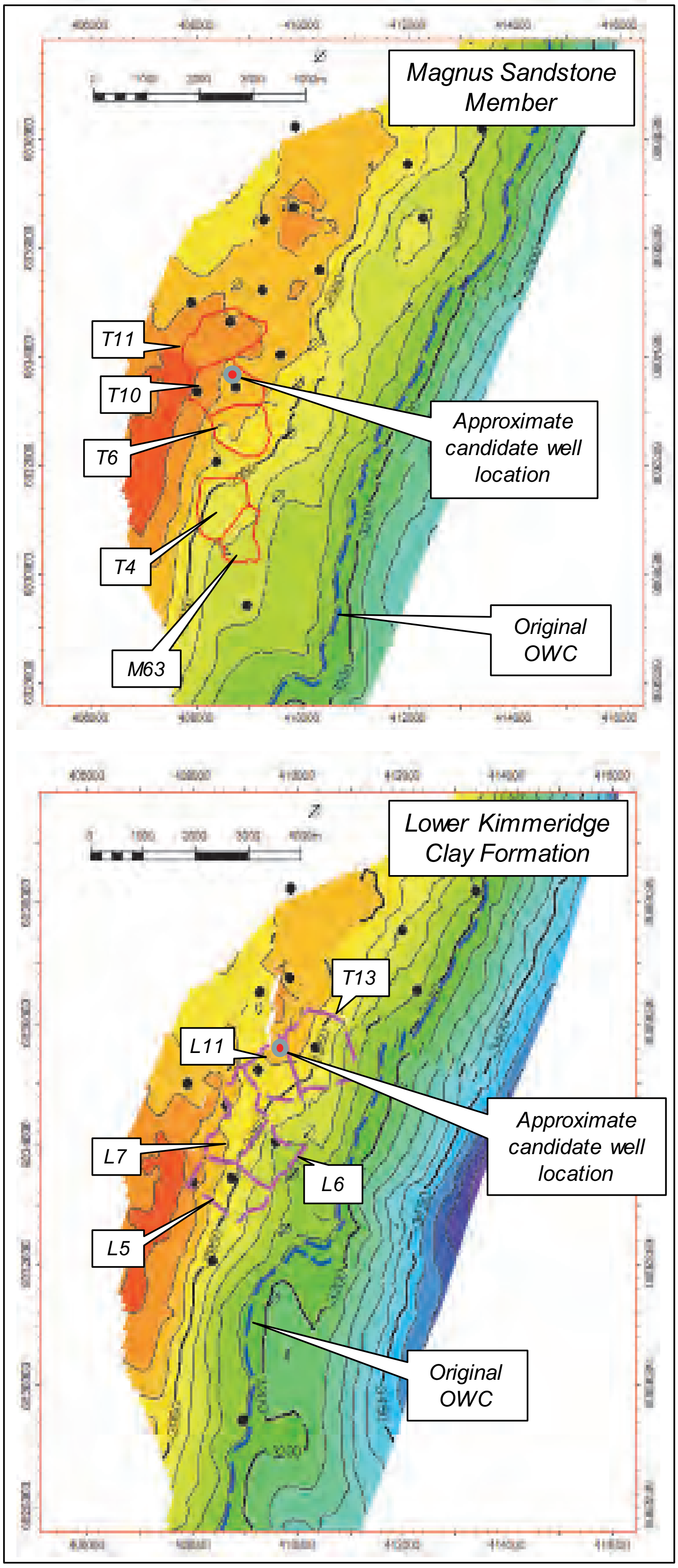
2.4.6 New Drilling Projects

EnQuest has undertaken a preliminary reservoir simulation study whose aim has been to identify potentially unswept areas of the field that might merit further development drilling. A staged screening of opportunities has resulted in four areas being identified, designated by domain names in the reservoir model (Figure 5). Two locations are considered as sufficiently mature to be included in the Reserves case, while others are considered as contingent, subject to further work to confirm their viability (see Section 2.6). No Proved Reserves are attributed to either of these wells.

The first new well is planned in the “Canute” (L10/T13) area to the west of the abandoned 211/12a-M33 and current M-33Z producers. This is expected to target a relatively thick area of Kimmeridge Clay sandstone development to the northeast of well 211/12-M39Z that does not appear to be fully exploited. Based on analogues from the performance of the 211/12a-M60 well, and as this area is expected to be relatively undepleted, the anticipated recovery of 4.1 MMBbl (an incremental recovery factor in the local area of approximately 10%) is viewed as feasible.

The second new well is planned for the Central Area of the field (T10/T11 in Figure 5) where new reservoir mapping has shown an extended development of sandstone in the area, especially in the MSM E Member. A well location is provisionally defined in the eastern central part of this area, to the east of the existing 211/12a-M49 producer. A new well would be expected to target oil in the relatively thin sands that has been mobilised by the large amount of gas previously injected into the area, but also communicating with thicker units where higher liquid production, albeit with high water cut, is expected. GCA has reviewed the likely STOIIP accessed in this area and the Mid Case production of approximately 2.0 MMBbl suggests an incremental recovery factor of approximately 2%. This is viewed by GCA as a reasonable target.

Figure 5: Areas Considered by EnQuest as Potential for Additional Drilling



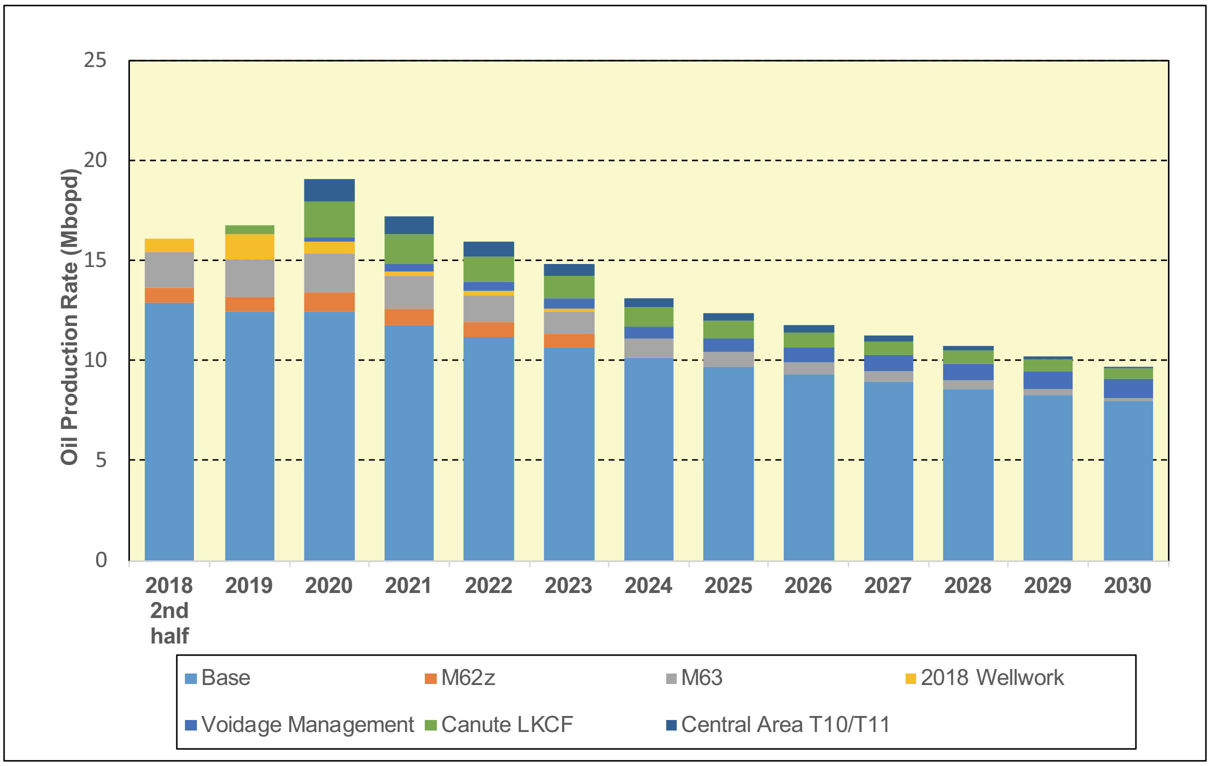
Source: GCA from EnQuest Database

2.5 Production Forecast and Reserves

2.5.1 Oil

The Mid Case oil production forecast for each of the six projects is shown in Figure 6.

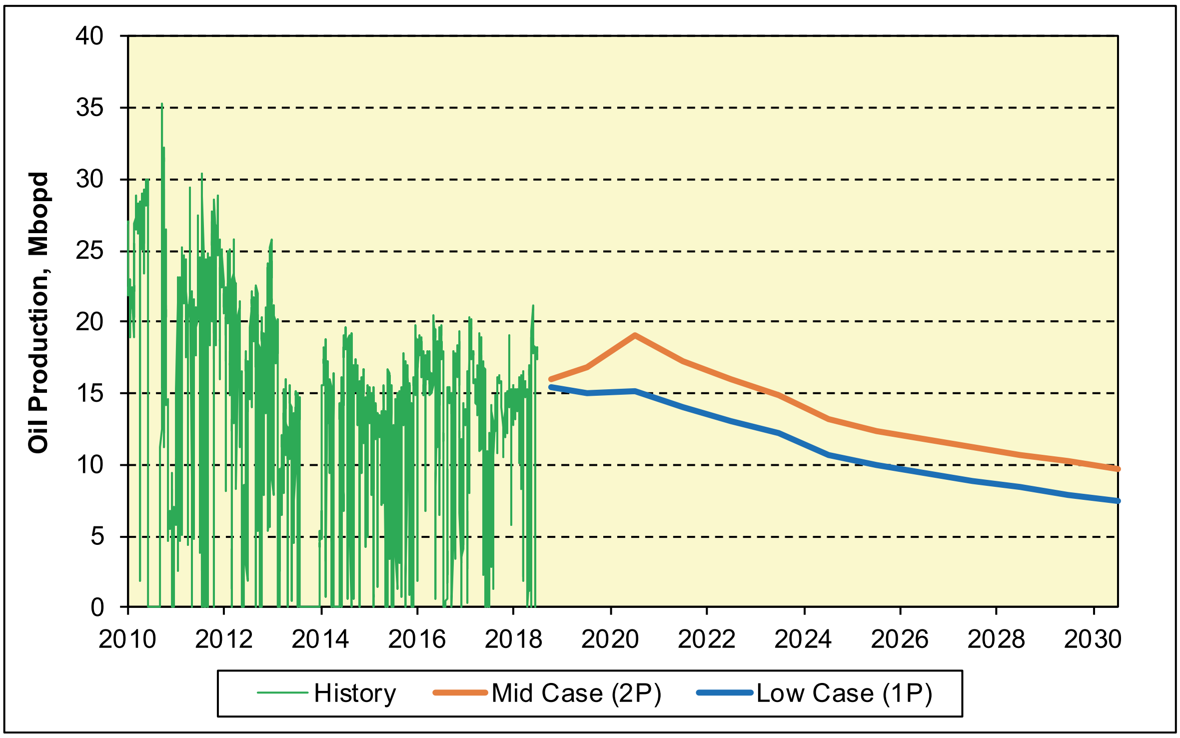
Figure 6: Mid Case Oil Production Forecast by Project



The historical and forecast oil production for the Low and Mid cases are presented in Figure 7.

In forecasting oil sales, EnQuest has applied a shrinkage factor of 5%. The profiles that form the basis of the Proved and Proved plus Probable Reserves to 2030 are presented in Appendix III.

Figure 7: Magnus Oil Production Forecast



2.5.2 Gas

A portion of the produced gas from Magnus is re-injected in support of the WAG project, a portion is used as fuel, with some technical flaring, and the remainder exported via the FLAGS to St Fergus, where the gas is treated to remove NGLs and the dry gas sold. The NGLs are transported to the fractionation plant at Mossmorran.

Dry gas from BP's West of Shetland (WoS) Fields, Schiehallion, Foinaven and Clair, passes across the Magnus platform and is comingled with the export Magnus wet gas. Since 2003, part of this WoS gas has been purchased by Magnus for injection into the field to supplement the WAG project. The Magnus partners have ownership of this injected WoS gas for future sales, but the volumes cannot be claimed as Reserves. It is not possible to differentiate the produced gas between the WoS and Magnus fields, and EnQuest has derived a "Reproduction Factor" to estimate the proportion of injected WoS gas that will be recovered in the future. This factor is used only in the calculation of gas Reserves and not the gas revenues, as all of the produced gas is now owned by the Magnus partners. As the injected WoS gas is "dry", in that it does not contain hydrocarbon liquids, any NGLs recovered from the produced Magnus gas can all be attributed to Magnus as both sales and Reserves.

EnQuest is currently assessing the overall benefits of the WAG project and whether the incremental produced oil justifies the cost of the purchased gas. Historically, the volumes of injected gas have not been significant, totalling some 207 Bscf over a 15 year period, averaging about 38 MMscfd. In recent years, injected volumes have been much less. EnQuest is currently targeting a total gas injection rate of 22.3 MMscfd until the end of 2023, of which 5 MMscfd is Magnus produced gas and 17.3 MMscfd WoS gas. There are currently no plans to blow down the gas beyond

2023; full reservoir pressure maintenance by continued water injection is planned until 2030.

GCA has reviewed the gas production and sales forecasts for each of the projects, i.e. the Base Wells, M62z, M63, 2018 Wellwork, Voidage Management, Canute and Central Area T10/T11 wells. EnQuest's methodology has been to assign a producing GOR to each project, which is generally constant. These assumed constant GORs are extrapolated from current field performance. GOR estimates for new wells are based on current offset wells; for LKCF wells, and MSM wells away from the central area this is assumed to be solution GOR, while Central area MSM wells are assumed to be at current field GOR. There is some degree of uncertainty associated with these gas forecasts and reservoir modelling underway will provide a stronger case. However GCA has checked the overall gas balance and is comfortable that the produced gas volumes to 2030 are achievable and hence considers the current approach as a reasonable assessment of Reserves, although the annual volumes may differ and gas sales will also be dependent on the actual volumes of injected gas.

EnQuest has applied a gas shrinkage factor of 20% to the "wet" produced gas to reflect the hydrocarbon liquids removal at St Fergus, and a NGL yield of 45 Bbl/MMscf of wet gas. GCA has not been able to verify these values in detail.

EnQuest's estimates gas Reserves include fuel gas, which is permissible under SPE PRMS. Up to 2030, the fuel gas volumes are 39.5 Bscf, equivalent to 31.6 Bscf of dry gas Reserves.

2.6 Contingent Resources

Following EnQuest's preliminary reservoir simulation study, Contingent Resources are assigned to two projects of infill drilling where potentially unswept oil volumes exist (Figure 5). Ongoing work by EnQuest suggests that these are part of a larger suite of opportunities that might prove to be materially significant in the future, but which require further modelling and analysis to bring to a sufficiently high level of confidence.

No other categories of Contingent Resources are assigned at this time, but could be allocated in future to production subsequent to the assumed Cessation of Production in 2030. This has not been quantified at present, and would require further understanding of the steps and costs necessary to prolong the life of the field and its supporting infrastructure.

2.6.1 New Drilling Projects

The T4 area lies to the north of the currently operating 211/12a-M63 well and would seek to exploit locations further north on the same overall part of the field, with production targets in the Magnus Sandstone Member. Additional recovery is attributed to underlying Lower Kimmeridge Clay sandstones. Two wells are anticipated with a total Best Case recovery of 8.8 MMBbl.

In the L5/L6/L7 area, recent mapping suggests a sandstone depocentre in the middle sequences of the Lower Kimmeridge Clay Formation (L80 and L60). These are expected to be well developed to the west of the existing 211/12a-M60 producer. Although no firm locations are provided, EnQuest has estimated the likely incremental recoveries that might be achieved. Two wells are possibly anticipated, with a total Best Case recovery of 7.5 MMBbl.

3 Facilities and Operations

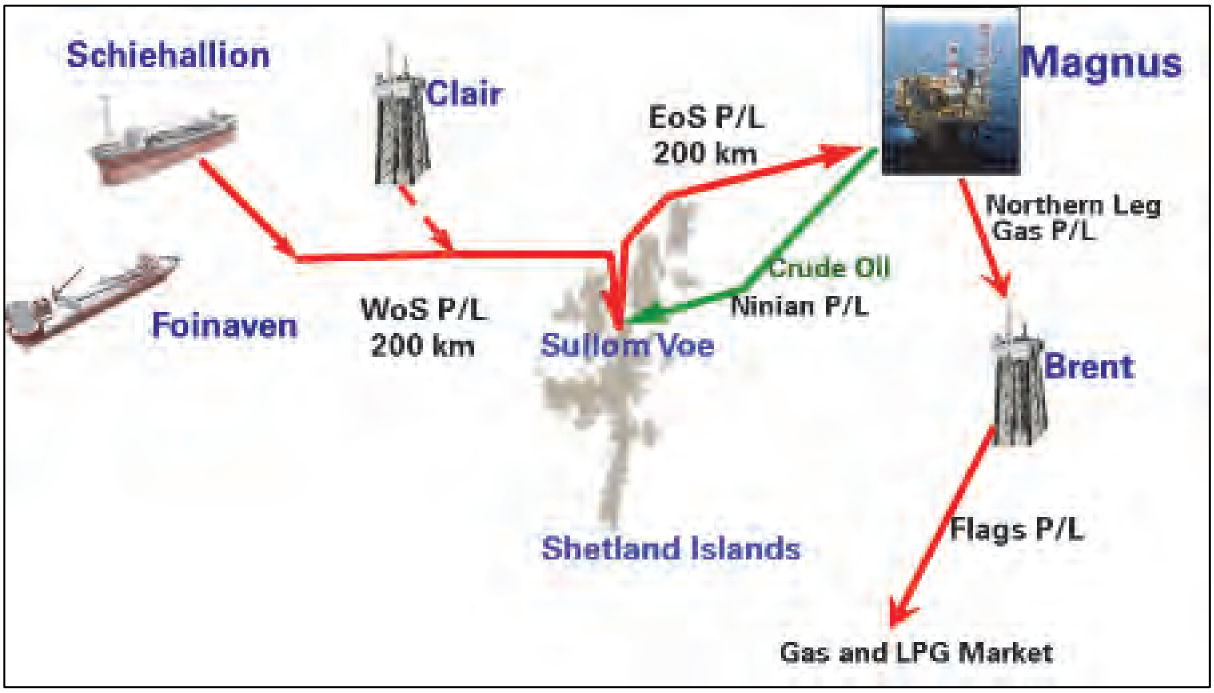
3.1 Existing Infrastructure

Magnus is the UK's most Northerly field, located 160 km North East of the Shetlands, in a water depth of 186 m. Magnus has a fixed steel platform, with 28 well slots and 3 subsea well injectors, with provision for a further 3 subsea wells. The platform has a working drilling rig. The field is very mature, having started production in 1983, so has been in operation for some 35 years.

Oil from Magnus is exported via a 24" pipeline to Ninian Central, and on to the Sullom Voe Terminal on the Shetland Islands. Gas is exported via a 20" line now bypassing Brent and connected to the FLAGS pipeline to St Fergus (Figure 8).

Magnus receives / transports dry gas from Schiehallion, Foinaven and Clair via Sullom Voe. Some of this gas is utilised on Magnus for Gas Injection.

Figure 8: Regional Oil and Gas Pipeline Network



The facilities in Magnus were designed for 156 MBopd oil, and 60 MMscfd gas, with a 220 bed living quarters so benefit from adequate processing capacity and bed space for future operations and production.

Nonetheless, in order to better utilise bed space, and to undertake production efficiency (PE) improvement efforts, EnQuest has established a programme of drilling / workover activity covering six months, followed by a six month period of no drilling activity, providing for availability of bed space for remedial work. Unlike many other mature North Sea fields, Magnus is not therefore constrained by bed availability, and the Operator is able respond to requirements for planned or unplanned maintenance activity.

EnQuest / BP data show a production efficiency of 83% for 2017.

The field has had recent, comprehensive, structural surveys in 2017, and each pipeline was surveyed in 2017, with only minor issues identified. Like most mature fields in the North

Sea, Magnus has been issued with HSE Improvement Notices, which have been complied with, and been subject to BIES Offshore Petroleum Activities inspections, where plans for compliance with the minor issues raised have been provided to the authorities

The 2017 structural survey of Jacket and Topsides raised no alarms or immediate / emergency actions, but made recommendations for continuing minor repairs to walkways and stairs, laydown areas and specific areas of passive fire protection, which have been included in ongoing maintenance programmes.

The 2017 pipeline integrity programme covered all 4 major pipelines: the East of Shetland Gas Export Pipeline, the Magnus – Ninian Pipeline, the Ninian to Sullom Voe Pipeline, and the Northern Leg Gas pipeline from Magnus to FLAGS. The surveys did not identify any major areas of risk, and listed areas for future observation and inspection.

3.2 Future Development Activity

Future development activity on the field is limited to well work, utilizing existing wells and well slots and using the existing platform drilling rig. There are no plans for significant additions or modifications to the facilities other than what is planned to improve PE. In addition, gas imports and gas injection are planned to cease in 2023, relying on produced gas for fuel gas thereafter.

EnQuest has modelled COP in 2030 based on an assumed shutdown of the Sullom Voe terminal, although potential exists for production through to 2039 depending on the deferral of the Sullom Voe shutdown, or on availability of an alternative oil export route.

3.3 Production Efficiency / Availability

The 2017 PE of 83% is marginally better than other similar mature developments in the North Sea, perhaps testament to an adequate maintenance regime and the availability of necessary bed-space to support planned and unplanned maintenance and drilling activity. Other North Sea developments have reduced PE due to severe constraints on bed space, and the need to prioritise compliance with HSE improvement notices over production critical remediation work.

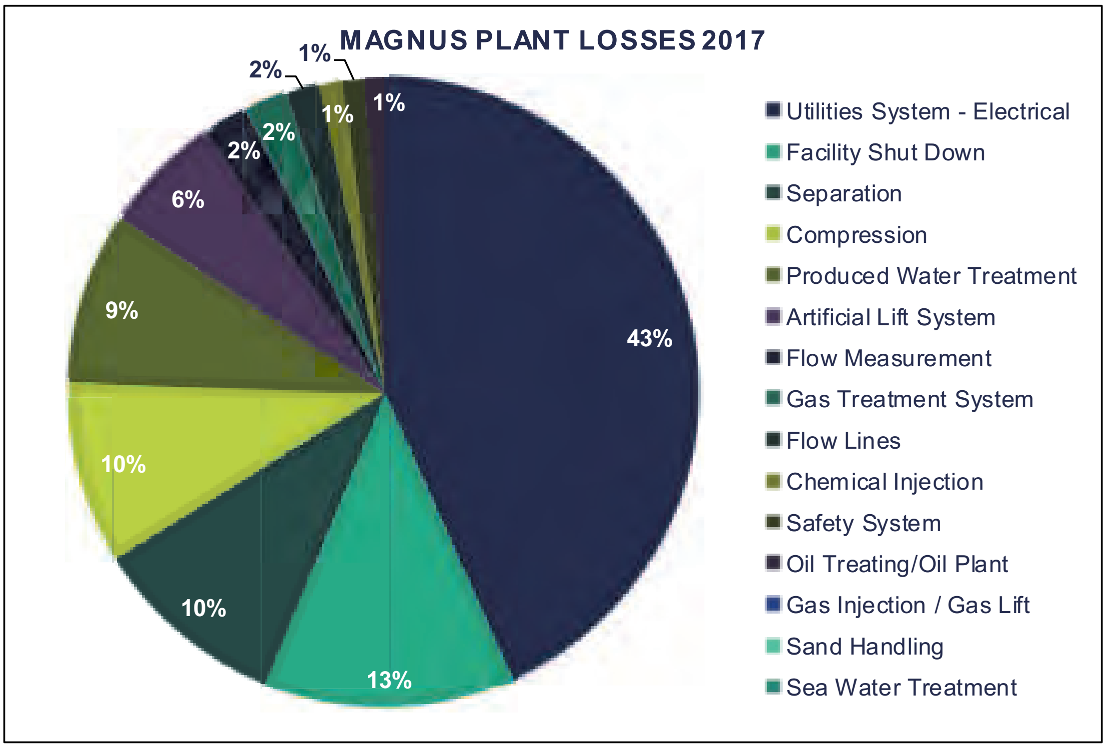
Some 43% of the downtime reported in 2017 was due to failures associated with the power generation units, with 13% due to plant trips and slow start up times (Figure 9).

EnQuest has reported that the power generation units were repaired in 2017, resulting in much improved availability, and PE for Q1 2018 was 87%. PE for 2018 to date is reported to be 79%, including the impact of a planned 2 week shut down.

EnQuest has advised that it is now concentrating on the next level of downtime, related to production “trips” and the extended start-up time, by implementing improved operator training to reduce trips and installing an inlet gas heater to significantly reduce restart times.

Targets used in economic model for 2018 and 2019 are 79%, based on a nominal 85% but with a planned two week shutdown each year, and an improvement to an overall 85% from 2020 to 2030, based on further reductions in trips and reduced start-up times. This would appear to be achievable given the recent and planned work campaigns, and the availability of bed space to undertake the planned work.

Figure 9: Breakdown of Downtime for 2017



3.4 Planned Expenditures (CAPEX and OPEX)

3.4.1 Mid Case CAPEX

EnQuest has provided a breakdown of planned / estimated gross CAPEX (Table 6), comprising initially of planned well workovers / sidetracks and minor facilities work, with additional "Late Life CAPEX" facilities remedial work from 2022 to 2025.

Table 6: Forward CAPEX Projection (£MM)

CAPEX	2018	2019	2020	2021	2022	2023	2024	2025	Total
Drilling	26.9	23.8							
Flowlines	2.3	2.8							
Wellwork	6.1								
Facilities	1.9	5.1	5.1	5.1	5.1	5.1	5.1	5.1	
Late Life	0.0	0.0	0.0	0.0	33.0	33.0	33.0	33.0	
TOTAL	**37.2**	**31.7**	**5.1**	**5.1**	**38.1**	**38.1**	**38.1**	**38.1**	**231.42**

Note:

1. Table presents full-year expenditure for 2018.

GCA considers that the well CAPEX is reasonable based on well intervention plans, and that with additional unknown remedial expenditures included, the late life CAPEX is a prudent provision.

3.4.2 Mid Case Base OPEX

EnQuest has provided a breakdown of estimated gross OPEX through to 2030 (Table 7) based on the premise that maintenance activity is curtailed later in field life, resulting in a slight reduction in overall OPEX in the last 5 years of production. This is a common assumption in mature assets, where facilities no longer in use as production declines are mothballed, but is often unachievable in practice, as OPEX spend is often required to maintain critical PE levels.

Table 7: Forward Platform OPEX Projection (£MM)

Platform OPEX	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Logistics	9.04	9.11	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	7.79	**103.87**
Maintenance	18.24	18.61	18.31	15.61	13.21	13.21	16.21	13.21	14.71	13.21	13.21	16.21	13.21	**197.21**
Integrity Mgt	2.34	2.11	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	**27.99**
Projects, Mods & Repairs	0.15	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**6.15**
Offshore Manpower	16.55	14.77	14.03	14.03	14.03	14.03	14.03	14.03	14.03	14.03	14.03	14.03	14.03	**185.63**
Onshore Manpower	1.68	1.55	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	**14.91**
Projects	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
EnQuest Support	10.32	10.73	10.20	9.69	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	**123.76**
Other OPEX	5.57	5.44	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	**47.86**
Services	8.10	7.70	7.32	6.95	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61	6.61	**89.53**
TOTAL	**71.97**	**70.54**	**64.70**	**61.13**	**57.89**	**57.89**	**60.89**	**57.89**	**59.39**	**57.89**	**57.89**	**60.89**	**57.89**	**796.89**

Note:

1. Table presents full-year expenditure for 2018.

GCA considers, however, that the overall OPEX provision is reasonable, particularly given the planned investment in remedial CAPEX in 2022 through to 2025, which more than compensates for the planned reduction in OPEX.

3.4.3 Mid Case Well OPEX

EnQuest has provided a breakdown of planned well intervention gross OPEX, together with the costs of maintaining the drilling rig in "warm stack" conditions (Table 8). This provision appears to be reasonable.

Table 8: Forward Well OPEX Projection (£MM)

Well OPEX	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Well Intervention	1.93	2.99	2.99	2.99	2.99	2.99	1.50	1.50	0.00	0.00	0.00	0.00	0.00	**19.88**
Warm Stack	0.19	1.12	3.00	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**5.30**
TOTAL	**2.11**	**4.11**	**5.99**	**3.09**	**3.09**	**3.09**	**1.60**	**1.60**	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**	**25.18**

Note:

1. Table presents full-year expenditure for 2018.

3.4.4 Decommissioning Costs

GCA has examined the abandonment costs provided by EnQuest and concluded that these costs are adequate and comparable to estimated abandonment costs for similar projects.

3.5 Risk Assessment

The CAPEX, OPEX and PE estimates and forecasts determined by EnQuest and used in its commercial model carry a degree of uncertainty, as expected due to the age of the Magnus platform and export pipelines.

The greatest risk to the commerciality of the investment is the possibility of a major failure of one or more of the key components of the infrastructure resulting in an extended shut-down for repairs, and while this is unlikely with a prudent and rigorous inspection and maintenance programme, it should be recognised as a potential outcome, given the age of much of this infrastructure.

The cost provisions made for OPEX and CAPEX are also uncertain, and while the potential for increases in these estimated values is relatively high, their impact on investment commerciality is low. It would be prudent however to consider the impact of a 20% increase in OPEX from 2018 to end of field life, effectively maintaining OPEX at 2017 levels, as a sensitivity.

The improvement in overall PE to 85% estimated by EnQuest by 2020 is a reasonable objective based on 2017 downtime analysis, however it may not be possible to maintain this level of efficiency given the age of the facilities, despite the planned remedial CAPEX there may be a small decline in production efficiency from 2025 but this will have only limited impact on the estimated profiles.

For the purposes of the commercial evaluation and the Economic Limit Test (ELT) (see section 4), GCA has accepted the EnQuest estimates of PE, CAPEX and OPEX.

4 Economic Evaluation

GCA has conducted an Economic Limit Test (ELT) for the Low and Mid production profiles and the associated costs to assess Proved and Proved plus Probable Reserves for the Magnus field. The economic limit (or economic cut-off) is defined as the production rate beyond which the net operating cash flows would be negative; this is the point in time that defines the end of the project's economic life.

Additionally, GCA has estimated NPVs at various discount rate for each Reserves category, based on the projected cash flows, discounted on a mid-period basis to 30th June, 2018. For comparative purposes, a number of different evaluation scenarios are presented.

This economic assessment is based upon GCA's understanding of the fiscal and contractual terms governing the asset, and the various economic and commercial assumptions described herein. The Effective Date of this assessment is 30th June, 2018.

Additionally, based on current assumptions on infrastructure availability (particularly Sullom Voe Terminal), Cessation of Production (COP) is assumed to be no later than 2030.

4.1 Fiscal Regime

4.1.1 General

The fiscal regime in the UK is a pure tax regime, with no royalty and includes Supplementary Charge (SC) and Corporation Tax (CT).

CT is levied at a rate of 30% on ring fenced taxable profits. SC is applied at 10% on taxable profits, which are calculated in the same manner as for ring-fence trading profits but without any deduction for finance costs. The 2015 Finance Act allows an Investment Allowance (IA) against profits for SC equal to 62.5% of qualifying investment expenditure incurred after 1st April, 2015.

Under the UK tax regime, decommissioning costs can be deducted when calculating taxable profits. This may result in a tax loss, which can be carried back against taxable profits in previous years. For SC and CT purposes, decommissioning losses can be carried back to 2002 on a last in, first out basis. For the purposes of this assessment, GCA has assumed that 100% of the tax relief on decommissioning costs can be claimed at the time of the economic limit.

4.1.2 Tax Assumptions Specific to EnQuest

GCA understands that EnQuest has recorded estimated CT losses of US$3,123 MM as at 31st December, 2017. Based on current 2P Reserves, oil price forecast long term of US$70/Bbl and current planned activity around EnQuest's existing portfolio, EnQuest anticipate that these CT losses will be unlikely to be fully utilised before 2025, when the Magnus 75% acquisition is taken into account. Post 2025, EnQuest anticipates it will likely be in a tax paying position for CT.

For SC, EnQuest has indicated that it is carrying a significant amount of IA and will generate further IA from future expenditure in the North Sea. IA can be used to reduce or eliminate the charge to SC. Material use of IA against SC profits will only occur once existing CT losses have been fully utilised. With existing and future IA pools, EnQuest anticipates that the offset of IA against profits subject to SC will cover all future potential SC liabilities resulting in no SC being payable.

Accordingly, in estimating post-tax NPVs Net to EnQuest, GCA has assumed zero SC tax liability for the full term of the project and no CT liability until year-end 2025.

4.2 Costs

GCA has reviewed the field specific CAPEX and OPEX and these are considered reasonable in the current economic environment. All costs have been estimated in 2018 real terms and escalation of 2% per annum has been applied in the economic evaluations from 2019 onwards. Some elements of the costs were provided in GBP and have been converted to US$ using the exchange rate of US$1.32 per GBP.

In its assessment of the NPV, GCA has incorporated decommissioning cost liabilities expected to be incurred as per client's estimates. For the purpose of this analysis, GCA has included decommissioning costs as a single cost item at the end of field life.

4.3 BP – EnQuest Sale-Purchase Agreement

GCA understands that EnQuest has the option to acquire BP's remaining 75% working interest in Magnus field from BP under an existing sale-purchase agreement. This option can be exercised at any time between 1st July, 2018 and 15th January, 2019, back-dated to an effective date of 1st January, 2017. For the purpose of this evaluation, the deal is assumed to close at end 2018. Key terms applicable to this option include:

- A purchase price of US$300 MM, which will be adjusted for a 75% share in:
  - Interim period net cash flows (adjusted for notional taxes);
  - Working capital at year-end 2016;
  - Transition costs
- US$100 MM from the agreed and adjusted purchase price will be paid in cash at the time of deal closing (assumed to be year-end 2018).
- BP finances the remaining part of the agreed and adjusted purchase price through a non-recourse loan under a loan agreement subject to a cap of US$500 MM. The repayment is made from 75% of the Magnus asset cash flows with 100% availability in year 1, 50% availability from year 2 to year 5 and thereafter the availability is set to 100%. The target term of the loan is 5 years with an annual interest of 7.5% on the outstanding loan amount.
- In addition to the purchase price, BP also receives earn-out payments equal to 50% of residual Magnus asset cash flow, subject to a maximum of U$600 MM (grossed up for the tax rate which is capped at 40%). The residual Magnus asset cash flow is equal to 75% of the Magnus asset cash flow adjusted for the purchase price related loan principal repayments, interest payments and any other allowable adjustments as per the sale-purchase agreement.
- Additionally all negative asset cash flows post completion (excluding decommissioning) are funded by EnQuest and recovered from the Magnus asset cash flow available for earn-out payments to BP.

Under the sale-purchase transaction, BP has also agreed to retain full decommissioning liability of Magnus related infrastructure and well stock in existence at the time of transaction completion, plus decommissioning liability for additional 3 infill wells. EnQuest will contribute 22.5% towards decommissioning expenses incurred by BP after adjustment for any tax relief obtained by BP. EnQuest will retain the decommissioning liability for any property added after transaction completion and BP will contribute 37.5% towards decommissioning expenses incurred after adjusted for any tax relief obtained by EnQuest.

GCA has not reviewed any transaction document relating to this sale-purchase agreement and has relied on the description and feedback shared by EnQuest to incorporate the effect of the transaction in this evaluation.

4.4 Commodity Prices and Tariff Assumptions

The economic limit tests for the Reserves volumes are based on GCA's own Brent Crude Oil Price scenario and UK National Balancing Point (NBP) Gas Price scenario for 3Q 2018 as shown in Table 9. NGLs are discounted 33% from the applicable Brent Crude Oil Price.

Table 9: GCA 3Q 2018 Brent Crude Oil and NBP Gas Price Scenario

Year	Brent Oil (US$/Bbl)	NBP Gas (US$/MMBtu)
2H 2018	78.84	7.90
2019	75.08	7.37
2020	70.19	6.77
2021	70.00	6.76
Thereafter	+2% p.a.	+2% p.a.

GCA has assumed following tariffs based on information provided by EnQuest:

- Sullom Voe Terminal (SVT) and Ninian Pipeline System (NPS): tariffs apply to oil sales and are charged on a throughput basis. The Magnus tariffs have been calculated by EnQuest using its Northern North Sea economic model which is based on estimates of OPEX and East of Shetland Field throughput.
- Northern Leg Gas Pipeline (NLGP): it is assumed that Magnus pays its equity share (43.9% for OPEX) of the NLGP OPEX budget. For the six remaining months of 2018 this is assumed to be GBP2.25 MM and thereafter GBP3.0 MM per annum.
- Far north Liquids and Associated Gas System (FLAGS): the tariff is assumed to be GBP 0.727 per MMBtu. Additionally, FLAGS also has a Send or Pay obligation based on 85% of the annual gas nominations at a 20% discount to the FLAGS tariff. Point forward from 2019, it is assumed that the forecast export volumes are above 85% of the booked FLAGS capacity each year and therefore there should be no Send or Pay payments. However, based on the FLAGS nominations for 2018, it is expected that Magnus will incur a Send or Pay payment of US$5.5 MM.

Magnus imports gas from West of Shetland (WoS) field groups, namely Quad 204 (Schiehallion), Foinaven and Clair (Phase 1 and Ridge). Some of this imported gas is injected while the remaining gas is sold along with Magnus own produced gas. Each of the field group gas purchases in WoS is covered by a separate Gas Sales Agreement (GSA) that contains a specific pricing mechanism. All of the prices within the respective GSA's are based on the monthly NBP price less discounts for various Entry Charges and Tariffs. Volumes purchased from Foinaven and Clair Phase 1 are small and thus considered immaterial for the purpose of this evaluation. The Entry Charges and Tariffs (12.98 Pence per Therm) are based on gas purchase from Schiehallion and Clair Ridge field groups. For injected gas, the discounts related to the NLGP and FLAGS are assumed to be reimbursed to the WoS field groups.

4.5 Results

Production is found to remain economic until the assumed COP of 2030 in both the Proved and the Proved plus Probable cases. Resulting Reserves and Resources estimates are shown in Tables 1 and 2 in the Executive Summary.

GCA has evaluated the NPVs of the cash flows from BP's 75% interest in the Magnus field in two ways:

1. Field Level: This evaluation is done independent of the sale-purchase transaction between EnQuest and BP and assuming no relief from UK tax liabilities due to opening tax loss positions. This effectively represents the NPV of a 75% interest in the Magnus field on a stand-alone basis.

2. Net to EnQuest: This evaluation includes the impact of the sale-purchase transaction between EnQuest and BP as described in Section 4.3, and the impact of EnQuest's stated assumptions on its UK tax liabilities as described in Section 4.1.2. This effectively represents the NPV to EnQuest of its acquisition of BP's 75% interest in the Magnus field under the terms of the sale-purchase agreement.

Resulting NPVs at 10% discount rate (NPV10) are shown in Table 3 in the Executive Summary. Table 10 shows the sensitivity of NPV to other assumed discount rates.

Table 10: Post-Tax NPV (US$ MM) of 75% of Future Cash Flows from Magnus at various Discount Rates, as at 30th June, 2018

	Proved			Proved plus Probable		
	7.5%	10.0%	12.5%	7.5%	10.0%	12.5%
Field Level	509	477	448	754	694	642
Net to EnQuest	390	355	325	580	524	478

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset.
2. All cash flows are discounted on a mid-period basis to 30th June, 2018.
3. The NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.

It should be noted that a significant proportion of the NPV Net to EnQuest is a result of its opening tax loss position. If the "Net to EnQuest" evaluation is done assuming no opening tax losses, so that CT and SC would be payable for the entire term of the project, the NPV10 Net to EnQuest for the Proved plus Probable Reserves case would be reduced from US$524 MM to US$277 MM.

4.6 Sensitivity of Reference NPVs to Costs and Commodity Price

The reference Post-Tax NPV Net to EnQuest for the Proved plus Probable Reserves case, at a discount rate of 10.0%, has been evaluated under following sensitivity scenarios:

1. Reference oil prices (Table 9) varied by ±US$10/Bbl (this sensitivity includes the consequent impact of change in oil price on NGL price).
2. Reference gas prices (Table 9) varied by ±US$1.0/MMBtu.
3. Future CAPEX varied by ±20%.
4. Future OPEX varied by ±20%.

Results of these sensitivities are presented in Table 11. The base NPV in this table is the same as that shown in Table 10. It is seen that the NPV10 is most sensitive to variations to oil price, followed by variations in OPEX. The NPV10 is relatively insensitive to variations in gas price and CAPEX.

Table 11: Sensitivity to Post-Tax NPV10 (US$ MM) of Future Cash Flow from Proved plus Probable Reserves, Net to EnQuest, as at 30th June, 2018

Base	Oil Price		Gas Price		CAPEX		OPEX	
	-US$10 /Bbl	+US$10 /Bbl	-$US1 /MMBtu	+US$1 /MMBtu	-20%	+20%	-20%	+20%
524	377	695	513	536	543	506	615	437

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset.
2. All cash flows are discounted on a mid-period basis to 30th June, 2018.
3. The NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.

Basis of Opinion

This document reflects GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by EnQuest (the Client), the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by or at the direction of the Client and/or obtained from other sources, and has accepted the accuracy and completeness of these data. GCA has no reason to believe that any material facts have been withheld from it, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report, GCA has used definitions contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007 (see Appendix II).

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resource estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resource estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil and NGL volumes are reported in millions (10^6) of barrels at stock tank conditions (MMBbl). Natural gas volumes have been quoted in billions (10^9) of standard cubic feet (Bscf). Standard conditions are defined as 14.7 psia and 60°F.

GCA's review and audit involved reviewing pertinent facts, interpretations and assumptions made by EnQuest or others in preparing estimates of reserves and resources. GCA performed procedures necessary to enable it to render an opinion on the appropriateness of the methodologies employed, adequacy and quality of the data relied on, depth and thoroughness of the reserves and resources estimation process, classification and categorization of reserves and resources appropriate to the relevant definitions used, and reasonableness of the estimates.

Definition of Reserves and Resources

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria, based on the development project(s) applied: discovered, recoverable, commercial and remaining (as of the evaluation date).

Reserves 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 development and production status. All categories of reserves volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development because of one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident 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.

It must be appreciated that the Contingent Resources reported herein are unrisked in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources. Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development" (per PRMS).

No **Prospective Resources** are considered in this report.

Oil and gas Reserves stated herein are reported inclusive of fuel, where appropriate, with the fuel volumes reported separately.

GCA has not undertaken a site visit and inspection because one was not requested by EnQuest, and GCA did not consider that this was necessary for the purposes of the preparation of the CPR. Although GCA has reviewed and discussed relevant materials provided by EnQuest, it is not in a position to comment definitively on the operations or facilities in place, their appropriateness and condition, or whether they are in compliance with the regulations pertaining to such operations. Further, GCA is not in a position to comment on any aspect of health, safety, or environment of such operation.

This report has been prepared based on GCA's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties).

GCA is not aware of any potential changes in regulations applicable to these fields that could affect the ability of EnQuest to produce the estimated Reserves.

Use of Net Present Values

It should be clearly understood that the NPVs contained herein do not represent a GCA opinion as to the market value of the subject property, nor any interest in it.

In assessing a likely market value, it would be necessary to take into account a number of additional factors including reserves risk (i.e., that Proved and/or Probable and/or Possible reserves may not be realised within the anticipated timeframe for their exploitation); perceptions of economic and sovereign risk, including potential change in regulations; potential upside; 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.

Qualifications

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with EnQuest. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

The work was conducted by the following GCA team:

- John Barker: Technical Director; Project Reviewer.
- Nick Stronach: Senior Advisor, Geoscience; Project Manager.
- Tony Goodearl: Senior Advisor, Reservoir Engineering.
- Rand Al-Obaidy: Consultant, Reservoir Engineering.

- Mike Wood: Technical Director, Development Planning.
- Sandeep Saxena: Senior Consultant, Economics.

Dr. John **Barker**, Technical Director, Reservoir Engineering, has 33 years' industry experience. He holds an M.A. in Mathematics from the University of Cambridge and a Ph.D. in Applied Mathematics from the California Institute of Technology. He is a member of the Society of Petroleum Engineers and of the Society of Petroleum Evaluation Engineers.

Dr. **Stronach** has a PhD in Geology, is a UK Chartered Geologist and has 30 years' experience in oil and gas exploration.

Ms **Al-Obaidy,** is a Senior Petroleum Engineer with over 10 years' consultancy experience. She has a Bachelors and a Masters of Philosophy in Petroleum Engineering.

Mr. **Goodearl** holds a BSc (Hons) in Chemical Engineering, and an M Eng. in Petroleum Engineering. He is a Society of Petroleum Engineers member and an Energy Institute member, with over 40 years' experience.

Mr. **Wood** is a Senior Facilities Engineer and holds a HNC Mechanical Engineering. He has over 30 years' industry experience and is a member of the Society of Petroleum Engineers.

Mr. **Saxena** holds a Bachelor of Engineering degree and an MBA. He has 16 years' industry experience.

Yours sincerely,

Gaffney, Cline & Associates

N.J. Stt.

Project Manager
Nick Stronach, Senior Advisor

John Barker

Reviewed by
John Barker, Technical Director

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
boe	Barrels of oil equivalent @ xxx mcf/Bbl
boepd	Barrels of oil equivalent per day @ xxx mcf/Bbl
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)
COP	Cessation of Production
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
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
GBP	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
LLX	Late Life Extension
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
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	milligrams 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 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
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
US$	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
Abbreviated Form of SPE 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

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

All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way.

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.

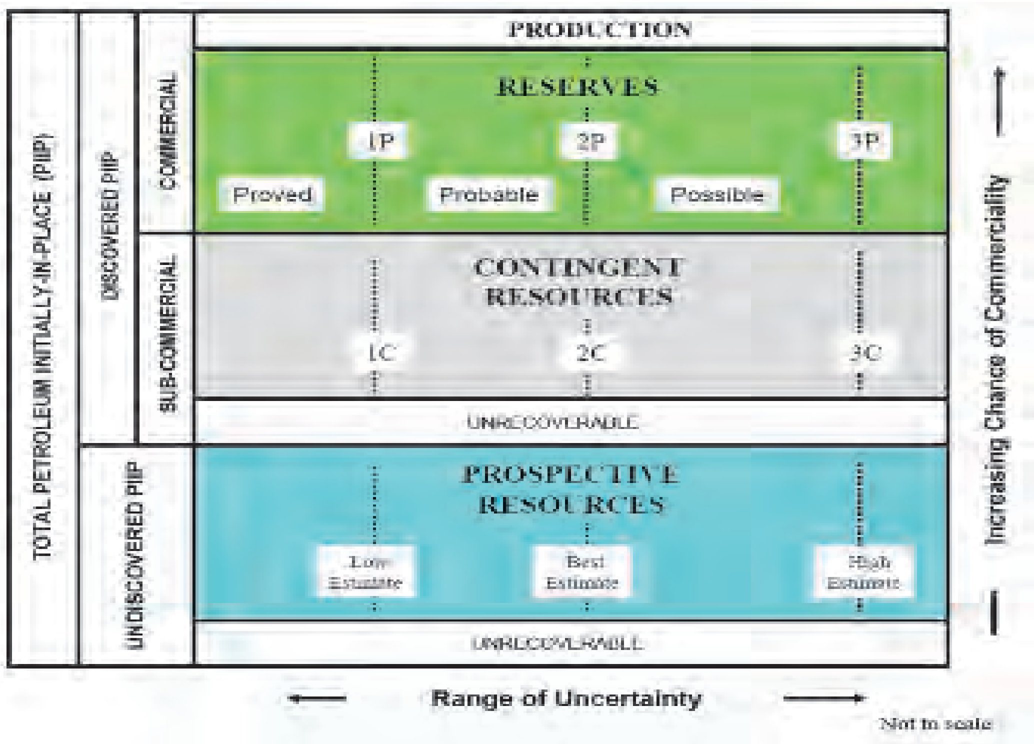
Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play

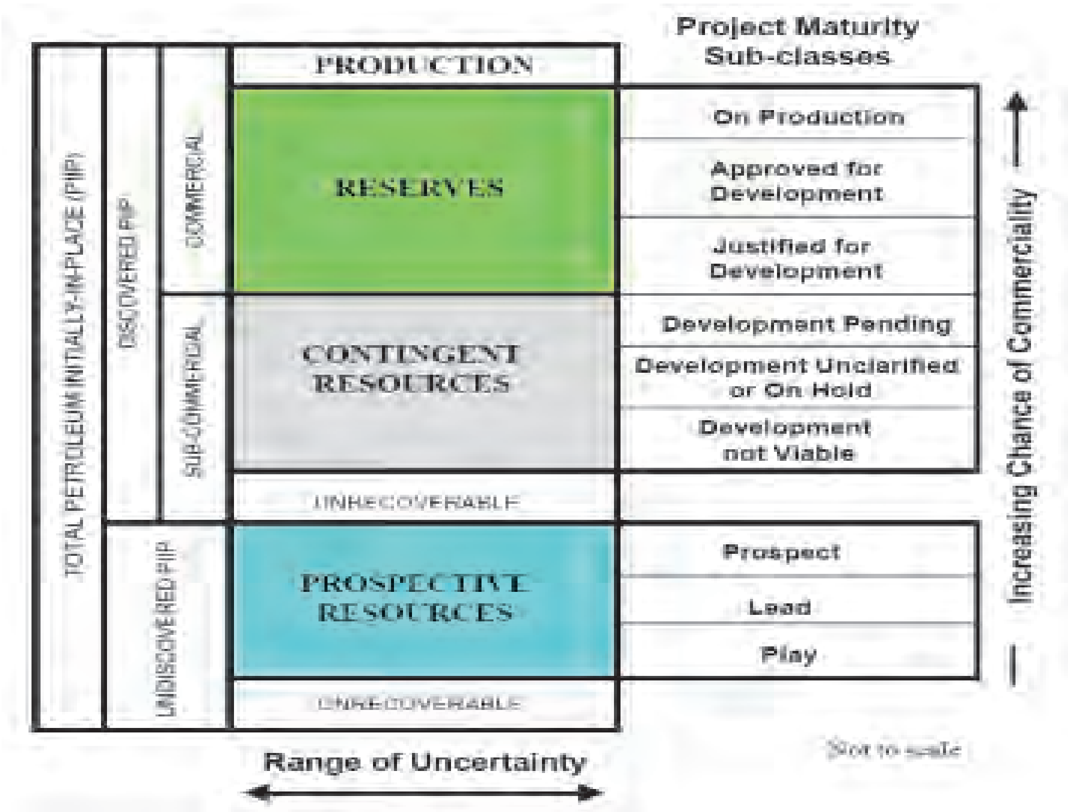
A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects.

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
Production and Cost Forecasts

Table AIII.1: Gross Field Production and Cost Forecasts
Proved

	Oil Production (bpd)	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	NGL Sales (bpd)	CAPEX (GBP MM)	OPEX (GBP MM)
2018	15,422	14,650	12.1	12.0	682	22.9	37.0
2019	15,077	14,323	11.4	12.0	644	31.7	74.6
2020	15,160	14,402	9.8	12.0	550	5.1	70.7
2021	14,090	13,386	8.3	12.0	467	5.1	64.2
2022	13,078	12,424	6.9	12.0	391	38.1	61.0
2023	12,164	11,556	5.7	12.0	321	38.1	61.0
2024	10,729	10,193	11.4	6.0	642	38.1	62.5
2025	10,044	9,542	10.5	6.0	592	38.1	59.5
2026	9,446	8,974	9.7	6.0	547	0.0	59.5
2027	8,916	8,471	9.0	6.0	506	0.0	58.0
2028	8,396	7,976	8.3	6.0	467	0.0	58.0
2029	7,914	7,518	7.7	6.0	431	0.0	61.0
2030	7,431	7,059	7.0	6.0	396	0.0	58.0
Total	**51,214**	**48,653**	**40.9**	**39.5**	**2,300**	**217.2**	**785.0**

Notes:

1. The CAPEX and OPEX presented are uninflated.
2. Oil and NGL Sales totals are in MBbl, Gas Sales total is in Bscf.
3. Gas Sales refers to the total gas export stream that has been forecast, including both gas that is indigenous to Magnus and that which is composed of recirculated imported injection gas. The Reserve of Sales Gas attributable to Magnus is 16.4 Bscf.
4. 2018 data refers to 2H only.

**Table AIII.2: Gross Field Production and Cost Forecasts
Proved Plus Probable**

	Oil Production (bpd)	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	NGL Sales (bpd)	CAPEX (GBP MM)	OPEX (GBP MM)
2018	16,059	15,256	12.1	12.0	682	22.9	37.0
2019	16,789	15,950	11.7	12.0	659	31.7	74.6
2020	19,094	18,140	13.1	12.0	737	5.1	70.7
2021	17,242	16,380	11.2	12.0	629	5.1	64.2
2022	15,929	15,132	9.7	12.0	544	38.1	61.0
2023	14,803	14,063	8.4	12.0	471	38.1	61.0
2024	13,141	12,484	14	6.0	790	38.1	62.5
2025	12,387	11,768	13.2	6.0	741	38.1	59.5
2026	11,753	11,166	12.4	6.0	698	0.0	59.5
2027	11,214	10,654	11.7	6.0	660	0.0	58.0
2028	10,693	10,158	11.1	6.0	625	0.0	58.0
2029	10,233	9,721	10.5	6.0	593	0.0	61.0
2030	9,675	9,192	9.9	6.0	555	0.0	58.0
Total	**62,474**	**59,350**	**52.2**	**39.5**	**2,939**	**217.2**	**785.0**

Notes:

1. The CAPEX and OPEX presented are uninflated.
2. Oil and NGL Sales totals are in MBbl, Gas Sales total is in Bscf.
3. Gas Sales refers to the total gas export stream that has been forecast, including both gas that is indigenous to Magnus and that which is composed of recirculated imported injection gas. The Reserve of Sales Gas attributable to Magnus is 27.7 Bscf.
4. 2018 data refers to 2H only.

PART 8

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: Unaudited Pro Forma Financial Information

The unaudited pro forma statement of net assets and unaudited pro forma income statement set out below have been prepared for illustrative purposes only, in accordance with Item 20.2 of Annex I of the PD Regulation and on the basis of the notes set out below.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect on the consolidated net assets of EnQuest PLC as at 30 June 2018 as if the Rights Issue, the Magnus Transaction and the Thistle Transaction had taken place on that date.

The unaudited pro forma income statement has been prepared to illustrate the effect on the consolidated earnings of EnQuest PLC for the six month period ended 30 June 2018 as if the Rights Issue, the Magnus Transaction and the Thistle Transaction had taken place on 1 January 2018.

The unaudited pro forma statement of net assets and the unaudited pro forma income statement have been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, does not, therefore, represent the Group's actual financial position or results.

The unaudited pro forma financial information has been prepared on the basis set out in the notes below and has been prepared in a manner consistent with the accounting policies that will be applied by the Group for the year ending 31 December 2018 and in accordance with the requirements of items 1 to 6 of Annex II of the PD Regulation.

The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act. The independent accountant's report on the unaudited pro forma financial information is set out in Section B of this Part 8 ("*Unaudited Pro Forma Financial Information*").

Unaudited Pro Forma Statement of Net Assets
As at 30 June 2018

	Adjustments								
	EnQuest PLC net assets as at 30 June 2018	**Rights Issue**	**De-recognition of Financial Asset**	**Fair value of 75% Interests as at 30 June 2018**	**Acquisition consideration**	**Goodwill**	**25% acquisition uplift**	**Thistle option**	**Pro forma total**
	(Note 1) $'000	(Note 2) $'000	(Note 3) $'000	(Note 4) $'000	(Note 5) $'000	(Note 6) $'000	(Note 7) $'000	(Note 8) $'000	(Note 9) $'000
Assets									
Non Current Assets									
Property, plant and equipment	3,707,505	–	–	541,334	–	–	26,937	–	4,275,775
Goodwill	189,317	–	–	–	–	275,562	–	–	464,879
Intangible Oil & Gas assets	52,509	–	–	–	–	–	–	–	52,509
Investments	90	–	–	–	–	–	–	–	90
Deferred Tax assets	432,460	–	–	–	–	–	–	–	432,460
Other financial assets	10,218	–	–	–	–	–	–	–	10,218
Current assets									
Inventory	88,304	–	–	22,285	–	–	–	–	110,589
Trade and other receivables	258,214	–	–	(21,151)	–	–	–	–	237,063
Current Tax Receivable	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	188,743	127,000	–	–	(100,000)	–	–	20,000	235,743
Other financial assets	80,887	–	(64,090)	–	–	–	–	(6,467)	10,320
Total assets	**5,008,237**	**127,000**	**(64,090)**	**542,468**	**(100,000)**	**275,562**	**26,937**	**13,533**	**5,829,646**
Non-current liabilities									
Borrowings	718,152	–	–	–	–	–	–	–	718,152
Bonds	999,902	–	–	–	–	–	–	–	999,902
Obligations under finance leases	648,953	–	–	–	–	–	–	–	648,953
Provisions	670,448	–	–	–	418,618	–	–	–	1,089,066
Trade and Other payables	20,247	–	–	–	–	–	–	–	20,247
Other financial liabilities	27,354	–	–	18,788	–	–	–	13,533	59,675
Deferred tax liabilities	60,239	–	–	216,533	–	–	10,775	–	287,547
Current liabilities									
Borrowings	470,667	–	–	–	–	–	–	–	470,667
Obligations under finance leases	100,178	–	–	–	–	–	–	–	100,178
Provisions	40,004	–	–	–	–	–	–	–	40,004
Trade and Other payables	416,414	–	–	–	–	–	–	–	416,414
Other financial liabilities	58,253	–	–	–	–	–	–	–	58,253
Current tax liabilities	9,347	–	–	–	–	–	–	–	9,347
Total liabilities	**4,240,158**	**–**	**–**	**235,322**	**418,618**	**–**	**10,775**	**13,533**	**4,918,406**
Net assets	**768,079**	**127,000**	**(64,090)**	**307,146**	**(518,618)**	**275,562**	**16,162**	**–**	**911,241**

Notes:

1. The consolidated net assets of EnQuest PLC as at 30 June 2018 have been extracted, without material adjustment, from the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018.

2. The gross proceeds of the Rights Issue of $138.0 million is calculated on the basis that the Rights Issue will be made on the basis of three New Ordinary Shares at 21 pence per Ordinary Share for every seven Existing Ordinary Shares in issue as at 6 September 2018, using an exchange rate of 1.2928 USD to 1.0000 GBP as at 6 September 2018.

   The net proceeds of $127 million include: (a) the impact of estimated expenses of $3.2 million, which will be accounted for as a reduction of equity, (b) the impact of $6.1 million of gross proceeds in relation to Employee Benefit Trust shares, which will result in a net nil impact on the cash balance and (c) the impact of estimated transaction costs of $1.7 million as a result of the Magnus Transaction and the Thistle Transaction.

3. As set out in Part 3, on 24 January 2017, EnQuest entered into the Magnus Option with BPEOC to acquire the remaining 75% Interests. As EnQuest is exercising the Magnus Option, this adjustment reflects the derecognition of the option, which was held at a fair value of $64.1 million as at 30 June 2018. The fair value is included in the calculation of goodwill (see note 6).

4. The unaudited pro-forma statement of net assets has been prepared on the basis that the acquisition of the 75% Interests by EnQuest PLC will be treated as a business combination in accordance with IFRS 3 – Business Combinations. The acquisition adjustments relate to the fair value measurements of the acquired assets and liabilities.

   The adjustments in respect of property, plant and equipment relate to the fair value of the interests in the acquired oil and gas assets. The fair value has been calculated on the basis of economic models using information currently available which includes forecast oil and gas prices, oil and gas production and production sales contracts.

   Discount rates have been applied to the fair value measurement reflecting specific risks with the transaction.

Inventory and trade and other receivables adjustments reflect the carrying value of these assets at 30 June 2018, including the elimination of a receivable due from the vendor to EnQuest PLC as operator.

As part of the Magnus Transaction, EnQuest PLC has agreed to pay additional consideration in relation to the management of the physical decommissioning costs. The fair value of the financial liability represents the amount due to BP by reference to 7.5% of BP's actual decommissioning costs on Magnus on an after tax basis.

A deferred income tax liability of $216.5 million has been recognised, calculated by applying the prevailing combined corporate and supplementary tax charge rate of 40% in respect of the fair value of the property, plant and equipment recognised.

As set out in paragraph 5 of Part 1, EnQuest Heather will be the owner of the 75% Interests at completion of the Magnus Option. As a result of the cumulative tax losses in EnQuest Heather, no current income tax liability has been recognised.

5. The total consideration for the acquisition is $300 million, subject to customary adjustments in respect of working capital, and a profit share of 50% until cessation of production (COP), capped at $1 billion. Other than the initial consideration of $100 million which is paid at Completion, the remainder is deferred and contingent and reflected as an adjustment to provisions.

   The calculation of contingent consideration is also based on the same economic models prepared in respect of the fair value of the assets using information currently available which includes forecast oil and gas prices, oil and gas production, production sales contracts and other expenditure as relevant. A discount rate has been applied to the gross contingent consideration to reflect the value as at 30 June 2018. $418.6 million is recognised as an additional liability.

6. For the purposes of the pro forma statement of net assets, the excess purchase consideration and fair value of the Magnus Option over the fair value of the 75% Interests has been attributed to goodwill. The preliminary goodwill has been calculated as follows:

Purchase consideration as per note 5 (subject to working capital adjustments):	$518.6 million
Add: Fair value of Magnus Option as per note 3:	$64.1 million
Less: Fair value of 75% Interests:	$307.1 million
Goodwill:	$275.6 million

   On Completion, an exercise will be undertaken to calculate the revised purchase price adjustment under the terms of the Sale and Purchase Agreement. As a result, the adjustments shown in the pro forma may not reflect the purchase price adjustments as at Completion.

7. The acquisition of the 75% Interests is a step-up acquisition under IFRS 3 – Business Combinations. As a result, the 25% Interests originally acquired on 1 December 2017 is required to be fair valued as at 30 June 2018. The fair value of the 25% Interests has resulted in an uplift to property, plant and equipment of $27.0 million. A deferred tax liability of $10.8 million has been recognised, calculated by applying the prevailing combined corporate and supplementary tax charge rate of 40% in respect of the fair value uplift.

8. The Thistle Option will be exercised resulting in the receipt of $20 million, offset by the derecognition of the financial asset of $6.5 million and the recognition of a $13.5 million financial liability representing the liability to be paid to BPEOC representing the incremental from 4.5% to 7.5% of the decommissioning costs on the Thistle and Deveron fields.

9. In preparing the unaudited pro forma statement of net assets no account has been taken of the trading or transactions of EnQuest PLC or the 75% Interests since 30 June 2018, including the financing with OZ Management.

Unaudited Pro Forma Income Statement

For the six months ended 30 June 2018

		Adjustments			
	EnQuest PLC – Income Statement for the six months ended 30 June 2018	75% Interests results for the six months ended 30 June 2018	De-recognition of Financial Asset	Transaction costs	Pro forma total
	(Note 1) $'000	(Note 2) $'000	(Note 3) $'000	(Note 4) $'000	(Note 5,6) $'000
Revenue and Other operating Income	550,833	163,154	–	–	713,987
Cost of sales	(448,334)	(122,105)	–	–	(570,439)
Gross Profit/(Loss)	**102,499**	**41,049**	**–**	**–**	**143,548**
Impairment of oil and gas assets	(6,569)	–	–	–	(6,569)
General and Administrative expenses	(6,990)	–	–	–	(6,990)
Other income	59,702	–	(41,790)	–	17,912
Other expenses	(2,633)	(1,580)	–	(1,700)	(5,913)
Profit/(Loss) from operations before tax and finance income/(costs)	**146,009**	**39,469**	**(41,790)**	**(1,700)**	**141,988**
Finance costs	(128,263)	(4,278)	–	–	(132,541)
Finance income	1,383	140	–	–	1,523
Profit/(Loss) before tax	**19,129**	**35,331**	**(41,790)**	**(1,700)**	**10,970**
Income tax	24,193	(14,532)	–	–	9,661
Profit/(Loss) for the year attributable shareholders of the parent	**43,322**	**20,799**	**(41,790)**	**(1,700)**	**20,631**

Notes:

1. The consolidated income statement of EnQuest PLC for the six months ended 30 June 2018 has been extracted, without material adjustment, from the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018.

2. The income statement of the 75% Interests for the six months ended 30 June 2018 has been extracted from the operator's unaudited accounting records.

   The income tax expense of $14.5 million is the deferred income tax expense in relation to the 75% Interests. EnQuest Heather will be the owner of the 75% Interests at completion of the Magnus Option. As a result of the cumulative tax losses in EnQuest Heather, no current income tax has been recognised.

3. As set out in Part 3, on 24 January 2017, EnQuest PLC entered into the Magnus Option with BPEOC to acquire the remaining 75% Interests.

   As EnQuest is exercising the Magnus Option, this adjustment reflects the derecognition of the fair value movement of $41.8 million as recorded in the unaudited consolidated interim financial statements of EnQuest PLC for the six months ended 30 June 2018. These costs will not have a continuing impact.

4. Transaction costs expected to be incurred as a result of the Magnus Transaction and the Thistle Transaction and charged to the income statement comprise $1.7 million incurred by EnQuest PLC. These costs will not have a continuing impact.

5. In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of EnQuest PLC and the 75% Interests since 30 June 2018.

6. As at 1 January 2018, the fair value of the 75% Interests and the 25% Interests would not have resulted in a fair value uplift to property, plant and equipment and as a result there is no additional depletion costs in Cost of Sales.

Section B: Accountant's report on the Unaudited Pro Forma Financial Information

The Directors
EnQuest PLC
5th Floor, Cunard House
15 Regent Street
London
SW1Y 4LR

7 September 2018

Dear Sirs

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part 8 of the combined class 1 circular and prospectus dated 7 September 2018 (the "Document"), which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the rights issue by EnQuest PLC, the Magnus Transaction and the Thistle Transaction might have affected the financial information presented on the basis of the accounting policies adopted by EnQuest PLC in preparing the financial statements for the year ending 31 December 2018. This report is required by item 7 of Annex II 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 and to the extent there provided, and to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Document, 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 of Commission Regulation (EC) No 809/2004 and Listing Rule 13.4.1R (6), consenting to its inclusion in the Document.

Responsibilities

It is the responsibility of the directors of EnQuest PLC to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) No. 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of 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:

1. the Pro Forma Financial Information has been properly compiled on the basis stated; and

2. 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

PART 9

CAPITALISATION AND INDEBTEDNESS

The following tables show the capitalisation and indebtedness of EnQuest as at 30 June 2018 and net indebtedness as at 30 June 2018. The following tables do not reflect the impact of the Rights Issue on the Group's capitalisation and indebtedness. Please refer to Part 8 ("*Unaudited Pro Forma Financial Information*") for an illustration of the impact of the Rights Issue and the Proposed Transactions on the consolidated net assets of the Group.

1. Capitalisation and indebtedness

The information contained in this table sets out the unaudited capitalisation and indebtedness of EnQuest as at 30 June 2018 and has been extracted from the Group's 2018 Unaudited Interim Financial Statements.

	30 June 2018 US$ '000
Current debt	
Guaranteed	–
Secured[1]	470,667
Unguaranteed/Unsecured[2]	–
Total current debt	**470,667**
Total Non -current debt (excluding current portion of long term debt)	
Guaranteed	–
Secured[1]	718,152
Unguaranteed/Unsecured[2]	999,902
Total non-current debt	**1,718,054**
Shareholders' equity	
Share capital and Share Premium	210,402
Merger reserve	662,855
Cash flow hedge reserve	–
Share based payment reserve	(3,472)
Total shareholders' equity	**869,785**
Total capitalisation[3]	**3,058,506**

There has been no material change in the Group's capitalisation and indebtedness since 30 June 2018.

Notes:

1. Secured debt comprises:

   (a) The SFA, which is secured as described in paragraph 18.4(a) of Part 11 ("*Additional Information*").

   (b) The Tanjong Baram Project Finance Loan in Malaysia, which is secured as described in paragraph 18.4(b) of Part 11 ("*Additional Information*").

   (c) The Transocean deferral arrangement, which is secured as described in paragraph18.4(c) of Part 11 ("*Additional Information*").

2. Unsecured debt represents the High Yield Notes and the Retail Notes, as described more fully in paragraph 18.4 of Part 11 ("*Additional Information*").

3. Capitalisation and indebtedness does not include the fair value of the Group's derivatives.

   The indebtedness amounts above include accrued interest of $127.6 million, and unamortized facility fees totalling $9.5 million and IFRS 9 adjustments totalling $36.2 million.

2. Net Indebtedness

The information contained in this table sets out the unaudited net indebtedness of EnQuest as at 30 June 2018.

	30 June 2018 US$ '000
Cash (refer to Note 1)	(188,743)
Cash equivalents	–
Trading securities	–
Liquidity	**(188,743)**
Current financial receivable	–
Current bank debt	–
Current portion of non-current debt	470,667
Other current financial debt	–
Current financial debt	**470,667**
Net current financial indebtedness	**271,924**
Non-current bank loans	718,152
Bonds issued	999,902
Other non-current loans	–
Non-current financial indebtedness	**1,718,054**
Net financial indebtedness (refer to Note 2)	**1,999,978**

Notes:

1. Cash includes the restricted cash in relation to cash held in escrow in respect of the unwound acquisition of Tunisian assets of PA Resources and cash collateral held to issue bank guarantees in Malaysia. See note 16 to the 2017 Financial Statements, as incorporated by reference in Part 6 ("*Financial Information on the Group*").

2. The Company did not have any indirect or contingent indebtedness as at 30 June 2018.

3. Net financial indebtedness does not include the fair value of the Group's derivatives.

4. The above amounts include accrued interest and unamortized facility fees.

PART 10

TAXATION

The statements on taxation referred to in this Part 10 ("*Taxation*") are for general information purposes only and are not intended to be a comprehensive summary of all technical aspects of the structure and are not intended to constitute legal or tax advice to potential investors.

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise for prospective investors in relation to the Ordinary Shares (which may vary depending upon the particular individual circumstances and status of prospective investors). These comments are based on the laws and published practices as at the time of writing and may be subject to future revision. This discussion is not intended to constitute advice to any person and should not be so construed.

Each prospective Shareholder should consult their own tax advisers as to the possible tax consequences of buying, holding or selling Ordinary Shares under the laws of their country of citizenship, residence or domicile or other jurisdictions in which they are subject to tax.

1. Sweden

The comments in this section concern certain Swedish tax considerations for Swedish resident (and in the case of individuals, domiciled) Shareholders.

The description does not deal comprehensively with all tax consequences that may occur in this context. For instance, the summary does not address securities held by partnerships or securities held as current assets in business operations. Moreover, the summary does not address the specific rules on tax-exempt capital gains and dividends (including non-deductibility for capital losses) in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Neither are the specific rules covered that could be applicable to holdings in companies that are, or have previously been, closely-held companies or shares acquired on the basis of so-called qualified shares in such companies. Moreover, the summary does not address shares or other equity-related securities that are held in a so-called Investment Savings Account (Sw. *investeringssparkonto*). Such accounts are subject to special rules and taxed on a notional basis. Furthermore, special tax rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual Shareholder depends on such investor's particular circumstances.

The information applies only to persons who hold their shares directly and who are the absolute beneficial owners of the Ordinary Shares (and who do not hold their shares through a Self-Invested Personal Pension (*individellt penssionsparande*) or an equity-linked insurance policy (*kapitalförsäkring*).

Any prospective subscriber for Ordinary Shares who is in any doubt should consult their own professional tax advisers.

1.1 *Acquisition of Ordinary Shares pursuant to the Swedish Rights Issue*

A Shareholder pursuing the Swedish Rights Issue and thus is allotted Ordinary Shares is not considered to have made a disposal, and no tax is charged on the allotment of Ordinary Shares. To the extent that a Shareholder acquires Ordinary Shares allotted to him (*pro rata*), the sum of (i) the aggregate consideration (including any qualifying costs directly related to the purchase) paid for the New Ordinary Shares so acquired and (ii) the aggregate tax cost of the Existing Ordinary Shares held by the Shareholder, should be divided by the total number of Ordinary Shares held by the Shareholder after the issue, in order to obtain the new base cost per Ordinary Share held. Subscription rights, being rights to subscribe for new shares, received under a *pro rata* entitlement should be considered acquired for nil cost.

1.2 *A disposal of Ordinary Shares*

(a) *Individuals*

Upon the sale or other disposal of listed shares, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as income from capital at a tax rate of 30 per cent. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the applicable base cost. The base cost for all shares of the same class and type is calculated together in accordance with the average cost method, as described above. New Ordinary Shares should be considered to be of the same class and type as Existing Ordinary Shares. (Please note, however, that any interim shares allotted temporarily during the issuing process are normally not considered to be of the same class and type as Ordinary Shares). The base cost for listed shares may as an alternative to the average cost method, be determined as 20 per cent. of the sales proceeds after deducting sales costs under the so-called "notional rule".

Capital losses on listed shares are fully deductible against taxable capital gains on shares and on other listed equity-related securities realised during the same year, with the exception of units in securities funds or special funds that consist solely of Swedish receivables ("interest funds"). Up to 70 per cent. of capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 per cent. is allowed on the portion of such net loss that does not exceed SEK100,000 and of 21 per cent. on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

(b) *Corporate Shareholders*

A corporate Shareholder (limited liability company) resident in Sweden for tax purposes is taxed on its worldwide income. All income, including taxable capital gains, is taxed as business income at a tax rate of 22 per cent. For fiscal years beginning after 31 December 2018, the tax rate is 21.4 per cent. and for fiscal years beginning after 31 December 2020, the tax rate is 20.6 per cent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals, i.e. using the average cost method.

Capital losses on shares can only be deducted against taxable capital gains on shares and other equity-related securities that are taxed in the same manner as shares. Under certain circumstances such capital losses may also be deducted against capital gains realised by other group companies (provided that the requirements for exchanging group contributions between the companies concerned are met). A capital loss that cannot be utilized during a given year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

1.3 ***Taxation of dividends***

(a) *Individuals*

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 per cent. A preliminary tax of 30 per cent. is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear Sweden or, in the case of nominee-registered shares, by the Swedish nominee.

(b) *Corporate Shareholders*

A corporate Shareholder (limited liability company) resident in Sweden for Swedish tax purposes is taxed on its worldwide income as business income. Consequently, dividend income received on foreign holdings is considered as business income for a corporate shareholder and is thus subject to the ordinary income tax rate of 22 per cent. For fiscal years beginning after 31 December 2018, the tax rate is 21.4 per cent. and for fiscal years beginning after 31 December 2020, the tax rate is 20.6 per cent.

1.4 ***Transaction tax***

No Swedish stamp duty or other transaction taxes will be payable by a Shareholder on the allotment, issue, registration or disposal of Ordinary Shares.

2. United Kingdom

The comments in this section are intended as a general guide to certain UK tax considerations for UK resident (and in the case of individuals, domiciled or deemed domiciled) Shareholders and do not purport to be a complete analysis of all the potential UK tax consequences of acquiring and holding Ordinary Shares as investments and their subsequent disposal. The following statements are based on current UK tax law as applied in England and

Wales, and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this document. These may change, possibly with retrospective effect.

The tax position of certain Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares by reason of an office or employment, dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. The statements summarise the position as described above and are intended as a general guide only. Any Shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

The statements apply only to persons who hold their shares directly and who are the absolute beneficial owner of the Ordinary Shares (and who do not hold their shares through a Self-Invested Personal Pension or an Individual Savings Account).

Any prospective subscriber for Ordinary Shares who is in any doubt about his tax position or who is subject to tax in any jurisdiction other than the United Kingdom should consult his own professional tax advisers.

2.1 ***Taxation of Chargeable Gains***

(a) *Acquisition of Ordinary Shares pursuant to the Placing*

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to them, the Ordinary Shares acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount of subscription monies paid for the New Ordinary Shares will constitute the capital gains base cost of the new shareholding although subject to capital gains tax share matching rules.

(b) *Acquisition of Ordinary Shares pursuant to the Rights Issue*

On a strict application of the law, the acquisition of Ordinary Shares under the Rights Issue may not be regarded as a reorganisation of the share capital of the Company for the purposes of UK taxation on chargeable gains. Although HMRC's published practice to date has been to treat an acquisition of shares by an existing shareholder up to his pro-rata entitlement pursuant to the terms of a Rights Issue as a reorganisation, it is understood that HMRC may not apply this practice in circumstances where a Rights Issue is not made to all Shareholders.

If the issue of the New Ordinary Shares by the Company pursuant to the Rights Issue is regarded as a reorganisation of the Company's share capital for the purposes of UK taxation on chargeable gains, to the extent that a Shareholder takes up all or part of their Rights Issue Entitlement it should not be treated as acquiring a new asset nor will it be treated as making a disposal of any part of their corresponding holding of Existing Ordinary Shares. No liability to UK taxation on chargeable gains should arise on the issue of the New Ordinary Shares to the extent that the Shareholder takes up their Rights Issue Entitlement. The New Ordinary Shares will be treated as acquired at the same time as the Existing Ordinary Shares in respect of which they are acquired and the cost of acquisition of the New Ordinary Shares will be pooled with the expenditure allowable on the Existing Ordinary Shares in respect of which they are acquired for the purposes of determining the amount of any chargeable gain arising on a subsequent disposal.

If, or to the extent that, the issue of New Ordinary Shares pursuant to the Rights Issue is not regarded by HMRC as a reorganisation, the New Ordinary Shares acquired by each Qualifying Shareholder under the Rights Issue will, for the purposes of the UK taxation of chargeable gains, be treated as acquired as part of a separate acquisition of Ordinary Shares. The amount of subscription monies paid for the New Ordinary Shares will constitute the capital gains base cost of the new shareholding, although subject to capital gains tax share matching rules.

(c) *Disposal or lapse of rights to acquire New Ordinary Shares*

If a Shareholder who holds Existing Ordinary Shares:

(i) sells or otherwise disposes of all or some of his rights to subscribe for the New Ordinary Shares; or

(ii) allows or is deemed to allow all or any part of his rights to subscribe for New Ordinary Shares to lapse and receives a cash payment in respect of them,

the proceeds will be treated as a capital distribution to that Shareholder by the Company. The Shareholder will be treated as if he had disposed of a part of his holding of Existing Ordinary Shares and he may, depending on his circumstances, incur a liability to taxation on any chargeable gains. However, if the proceeds resulting from a lapse or disposal of rights to subscribe for New Ordinary Shares are "small" as compared with the market value (on the date of lapse or disposal) of that Shareholder's holding of Existing Ordinary Shares, the Shareholder should not generally be treated as making a disposal for the purposes of the taxation of chargeable gains. The proceeds will instead reduce the base cost of the relevant Existing Ordinary Shares to compute any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where such proceeds are greater than the base cost of the Existing Ordinary Shares.

The current practice of HMRC is to treat proceeds as "small" where either: (a) the proceeds of the disposal or lapse of rights do not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the holding of Existing Ordinary Shares in respect of which the rights arose; or (b) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent. test is satisfied.

(d) *A Disposal or Deemed Disposal of Ordinary Shares*

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

Shareholders who are not resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency or, in the case of a shareholder which is a body corporate, a permanent establishment with which their Ordinary Shares are connected).

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of five complete tax years or less (or for a period of five years or less where split year treatment applies) and who disposes of all or part of his shares during that period of temporary non-residence may be liable on his return to the UK to UK tax on chargeable gains arising during the period of absence, subject to any available exemption or relief.

(i) Individuals

Where an individual Shareholder who is resident in the UK for tax purposes disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,700 for 2018/19) and after taking account of any capital losses or exemptions available to the individual. Capital gains tax at the rate of 10 per cent. (to the extent the gain falls within the basic rate band) or 20 per cent. (to the extent the gain falls within the higher or additional rate band) will be payable on any gain on the disposal of Ordinary Shares.

Where a Shareholder resident in the UK for tax purposes disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Shareholder).

(ii) Shareholders Chargeable to UK Corporation Tax

Where a Shareholder is within the charge to corporation tax, a disposal or deemed disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index but indexation allowance cannot create or increase any allowable loss. For the purposes of calculating an indexation allowance available on a disposal of New Ordinary Shares generally the expenditure incurred in acquiring the New Ordinary Shares will be treated as incurred only when the Shareholder made, or became liable to make, payment, and not at the time those shares are otherwise deemed to have been acquired. For disposals on or after 1 January 2018, the Government has frozen indexation allowance such that it will be calculated only up to and including December 2017, irrespective of the date of disposal of New Ordinary Shares. Shareholders will be subject to corporation tax rate of 19 per cent. (reducing to 17 per cent. from 1 April 2020).

2.2 ***Taxation of Dividends***

(a) *Dividend withholding tax requirements of the Company*

No UK tax is required to be withheld from dividend payments by the Company.

(b) *UK resident individual Shareholders*

An individual Shareholder who is resident for tax purposes in the UK will pay no tax on the first £2,000 of dividend income received in a year (the "**dividend allowance**"). The rates of income tax on dividends received above the dividend allowance are: (a) 7.5 per cent. for dividends taxed in the basic rate band; (b) 32.5 per cent. for dividends taxed in the higher rate band; and (c) 38.1 per cent. for dividends taxed in the additional rate band (2018/2019).

Dividend income that is within the dividend allowance counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of this allowance. In calculating into which tax band any dividend income over the £2,000 allowance falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

(c) *Companies*

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends legislation) will not generally expect to be subject to UK tax on dividends from the Company. Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, a majority of dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company (or any class of that share capital), and who would be entitled to less than ten per cent. of the profits or assets of the Company available for distribution.

However, the exemptions are not comprehensive and are subject to anti-avoidance rules and other conditions. In the event that the dividends do not qualify for such exemption, Shareholders within the charge to corporation tax will be subject to corporation tax on them.

2.3 ***Stamp duty and Stamp Duty Reserve Tax* ("*SDRT*")**

(a) *Issue of New Ordinary Shares and issue or crediting of rights to New Ordinary Shares*

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates, on the crediting of nil paid rights or fully paid rights to subscribe for New Ordinary Shares to accounts in CREST, or on the issue in uncertificated form of New Ordinary Shares.

Where New Ordinary Shares represented by such documents or rights are registered in the name of the Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to an account in CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the ECJ in *HSBC Holdings and Vidacos Nominees* (Case 569/07) and the First-tier Tax Tribunal decision in *HSBC Holdings and The Bank of New York Mellon*, HMRC has confirmed that SDRT is no longer payable when new shares are issued into a clearance service or depositary receipt service.

(b) *Purchase of rights to New Ordinary Shares*

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or nil paid rights or fully paid rights to subscribe for New Ordinary Shares held in CREST, on or before the latest time for registration of renunciation, will not generally be liable to pay stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of nil paid rights or fully paid rights to subscribe for New Ordinary Shares held in CREST should be collected and accounted for to HMRC by CREST.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters, whether by the original holders or their renouncees.

(c) *Subsequent dealings in New Ordinary Shares*

The transfer on sale of Ordinary Shares held in certificated form will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary shares (rounded up, if necessary, to the nearest multiple of £5). An exemption from stamp duty is available on an instrument transferring shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate amount or value of the consideration exceeds £1,000. Stamp duty is the liability of the purchasers, and as such, is normally paid by the purchaser of the shares.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the ordinary shares. However, where, within six years of the date of the agreement or, in the case of a conditional agreement, within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed and duly stamped or certified as exempt, the SDRT liability will automatically be cancelled and any SDRT which has been paid may be reclaimed. SDRT is normally the liability of the purchaser of the shares.

Paperless transfers of ordinary shares within CREST will generally be subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of ordinary shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

The above comments are intended as a guide to the general UK stamp duty and SDRT position. Special rules apply to persons such as market intermediaries, charities, persons connected with depositary arrangements or clearance services and to certain sale and repurchase and stock borrowing arrangements.

PART 11

ADDITIONAL INFORMATION

1. Responsibility

The Company and its Directors, whose names appear in paragraph 6.2 of this Part 11 ("*Additional Information*"), accept responsibility for the information contained in this document. To the best of the knowledge and belief 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 does not omit anything likely to affect the import of such information.

2. Incorporation and Registered Office

2.1 The Company was incorporated and registered in England and Wales on 29 January 2010 under the name EnQuest PLC as a public company limited by shares under the Companies Act with the registered number 7140891. The principal legislation under which the Company operates and under which the New Ordinary Shares will be created is the Companies Act.

2.2 The Company's registered office is at 5th Floor Cunard House, 15 Regent Street, London, SW1Y 4LR (telephone number +44 (0)20 7925 4900).

3. Share Capital

3.1 As at the Latest Practicable Date, the issued share capital of the Company was £59,304,215.20 divided into 1,186,084,304 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid). As at the Latest Practicable Date, the Company does not hold any shares in treasury.

3.2 At 31 December 2015, the issued share capital of the Company was £40,133,037.85 divided into 802,660,757 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid). The following changes were made to the share capital of the Company between 31 December 2015 and the Latest Practicable Date:

(a) following the issue of 356,783,114 Ordinary Shares on 21 November 2016, the share capital of the Company at 31 December 2016 was £57,969,943.55 divided into 1,159,398,871 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid); and

(b) following a further issue of 26,685,433 Ordinary Shares on 18 October 2017, the share capital of the Company at 31 December 2017 was £59,304,215.20 divided into 1,186,084,304 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid).

3.3 There were no changes in the issued share capital of the Company between 31 December 2017 and the Latest Practicable Date.

3.4 ***Existing Shareholder authorities***

(a) By an ordinary resolution at EnQuest's annual general meeting held on 24 May 2018, the Directors were generally and unconditionally authorised by the Shareholders pursuant to section 551 of the Companies Act to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £19,768,072 (such amount to be reduced by the nominal amount allotted or granted under paragraph (ii) below in excess of such sum); and

(ii) comprising equity securities (as defined in section 560 of the Companies Act) up to an aggregate nominal amount of £39,536,143 (such amount to be reduced by allotments or grants made under paragraph (i) above) in connection with an offer by way of a rights issue in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective existing holdings (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the next annual general meeting of the Company in 2019 (or, if earlier, on 30 June 2019), save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred had not expired).

(b) By a special resolution at EnQuest's annual general meeting held on 24 May 2018, the Directors were generally empowered, pursuant to sections 570 and 573 of the Companies Act, to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash pursuant to the authority conferred by the resolution in paragraph (a) above (or by way of a sale of treasury shares) as if section 561 of the Companies Act did not apply to such allotment. This power is limited to the allotment of equity securities for cash and the sale of treasury shares:

(i) in connection with or pursuant to an offer of or invitation to acquire equity securities in favour of holders of Ordinary shares in proportion (as nearly as practicable) to the their respective existing holdings but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(ii) otherwise than pursuant to paragraph (i) above, up to an aggregate nominal amount of £2,965,211, and shall expire at the conclusion of the next annual general meeting of the Company in 2019 (or, if earlier, on 30 June 2019), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred had not expired.

3.5 ***Shareholder authorities to be proposed at the General Meeting***

These are summarised in paragraph 12 of Part 1 ("*Letter from the Chairman of EnQuest PLC*") of this document.

The full text of the resolutions is set out in the notice convening the General Meeting which is set out at the end of this document.

3.6 Pursuant to the Rights Issue, 508,321,844 New Ordinary Shares will, subject to LSE Admission and Stockholm Rights Admission, be issued at a price of 21 pence per New Ordinary Share. Following the issue of the New Ordinary Shares, Qualifying Shareholders who take up their *pro rata* entitlement will suffer no dilution to their interests in the Company. Qualifying Shareholders who do not take up any of their rights to subscribe for the New Ordinary Shares pursuant to the Rights Issue will suffer an immediate dilution of approximately 30.0 per cent. in their interests in the Company.

3.7 As at the Latest Practicable Date, the following options to subscribe for Ordinary Shares have been granted to employees and Directors under the Share Option Plans and remain outstanding:

Sharesave Option Plan	Date of grant	Number of Ordinary Shares under option	Exercise price (£)	Exercisable from	Exercisable to
2013 5 Year	10 May 2013	16,389	91.52p	1 June 2018	1 December 2018
2015 3 Year	6 May 2015	1,275,111	29.28p	1 June 2018	1 December 2018
2014 5 Year	7 May 2014	19,280	93.35p	1 June 2019	1 December 2019
2016 3 Year	4 May 2016	6,893,855	18.30p	1 June 2019	1 December 2019
2015 5 Year	6 May 2015	276,637	29.28p	1 June 2020	1 December 2020
2017 3 Year	25 May 2017	638,993	30.40p	1 June 2020	1 December 2020
2016 5 Year	4 May 2016	2,311,466	18.30p	1 June 2021	1 December 2021
2018 3 Year	25 May 2018	10,862,149	29.31p	1 June 2021	1 December 2021
2017 5 Year	25 May 2017	157,893	30.40p	1 June 2022	1 December 2022
2018 5 Year	25 May 2018	9,974,391	29.31p	1 June 2023	1 December 2023

As at the Latest Practicable Date, the following awards to acquire Ordinary Shares have been granted to employees and Directors under the Share Option Plans and remain outstanding:

Share Scheme	Date of grant	Number of Ordinary Shares subject to award*	Vesting period*	Expiry date
DBSP Bonus	22 April 2016	157,222	3 years: 1/3rd vesting each year	22 April 2019
DBSP Matching	22 April 2016	161,391	3 years: 1/3rd vesting each year	22 April 2019
DBSP Bonus	21 April 2017	436,196	3 years: 1/3rd vesting each year	21 April 2020
DBSP Matching	21 April 2017	439,860	3 years: 1/3rd vesting each year	21 April 2020
DBSP Bonus	24 April 2018	344,511	3 years: 1/3rd vesting each year	24 April 2021
DBSP Matching	24 April 2018	344,511	3 years: 1/3rd vesting each year	24 April 2021
PSP Awards	22 April 2016	23,744,181	3 years cliff vesting	22 April 2019
PSP Awards	21 April 2017	6,064,797	3 years cliff vesting	21 April 2020
PSP Awards	12 September 2017	669,709	3 years cliff vesting	12 April 2020
PSP Awards	24 April 2018	8,243,288	3 years cliff vesting	12 April 2021
PSP Options	19 April 2011	661,797	3 years cliff vesting	19 April 2021
PSP Options	19 April 2012	625,906	3 years cliff vesting	19 April 2022
PSP Options	29 April 2013	736,534	3 years cliff vesting	29 April 2023
PSP Options	22 April 2014	706,791	3 years cliff vesting	22 April 2024
PSP Options	27 March 2015	295,012	3 years cliff vesting	27 March 2025
PSP Options	22 April 2016	9,469,930	3 years cliff vesting	22 April 2026
PSP Options	21 April 2017	1,494,032	3 years cliff vesting	21 April 2027
PSP Options	12 September 2017	7,099,064	3 years cliff vesting	12 September 2027
PSP Options	24 April 2018	8,139,223	3 years cliff vesting	24 April 2028
RSP Awards	20 August 2014	61,671	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	20 August 2018
RSP Awards	27 March 2015	233,098	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	27 March 2019

Share Scheme	Date of grant	Number of Ordinary Shares subject to award*	Vesting period*	Expiry date
RSP Awards	20 August 2015	483,309	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	20 August 2019
RSP Awards	22 April 2016	980,496	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	22 April 2020
RSP Awards	9 September 2016	429,956	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	9 September 2020
RSP Awards	21 April 2017	210,292	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	21 April 2021
RSP Awards	12 September 2017	376,924	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	12 September 2021
RSP Awards	24 April 2018	406,219	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	24 April 2022
RSP Options	1 April 2010	2,435,359	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	1 April 2020
RSP Options	19 April 2010	824,637	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	19 April 2020
RSP Options	19 April 2012	81,949	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	19 April 2022
RSP Options	22 April 2014	50,080	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	22 April 2024
RSP Options	20 August 2015	218,530	4 years: Yr1-0%, Yr2-25%, YR3-25%, Yr4-50%	20 August 2025
RSP Options	22 April 2016	4,449,526	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	22 April 2026
DBSP NCO	22 April 2016	1,665,876	2 years cliff vesting	22 April 2018
DBSP NCO	21 April 2017	779,846	2 years cliff vesting	21 April 2019
DBSP NCO	24 April 2018	254,952	2 years cliff vesting	24 April 2020

Some awards under the RSP and PSP were granted on a nil cost basis. The vesting of awards under the PSP are subject to achievement of performance conditions. The vesting of awards under the PSP, RSP and DBSP are subject to completion of the vesting period. The awards under the PSP first vest on the third anniversary of the date of grant, subject to the achievement of performance and, in respect of executive directors only, and such other individuals as the Committee determines appropriate, on or after 24 May 2018 an additional holding period of two years shall apply to Ordinary Shares subject to vested Awards, during such time the participant may not sell, transfer, assign or dispose of his or her net vested Ordinary Shares.

Other than pursuant to the Rights Issue and the vesting of awards and the exercise of options to be granted under the Share Option Plans, there is no present intention to issue any shares in the capital of the Company.

3.8 Save as disclosed in this paragraph 3.8:

(a) no share capital of the Company has, since the date of incorporation of the Company, been issued or agreed to be issued, or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash, to any person;

(b) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of any such company; and

(c) no share capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.9 The Company will be subject to the continuing obligations of the Listing Rules with regard to the issue of shares for cash.

4. Articles of Association

The Articles were adopted pursuant to a special resolution passed on 22 February 2010 and subsequently amended by special resolution passed on 18 March 2010 and on 28 May 2014 and are available for inspection as set out in paragraph 26 of this Part 11 ("*Additional Information*"). The Articles contain provisions, *inter alia*, to the following effect:

4.1 ***Objects***

In accordance with section 31 of the Companies Act, the objects of the Company are unrestricted.

4.2 ***Voting rights in respect of Ordinary Shares***

(a) 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.

(b) 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 4.3 of this Part 11 ("*Additional Information*") below.

4.3 ***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 the subject of the transfer are restricted shares.

4.4 ***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 4.4 only, the "**Statutes**"), be 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.

4.5 ***Alteration of capital***

(a) The Company may by ordinary resolution increase its share capital, consolidate and divide 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.

(b) 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.

(c) 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.

(d) Subject to the provisions of the Statutes, the Company may purchase its own shares (including any redeemable shares).

4.6 ***Transfer of Ordinary Shares***

(a) 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 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. Subject to the provisions of the Articles, 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 FCA or admitted to AIM, such discretion may not be exercised in a way which the FCA 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 refuse to register any transfer of a share (whether certificated or uncertificated), whether fully-paid or not, in favour of more than four persons jointly.

(b) In relation to a certificated share, the Directors may decline to recognise any instrument of transfer unless:

(i) the instrument of transfer is left at the registered office of the Company, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the shares to which it relates 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 to do so); and

(ii) the instrument of transfer is in respect of only one class of share.

(c) 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 all transfers of uncertificated shares shall be made in accordance with and be subject to the provisions of the CREST Regulations and the facilities and requirements of the relevant system (as defined in the

CREST Regulations) and, subject thereto, in accordance with any arrangements made by the Directors.

4.7 ***General Meetings***

(a) An annual general meeting shall be called by not less than 21 clear days' notice, and a meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice. If the Company is a traded company (as defined in section 360C of the Companies Act), the provisions of section 307A of the Companies Act must be complied with if the meeting is to be called by less than 21 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 a special resolution shall specify the intention to propose the resolution as such and shall include the text of the resolution.

(b) 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.

(c) 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.

4.8 ***Directors***

(a) 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.

(b) Subject to the provisions of the Statutes, a Director may hold any other office or place of profit with the Company, except that of auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) on such terms as to remuneration and otherwise as the Directors may decide. No Director shall be disqualified by his office from entering into, or being otherwise interested in, any of the foregoing or any contract, arrangement, transaction or proposal with the Company or in which the Company has a direct or indirect interest. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal shall be liable to be avoided on the grounds of the Director's interest, nor shall any Director be liable to account to the Company for any remuneration or other benefit which derives from any such contract, transaction or arrangement or interest by reason of such Director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest in accordance with the requirements of the Statutes.

(c) 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:

(i) 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;

(ii) 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;

(iii) 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;

(iv) 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 to 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;

(v) 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

(vi) any contract, arrangement or transaction 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.

(d) 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.

(e) 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.

(f) 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.

(g) There shall be no age limit for Directors.

(h) Each Director shall have the power at any time to appoint as an alternate Director either (i) another director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

(i) 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.

(j) 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.

4.9 ***Borrowing Powers***

(a) 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.

(b) 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 $3,000,000,000 or three times the aggregate of (i) the amount paid up on the issued share capital of the Company and (ii) 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 Articles.

4.10 ***Dividends and Distributions on Liquidation to Shareholders***

(a) 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.

(b) 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.

(c) 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.

(d) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(e) On a liquidation, the liquidator may, subject to the Statutes, divide among 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.

4.11 ***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. Mandatory Bids, Squeeze-Out and Sell-out Rules

5.1 ***Mandatory Bid***

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in 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 Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in 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 shares by a person holding (together with its concert parties) 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.

5.2 ***Squeeze-Out***

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights carried by the shares to which the offer relates, it could, within three months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the outstanding shares to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the takeover offer.

5.3 ***Sell-Out***

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the shares and, at any time before the end of the period within which the offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares, any holder of shares to which the offer relates who has not accepted the offer could, by a written communication to the offeror, require it to acquire those shares. The offeror is required to give any shareholder notice of his/her 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/her sell-out rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. Directors and Senior Managers

6.1 ***Directors***

The current Directors and their functions are as follows:

Name	Position	Date appointed to the Board
Amjad Bseisu	Chief Executive	22 February 2010
Jock Lennox	Chairman	22 February 2010
Philip Holland	Non-Executive Director	1 August 2015
Helmut Langanger	Senior Independent Director	16 March 2010
Jonathan Swinney	Chief Financial Officer	29 March 2010
Laurie Fitch	Non-Executive Director	8 January 2018
Carl Hughes	Non-Executive Director	1 January 2017
John Winterman	Non-Executive Director	7 September 2017

The business address of each of the Directors (in such capacity) is 15 Regent Street, London, United Kingdom, SW1Y 4LR.

6.2 ***Profiles of the Directors***

The business experience and principal business activities outside of EnQuest of each of the Directors are as follows:

(a) *Amjad Bseisu (Chief Executive)*

Amjad Bseisu holds a BSc Honours degree in Mechanical Engineering and an MSc and D.ENG degree in Aeronautical Engineering. From 1984 to 1998, Amjad worked for the Atlantic Richfield Company (ARCO), eventually becoming president of ARCO Petroleum Ventures and ARCO Crude Trading Inc. In 1998 Amjad founded and was the chief executive of Petrofac Energy Developments International Limited, the operations and investment business for Petrofac Limited, which organically grew an upstream and midstream oil and gas business in South East Asia, the UK and North America. In 2010 Amjad formed EnQuest PLC having previously been a founding non-executive chairman of Serica Energy plc and director of Stratic Energy Corporation. Amjad was British Business Ambassador for Energy from 2013 to 2015.

Other principal external appointments include chairman of the World Economic Forum Independent Oil and Gas Community since 2016 and chairman of the Amjad and Suha Bseisu charity foundation.

Amjad is also a member of the Nomination Committee.

(b) *Jock Lennox (Chairman)*

Jock Lennox holds a law degree and in 1980 qualified as a chartered accountant with Ernst & Young LLP. He is a member of the Institute of Chartered Accountants of Scotland. In 1988 Jock became a partner at Ernst & Young LLP. In his time at Ernst & Young LLP Jock gained a wide range of experience working with multi-national clients, including projects in many countries and a secondment to Seattle, US in the early 1980s. He held a number of leadership positions in the UK and globally. Jock retired from Ernst & Young LLP in 2009, since when he has developed a career as an independent public company director.

Other principal external appointments include non-executive director of Barratt Developments plc and Dixons Carphone plc. He is a chairman of Hill & Smith Holdings plc and a trustee of the Tall Ships Youth Trust.

Jock is Chairman of the Nomination Committee.

(c) *Philip Holland (Non-Executive Director)*

Philip Holland holds a BSc in Civil Engineering from Leeds University as well as an MSc in Engineering and Construction Project Management from Cranfield School of Management. Philip has extensive experience in managing large scale oil and gas projects around the globe. In 1980 Philip joined Bechtel Corporation, where for over 20 years he managed major oil and gas projects in a wide range of international locations. In 2004 Philip joined Shell as vice president of projects, Shell Global Solutions International. In 2009 Philip became executive vice-president in Downstream Projects in Shell's newly formed Projects and Technology Business and in 2010 he was appointed as project director for Shell's Kashagan Phase 2 Project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Other principal external appointments include chief executive of Lloyds Energy Limited.

Philip is Chairman of the Risk Committee and a member of the Remuneration Committee.

(d) *Helmut Langanger (Senior Independent Director)*

Helmut Langanger holds an MSc degree in Petroleum Engineering and an MA in Economics. Between 1974 and 2010, Helmut was employed by OMV, Austria where he was a reservoir engineer until 1980. From 1981 to 1985, Helmut was an evaluation engineer for the technical and economic assessment of international E&P ventures, and from 1985 to 1989 he held the position of vice-president, planning and economics for E&P and natural gas projects. In 1989 Helmut was appointed as senior vice-president of international E&P and in 1992 became senior vice-president of E&P for OMV's global operations. From 2002 Helmut was the group executive vice-president for E&P, OMV until he retired in 2010. During his tenure, Helmut was in charge of OMV activities in 14 countries and production increased from 80,000 barrels per day to 320,000 barrels per day.

Other principal external appointments include non-executive director of Schoeller Bleckmann Oilfield Equipment A.G. (Austria) and MND (Czech Republic).

Helmut is Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

(e) *Jonathan Swinney (Chief Financial Officer)*

Jonathan Swinney is a qualified chartered accountant and a member of the Institute of Chartered Accountants of England and Wales. He is also a qualified solicitor and focussed on acquisition finance. Jonathan worked at Credit Suisse and then Lehman Brothers, advising on a wide range of transactions with equity advisory. Jonathan joined Petrofac Limited in April 2008 as head of mergers and acquisitions for the Petrofac Group and left in 2010 to join EnQuest PLC. The combination of Jonathan's accounting and legal professional qualifications as well as significant capital markets knowledge, experience and understanding has been critical in raising finance during EnQuest's existence, particularly the successful restructuring undertaken in 2016. Jonathan also has significant merger and acquisition transactional experience.

(f) *Laurie Fitch (Non-Executive Director)*

Laurie Fitch has a BA in Arabic and an MA from Georgetown University's School of Foreign Service, where she is chair of the University's Center for Contemporary Arab Studies. Laurie is currently a partner in the Strategic Advisory Group at PJT Partners, based in London. Laurie spent a significant part of her career as an equity analyst and portfolio manager at TIAA CREF and Artisan Partners, where she invested in the global industrials, utility and infrastructure sectors. Laurie spent four years in the Global Power and Global Industrials groups at Morgan Stanley, most recently as co-head of the global industrials group in Europe, prior to joining PJT Partners in 2016.

Other principal external appointments include Partner in the strategic advisory group of PJT Partners; non-executive director of EDP (Energias de Portugal), SA; and a member of the Audit and Finance and Operations subcommittees of the Tate Board of Trustees.

Laurie is a member of the Remuneration Committee and a member of the Risk Committee.

(g) *Carl Hughes (Non-Executive Director)*

Carl Hughes holds an MA in Philosophy, Politics and Economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a Fellow of the Energy Institute. Carl joined Arthur Andersen in 1983, qualified as a chartered accountant and became a partner in 1993. Throughout his professional career he specialised in the oil and gas, mining and utilities sectors, becoming the head of the UK energy and resources industry practice of Andersen in 1999 and subsequently of Deloitte in 2002. When Carl retired from the partnership of Deloitte in 2015 he was a vice chairman, senior audit partner and leader of the firm's energy and resources business globally.

Other principal external appointments include member of the finance and audit committee of Energy Institute; Director and Trustee of the Premier Christian Media Trust; Director and Trustee of the Lambeth Conference Company; member of the development board of St Peter's College, Oxford; member of the General Synod of the Church of England and of the finance committee of the Archbishops' Council.

Carl is Chairman of the Audit Committee, is a member of the Remuneration Committee, and a member of the Risk Committee.

(h) *John Winterman (Non-Executive Director)*

John Winterman holds a BSc in geology from Queen Mary College, London University and is a member of the American Association of Petroleum Geologists. John has extensive leadership experience in global exploration, business development and asset management and has a strong record of exploration success globally with over two billion barrels of oil equivalent discovered in the Philippines, Indonesia, Bangladesh, Malaysia, Russia, United States and Yemen. John joined Occidental in 1981 and after a 20+ year technical career, moved into executive roles; these included high-level leadership positions in exploration, new business development and in asset management. John left Occidental in 2013 and since then he has provided strategic advice to international oil and gas companies.

Other principal external appointments include Non-executive director of CC Energy.

John is a member of the Audit Committee, a member of the Remuneration Committee and a member of the Risk Committee.

A list of the companies and partnerships of which the Directors are or have been a director or partner within the past five years is set out in paragraph 12 of this Part 11 ("*Additional Information*").

6.3 ***Senior Managers***

The Senior Managers of the Group are:

Name	Position
Stefan Ricketts	General Counsel & Company Secretary
Faysal Hamza	Interim Head of North Sea and Managing Director – Corporate Development
Bob Davenport	Managing Director – North Sea
Imran Malik	Vice President – Finance
Martin Mentiply	Chief Petroleum Engineer
Salman Malik	Vice President – Corporate Finance and M&A
John Penrose	Managing Director – Malaysia

6.4 ***Profiles of the Senior Managers***

The business experience and principal business activities of each of the Senior Managers are as follows:

(a) *Stefan Ricketts (General Counsel & Company Secretary)*

Stefan joined EnQuest in 2012 and is responsible for all legal, Company secretarial matters and for EnQuest's Risk Management Framework.

Prior to joining EnQuest, Stefan was a partner at Fulbright & Jaworski, LLP heading its energy and natural resources practice in the Asia-Pacific region. He had previously been general counsel at BG Group plc. Stefan, who graduated from the University of Bristol with a degree in Law, began his early career as a solicitor with Herbert Smith LLP, has significant experience as a lawyer and in management working across the energy chain and in all phases of project development and operations. In previous roles he has been based in London, Paris, Dubai, Jakarta, Singapore and Hong Kong.

(b) *Faysal Hamza (Interim Head of North Sea and Managing Director, Corporate Development)*

Faysal has an MBA from Georgetown University in Washington and over 28 years of experience in oil and gas finance, business development and private equity. Faysal joined EnQuest in 2011 and prior to that was managing director, private equity at Swicorp, a financial firm operating in the Middle East and North Africa. Faysal has also held roles as senior executive at Arab Petroleum Investment Corporation and group business development manager with the Alturki Group in Saudi Arabia in addition to management positions at Arco International Oil & Gas Company in the US, Saudi International Bank in London and the Saudi Arabian Oil Company (Saudi Aramco).

(c) *Bob Davenport (Managing Director, North Sea)*

Bob has a degree in Mineral Engineering and an MBA. He began his early career in 1984 as a field engineer with Schlumberger, then gained broad international experience in petroleum engineering, operations and management with Texaco, Shell, BP and Apache Corporation. In previous roles he has worked in Southeast Asia, the Middle East, Egypt, UK North Sea and the USA Gulf Coast. Prior to joining EnQuest, Bob served as North Sea operations director for Apache and general manager, Khalda where he led the largest oil and gas producer in Egypt's western desert. He joined EnQuest in 2015 as Managing Director – Malaysia. In his current role as Managing Director – North Sea, Bob is responsible for delivering sustainable business growth in the UKCS.

(d) *Imran Malik (Vice President, Finance)*

Imran holds a degree in Chemical Engineering from University College London, qualified as a chartered accountant with KPMG in 1991 and is a member of the Institute of Chartered Accountants of England and Wales. He has over 25 years of broad international oil and gas experience in group and operational finance, project services, contracts and procurement, and general management across the value chain from Upstream to LNG. He joined EnQuest in 2015 from BG Group plc, where he was part of the finance leadership team and his most recent role was as group head of planning and risk. As Vice President, Finance at EnQuest, Imran has overall responsibility for ensuring that the Company has the necessary finance capacity and capabilities in place to deliver EnQuest's strategy.

(e) *Martin Mentiply (Chief Petroleum Engineer)*

Martin holds a degree in Chemical Engineering from the University of Edinburgh and a master's degree in Petroleum Engineering from Imperial College. He has over 20 years of broad international oil and gas operator experience. Through his career he has gained significant technical and commercial expertise in field development planning, project execution, reservoir management and investment assurance across the value chain from Upstream through to LNG. He joined EnQuest in 2016 from BG Group plc, where his most recent role was head of assurance, advising the board and chief executive on investment decisions. In previous roles he has worked in Indonesia, Egypt, Tunisia and the UK North Sea. As the Chief Petroleum Engineer for EnQuest, Martin has global accountability for all subsurface activities, including reserves management and resource maturation.

(f) *Salman Malik (Vice President, Corporate Finance and M&A)*

Salman graduated from the University of Toronto with a degree in Finance and Economics with high distinction. He is also a CFA charter holder with extensive experience in investment management, investment banking and private equity in Canada and the Middle East. Prior to joining EnQuest in 2013, Salman was a director of private equity and principal investments at Swicorp, a financial firm operating in the Middle East and North Africa, where he served on the board of several portfolio companies and was responsible for acquisitions, post-acquisition management and exits across the energy value chain. Prior to that, Salman held several sell-side positions in the investment banking industry in Canada, primarily focused on the industrial and metals and mining sectors. In his current role, Salman is responsible for the Group's strategy, corporate finance activities, and transaction structuring and execution, including acquisitions and divestments.

(g) *John Penrose (Managing Director, Malaysia)*

John holds a degree in Chemical and Process Engineering and an MBA. He started his career in 1988 as a design engineer, spending over 10 years working on greenfield and brownfield projects in both the UK North Sea and the Middle East. Subsequent experience was gained in an operational environment with Arco in the Southern North Sea as an Engineering Superintendent and in a field development capacity with Talisman Energy. Following a period of managing an oil and gas consultancy in Australia, John worked for Noble Energy as Operations Manager in the UK, US and Israel. He joined EnQuest in 2013, initially as Facilities Adviser (International) before moving to Malaysia as General Manager and Development Manager for the Tanjong Baram Risk Service Contract that delivered the first oil in mid-2015. After a period of acting as Head of Engineering, Projects and Assurance, John assumed overall responsibility of the Malaysia business for EnQuest in late 2017.

A list of the companies and partnerships (other than EnQuest and its subsidiaries) of which the EnQuest Senior Managers are or have been a director or partner within the past five years is set out in paragraph 12 of this Part 11 ("*Additional Information*").

7. Directors' and Senior Managers' Interests

7.1 *Directors' and Senior Managers' interests in share capital*

The following table sets out the interests in the share capital of the Company of the Directors and Senior Managers (including beneficial interests or interests of a person connected with a Director or a Senior Manager) (i) as at the Latest Practicable Date; and (ii) immediately following completion of the Rights Issue of the New Ordinary Shares:

Director	Ordinary Shares held prior to the Rights Issue[(1)]	Percentage of issued Ordinary Share capital prior to the Rights Issue[(1)] %	Ordinary Shares held immediately after the Rights Issue[(2)]	Percentage of issued Ordinary Share capital immediately after the Rights Issue[(2)] %
Chairman and Executive Directors				
Amjad Bseisu[(3)]	103,258,316	8.71	147,511,880.00	8.71
Jock Lennox	28,889	0.00	41,270.00	0.00
Jonathan Swinney	203,146	0.02	290,208.00	0.02
Non-Executive Directors				
Laurie Fitch	–	–	–	–
Philip Holland	108,332	0.01	154,760.00	0.01
Carl Hughes	20,000	0.00	28,571.00	0.00
Helmut Langanger	288,889	0.02	412,698.00	0.02
John Winterman	–	–	–	–
Senior Managers				
Stefan Ricketts	105,440	0.01	150,628.00	0.01
Faysal Hamza	587,333	0.05	839,047.00	0.05
Bob Davenport	–	–	–	–
Imran Malik	–	–	–	–
John Penrose	93,154	0.01	133,077.00	0.01
Salman Malik	154,597	0.01	220,852.00	0.01
Martin Mentiply	11,356	0.00	16,222.00	0.00

Notes:

(1) Details of the options and awards over Ordinary Shares and interests in the Share Option Plans held by the Directors are set out in paragraph 14 of this Part 11 ("*Additional Information*"). They are not included in the interests of the Directors shown in the table above.

(2) Assuming (i) that no share awards vest and no share options are exercised between the Latest Practicable Date and completion of the Rights Issue and (ii) that the Directors and Senior Managers (and their connected persons) take up their rights under the Rights Issue in full.

(3) 103,141,033 of these shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. The remaining 117,283 shares are held by Amjad Bseisu.

Taken together, the combined percentage interest of the Directors and the Senior Managers in the issued share capital expected to subsist immediately following the Rights Issue is approximately 9 per cent., assuming that the Directors and the Senior Managers take up their rights under the Rights Issue in full.

7.2 *Directors' and Senior Managers' interests in Share Option Plans*

As at the Latest Practicable Date, the Directors and Senior Managers have been granted the following options to subscribe for Ordinary Shares which remain outstanding:

Director/Senior Manager	Share Option Plan	Number of Ordinary Shares under option
Imran Malik	Sharesave	98,360
Jonathan Swinney	Sharesave	61,475
Martin Mentiply	Sharesave	60,311
Stefan Ricketts	Sharesave	49,180

As at the Latest Practicable Date, the Directors and Senior Managers have been granted the following awards to acquire Ordinary Shares which remain outstanding:

Director/Senior Manager	Share Plan	Number of Ordinary Shares subject to award
Amjad Bseisu	PSP	11,158,877
	RSP	2,404,260
	DBSP NCO	1,140,868
Jonathan Swinney	PSP	7,193,804
	RSP	764,574
	DBSP NCO	1,559,806
Stefan Ricketts	PSP	2,598,389
	RSP	1,174,602
Faysal Hamza	PSP	3,070,704
	RSP	1,092,653
Robert Davenport	RSP	273,163
	PSP	1,438,974
Martin Mentiply	PSP	463,220
	DBSP	11,356
Imran Malik	PSP	2,165,233
	RSP	218,530
	DBSP	108,750
Salman Malik	PSP	531,524
	PSP	373,260
	RSP	928,775
John Penrose	PSP	247,354

The awards under the PSP and RSP were granted on a nil cost basis. The vesting of awards under the PSP are subject to achievement of performance conditions. The vesting of awards under the PSP, RSP & DBSP are subject to completion of the vesting period. The awards under the PSP first vest on the third anniversary of the date of grant, subject to the achievement of performance and, in respect of executive directors only, and such other individuals as the Committee determines appropriate, on or after 25 May 2017 an additional holding period of two years shall apply to Ordinary Shares subject to vested Awards, during such time the participant may not sell, transfer, assign or dispose of his or her net vested Ordinary Shares.

7.3 Save as disclosed in paragraphs 7.1 and 7.2 of this Part 11 ("*Additional Information*") above, no Director or Senior Manager has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected (within the meaning of section 252 of the Companies Act) with the Directors or Senior Managers have any such interests, whether beneficial or non-beneficial.

8. Remuneration and Benefits

Executive Directors' base salaries and benefits are reviewed each year with any changes usually taking effect from January. The fees for the Chairman and Non-Executive Directors are reviewed against market practice from time to time and were last reviewed as of August 2018.

For the year ended 31 December 2017, the aggregate total remuneration paid (including contingent or deferred consideration) and benefits in kind granted (under any description whatsoever) to the directors of the Company by members of the Group was £2.4 million. The remuneration of the directors of the Company for the financial year ended 31 December 2017 is set out in the table below.

Name	Salary and fee (£'000)	All taxable benefits (£'000)	Annual bonus[1] (£'000)	LTIP[2] (£'000)	Pension[3] (£'000)	Total (£'000)
Executive Directors						
Amjad Bseisu	452	1	449	40	50	992
Jonathan Swinney	294	1	388	26	50	759
Executive Directors who held office in the year ended 31 December 2017 but have since stood down						
Neil McCulloch[4]	153	1	130	–	22	305
Non-Executive Directors[5]						
Carl Hughes	60	–	–	–	–	60
Philip Holland	60	–	–	–	–	60
Helmut Langanger	70	–	–	–	–	70
Jock Lennox	150	–	–	–	–	150
John Winterman[6]	16	–	–	–	–	16
Non-Executive Directors who held office in the year ended 31 December 2017 but have since stood down						
Philip Nolan[7]	30	–	–	–	–	30
Total	1,285	3	967	66	122	2,442

Notes:

(1) The annual bonus for 2017 for Amjad Bseisu and Jonathan Swinney was based on base salary levels and payment was made in respect of the full financial year. The amount stated is the full amount (including any portion deferred). Any 2018 Executive Director bonus for Amjad Bseisu and Jonathan Swinney that is above 100 per cent. of their respective salary has been paid in EnQuest PLC shares, deferred for two years, and subject to continued employment.

(2) PSP awarded on 27 March 2015 which vested on 27 March 2018: the LTIP value shown in the 2017 single figure is calculated by taking the number of performance shares that have vested (10.92 per cent. of the performance conditions were achieved) multiplied by the average value of the EnQuest share price between 1 October 2017 and 31 December 2017.

(3) Cash in lieu of pension and other benefits. Executive Directors do not participate in the EnQuest Pension Plan and instead receive cash in lieu.

(4) Neil McCulloch was appointed with effect from 25 May 2017 and retired from the Board with effect from 10 December 2017. His salary, benefits and bonus in 2017 are pro-rated to reflect his qualifying service as an Executive Director (25 May 2017 to 10 December 2017 inclusive).

(5) Laurie Fitch was appointed with effect from 8 January 2018.

(6) John Winterman was appointed with effect from 7 September 2017. His fees were £50,000 per annum in line with the other Non-Executive Directors and the figure shown reflects the pro-rated amount earned during 2017.

(7) Philip Nolan retired from the Board with effect from 4 July 2017.

For the year ended 31 December 2017, the aggregate total remuneration paid (including contingent or deferred consideration) and benefits in kind granted (under any description whatsoever) to the Senior Managers was £3.6 million in their capacity as EnQuest Senior Managers during the year ended 31 December 2017.

The total amount set aside or accrued by the Group to provide pension, retirement or similar benefits to the current Directors and the Senior Managers for the year ended 31 December 2017 was £0.2 million (which includes the pension numbers in the table above).

9. Directors' Service Contracts and Letters of Appointment

9.1 *Executive Directors*

The following table summarises the key terms of the Executive Directors' service contracts or terms of appointment:

Director	Date of service contract	Notice period	Base salary for the 2017 Financial Year	Annual bonus potential for the 2017 Financial Year (% of salary)
Amjad Bseisu	29 March 2010	12 months	£452,000	175%
Jonathan Swinney	29 March 2010	12 months	£294,000	175%

The Company follows best practice under the UK Corporate Governance Code with regard to annual re-election of its Directors. The Company's policy is that Executive Directors' service contracts should be capable of being terminated by the Company on not more than 12 months' notice. Each of the Executive Directors' service contract entitles the Company to terminate their employment by making a payment in lieu of notice. The Company may elect to make any such payment in equal monthly instalments payable in arrears. On termination, the Executive Directors forgo their entitlement to any bonus, however the Remuneration Committee can choose to approve a special bonus upon completion of agreed objectives under extraordinary circumstances.

A summary of the principal terms of the service agreements of each of the Executive Directors is set out below:

(a) *Amjad Bseisu*

Mr. Bseisu entered into a service agreement with EnQuest Britain, effective from 29 March 2010 pursuant to which he serves as the Chief Executive Officer and an Executive Director of the Company. Mr. Bseisu's basic salary for 2018 is £460,530 per annum (less appropriate tax and other statutory deductions) and he is entitled to a benefit allowance of £50,000 per annum. EnQuest Britain offers Mr. Bseisu private health insurance and life assurance cover. The service agreement is terminable by either party giving to the other at least 12 months' notice in writing at any time. EnQuest Britain has 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 contains a "garden leave" clause entitling EnQuest Britain to require Mr. Bseisu to remain away from work during his notice period. The service agreement also contains provisions protecting the Group's intellectual property and confidential information during his employment and after its termination.

(b) *Jonathan Swinney*

Mr. Swinney entered into a service agreement with Lundin Britain, effective from 29 March 2010 pursuant to which he serves as the Chief Financial Officer and an Executive Director of the Company. Mr. Swinney's basic salary for 2018 is £323,000 per annum (less appropriate tax and other statutory deductions) and he is entitled to a benefit allowance of £50,000 per annum. EnQuest Britain offers Mr. Swinney private health insurance and life assurance cover. The service agreement is terminable by either party giving to the other at least 12 months' notice in writing at any time. EnQuest Britain has 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 contains a "garden leave" clause entitling EnQuest Britain to require Mr. Swinney to remain away from work during his notice period. The service agreement also contains provisions protecting the Group's intellectual property and confidential information during his employment and after its termination.

9.2 ***Non-Executive Directors***

Jock Lennox is Chairman of the Company. Helmut Langanger is a Senior Independent Director. Philip Holland, Laurie Fitch, Carl Hughes and John Winterman have been appointed as Non-Executive Directors of the Company. The letters of appointment of all the Non-Executive Directors are governed by English law. Details of the letters of appointment are set out below, including the roles and the level of remuneration of the Non-Executive Directors for the financial year ended 31 December 2017.

Name	Role(s)	Date of appointment as a Director	Date of current appointment letters	Anticipated expiry of present term of appointment (subject to annual re-election)	Anticipated Fees for the 2018 Financial Year (£)
Philip Holland	Chairman of Risk Committee and member of Remuneration Committee	1 August 2015	31 August 2018	31 August 2021	60,000
Helmut Langanger	Senior Independent Director, chairman of Remuneration Committee, and member of Nomination Committee	16 March 2010	29 May 2013	Conclusion of the Company's 2019 AGM	70,000
Jock Lennox	Chairman of the Company and chairman of the Nomination Committee	22 February 2010	2 September 2016	Conclusion of the Company's 2019 AGM	88,000
Carl Hughes	Chairman of the Audit Committee and member of the Remuneration Committee and member of the Risk committee	1 January 2017	14 December 2016	1 January 2020	60,000
Laurie Fitch	Member of the Remuneration Committee and member of the Risk Committee	8 January 2018	5 January 2018	8 January 2021	50,000
John Winterman	Member of the Audit Committee, member of the Remuneration Committee and member of the Risk Committee	7 September 2017	6 September 2017	7 September 2020	50,000

Each appointment may be terminated at any time by either party on three months' written notice. During the notice period, the Non-Executive Director will continue to receive their normal fee. Each appointment may also be terminated in accordance with the Articles. The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. Each of the Non-Executive Directors' letter of appointment entitles the Company to terminate their appointment by making a payment in lieu of notice. They are not entitled to participate in any of the Share Option Plans.

10. Corporate Governance

The Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the main market of the London Stock Exchange are contained in the UK Corporate Governance Code. The Board considers that as at the Latest Practicable Date the Company is in compliance with the principles and provisions of the UK Corporate Governance Code.

10.1 *Board of Directors*

A Director is appointed by ordinary resolution (i.e. a simple majority of votes cast) as a general meeting of ordinary shareholders of EnQuest. The Board also has the power to appoint a Director, but any person so appointed must stand for reappointment by shareholders at the first annual general meeting following his or her appointment by the Board. The Directors terms of appointment are for three years, but all Directors offer themselves for re-election on an annual basis. It is EnQuest's policy to review the appointment and reappointment of non-executive directors in accordance with the UK Corporate Governance Code.

The UK Corporate Governance Code currently recommends that at least half of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect their judgement.

As at the date of this document, the Board is composed of eight members, consisting of the Chairman (Jock Lennox), two full-time Executive Directors (Amjad Bseisu and Jonathan Swinney), and five Non-Executive Directors, all of whom (that is, more than half of the Board excluding the Chairman) are considered by the Board to be independent: Philip Holland, Helmut Langanger, Laurie Fitch, Carl Hughes and John Winterman.

The UK Corporate Governance Code also recommends that the board of directors should appoint one of its independent non-executive directors as the senior independent director and Helmut Langanger has been appointed to fill this role. The Senior Independent Director should be available to shareholders if they have concerns which have not been resolved through contact with the normal channels of Chairman, Chief Executive or Chief Financial Officer of EnQuest or for which contact is inappropriate.

The Board has established Audit, Remuneration, Nomination and Risk Committees, with formally delegated duties and responsibilities with written terms of references. The full terms of reference of the Audit, Remuneration and Nomination Committees are available on the Company's website www.EnQuest.com.

10.2 *Audit committee*

The Audit Committee currently comprises three Non-Executive Directors, all of whom are considered by the Board to be independent and have recent and relevant financial experience. The members of the Audit Committee currently are Carl Hughes (Chair), Helmut Langanger and John Winterman.

The main responsibilities of the Audit Committee include:

- monitoring the integrity of the financial statements, including annual and interim reports and any other formal announcement relating to the Company's financial performance;
- monitoring and reviewing the process of audit of the Group's Proven and Probable Reserves by a recognised Competent Person;
- monitoring and reviewing the Company's internal control procedures and risk management systems;

- monitoring and reviewing the effectiveness of the external and internal audit activities;
- making recommendations to the Board, to be put to shareholders for approval, on the appointment, review and removal of external auditors;
- establishing the external auditors' remuneration;
- monitoring external auditors' independence;
- monitoring the policy on external auditors' non-audit services; and
- identifying any matters in respect of which it considers that action or improvement is needed and making recommendations to the Board as to the steps to be taken.

In fulfilling its responsibility to monitor the integrity of financial reports to shareholders, the Audit Committee review accounting principles, policies and the practises adopted in the presentation of public financial information.

The Audit Committee is expected to meet not less than three times a year and met three times during the financial year ended 31 December 2017.

Meetings are also normally attended by the General Counsel and Company Secretary, the Chief Financial Officer and other key finance team members and the external auditor. The Chief Executive and Chairman of the Board also attend the meetings when invited to do so by the Committee. PricewaterhouseCoopers, in their role as internal auditor during 2017, attended the meetings as appropriate. The Chairman of the Committee regularly meets with the external audit partner and the internal audit partner to discuss matters relevant to the Company.

The Board considers that the Company complies with the requirements of the UK Corporate Governance Code.

10.3 *Remuneration Committee*

The Remuneration Committee currently comprises four Non-Executive Directors, all of whom are considered by the Board to be independent. The members of the Remuneration Committee currently are Helmut Langanger (Chair), Laurie Fitch, Philip Holland, Carl Hughes and John Winterman.

The main responsibilities of the Remuneration Committee include:

- setting the remuneration policy for the Chairman, Executive Directors and senior executives;
- assessing and determining total compensation packages available to the executive and non-executive directors;
- monitoring the remuneration of senior management other than the executive directors whose remuneration it sets;
- making recommendations to the Board for its approval, and that of shareholders, on the design of long-term share incentive plans and making recommendations for the grant of awards to executives under such plans; and
- determining policy and scope for pension rights and any compensation payments and ensuring compliance with the Governance Code in this respect.

The Remuneration Committee is expected to meet three times a year and met in total seven times during the financial year ended 31 December 2017.

The UK Corporate Governance Code recommends that the members of the Remuneration Committee should be independent in character and judgement and free from any relationship or circumstance which may, or could or would be likely to, or which appears to affect their judgement. The Board therefore considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

10.4 ***Nomination Committee***

The Nomination Committee currently comprises the Chairman, one independent Non-Executive Director and, to ensure input from the executive, the Chief Executive. The independent Non-Executive Director on the Nomination Committee currently is Helmut Langanger.

The main responsibilities of the Nomination Committee include:

- reviewing the size, structure and composition of the Board in order to recommend changes to the Board and to ensure the orderly succession of directors;
- formalising succession planning and the process for new director appointments;
- identifying, evaluating and recommending candidates for appointment or reappointment as directors or company secretary, taking into account the balance of knowledge, skills and experience required to serve the Board; and
- reviewing the outside directorships/commitments of non-executive directors.

The Nomination Committee met six times during the financial year ended 31 December 2017.

The UK Corporate Governance Code recommends that the majority of members of the nomination and governance committee be non-executive directors, independent in character and judgement and free from any relationship or circumstance which may, or could or would be likely to, or which appears to affect their judgement. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

10.5 ***Risk Committee***

The Risk Committee currently comprises four independent Non-Executive Directors. The independent Non-Executive Directors on the Risk Committee currently are Philip Holland (Chair), Laurie Fitch, Carl Hughes and John Winterman.

The main responsibilities of the Risk Committee include:

- undertaking an in-depth analysis of specific risks in relation to the Company, as may be requested by the Board or determined by the Committee from time to time;
- supporting the implementation and progression of the Group's Risk Management Framework;
- conducting detailed reviews of key non-financial risks not reviewed in the Audit Committee; and
- at the request of the Board:
    - advising the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment;
    - overseeing and advising the Board on the current risk exposures of the Company and future risk strategy;
    - in relation to risk assessment and subject to overlap with the Audit Committee, keeping under review the Company's overall risk assessment processes that inform the Board's decision making;
    - as required by the Board, setting a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
    - reviewing the company's capability to identify and manage new risk types in conjunction with the Audit Committee;
    - reviewing papers on risk from the CRO; and
    - working and liaising as necessary with all other Board Committees and undertaking any additional risk related activities.

The Risk Committee met four times in the financial year ended 31 December 2017.

11. Ethical Conduct

EnQuest maintains a Code of Conduct which applies to all employees and provides guidance regarding their conduct and how EnQuest conducts its business.

The Group has implemented internal policies and procedures designed to ensure it complies with the UK Bribery Act 2010. In 2017, the Group provided specific guidance on the anti-facilitation of tax evasion and supplemented its procedures to provide further assurance that it is able to identify and manage human rights risks in its supply chain, publishing its modern slavery statement on its website. The Group maintains a whistle-blowing policy, including by re-issuing its anti-corruption programme to the Company to refresh the familiarity of its personnel with the Company's zero tolerance approach and with the Company specific policies.

12. Other Directorships

In addition to their directorships of EnQuest (in the case of the Directors), the Directors and the Senior Managers hold or have held the following directorships (other than directorships of subsidiaries of EnQuest), and are or were members of the following partnerships, within the past five years:

Name	Current directorship/partnership	Previous directorship/partnership
Chairman and Executive Directors		
Amjad Bseisu	The Amjad and Suha Bseisu Foundation Chairman of the independent energy community for the World Economic Forum	Finiva UK Limited Alfanar
Jock Lennox	Dixons Carphone plc Tall Ships Youth Trust Hill & Smith Holdings plc Barratt Developments P L C	Dixons Retail Group plc (now known as Dixons Retail Group Limited) A&J Mucklow Group plc Oxford Instruments plc
Jonathan Swinney	None	Robinstone LLP Ursa Major Carbon Dioxide Reduction LLP
Non-Executive Directors		
Philip Holland	Phil Holland & Associates Limited Lloyds Energy Limited	None
Helmut Langanger	Schoeller Bleckmann Oilfield Equipment A.G. MND a.s.	PPL Europe E&P Limited Serinus Energy Inc.
Laurie Fitch	PJT Partners Energias De Portugal, SA Tate Board of Trustees	
Carl Hughes	Premier Christian Media Trust Lambeth Conference Company CDH Services Limited	Deloitte LLP Southwark Diocesan Board of Finance
John Winterman	CC Energy	
Senior Managers		
Stefan Ricketts	The Offshore Pollution Liability Association Limited	Fulbright & Jaworski International LLP
Faysal Hamza	None	None
Bob Davenport	None	None
Imran Malik	None	None
Salman Malik	None	None
Martin Mentiply	None	None
John Penrose	None	None

13. Directors' and Senior Managers' Confirmations

As at the date of this document, none of the Directors or Senior Managers have, during the five years prior to the date of this document:

(a) been convicted in relation to a fraudulent offence:

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or

(d) been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

There are no potential conflicts of interest between each of the Directors' duties to the Company and their respective private interests and any other duties. There is no interest, including any conflicting interest that is material to the Company or the Rights Issue.

None of the Directors or Senior Managers were selected to act in such capacity pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the Group.

As at the date of this document, no restrictions have been agreed by any Director or Senior Manager on the disposal within a certain time period of their holdings of their Ordinary Shares.

There are no family relationships between any of the Directors, between any of the Senior Managers or between any of the Directors and the Senior Managers.

14. Share Option Plans

On 18 March 2010, the Shareholders approved and adopted three share schemes for the benefit of Directors and employees, being a Deferred Bonus Share Plan, a Restricted Share Plan and a Performance Share Plan. A Sharesave Plan was approved in 2012.

14.1 *Deferred Bonus Share Plan*

(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*

Three types of award may 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 are known as "**Bonus Shares**" comprised in "**Bonus Awards**".

If the Remuneration Committee so permits, participants may instead pledge Ordinary Shares or purchase Ordinary Shares using monies other than from bonus. These Shares are known as "**Invested Shares**" comprised in "**Invested Awards**". A further award will then be granted over a number of Ordinary Shares bearing a specified ratio to the number of Bonus Shares or Invested Shares. These further awards over "Matching Shares" and are referred to below as "**Matching**

Awards", Bonus Awards. "Invested Awards" and "Matching Awards" may also be granted as conditional awards or as nil-cost options.

(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/Exercise of awards*

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. Awards normally 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.

If events occur which cause the Remuneration Committee to consider that any performance condition(s) has become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

Nil-cost options are exercisable for such period from the applicable vesting date as the Remuneration Committee determines and expire no later than the tenth anniversary of the grant date.

(f) *Cessation of Employment*

In respect of awards granted before 25 May 2017, if a participant dies, his awards will vest in full on the date of death. In respect of awards granted on or after 25 May 2017, if a participant dies, his awards will vest in full on the date of death, unless the Remuneration Committee determines that awards should vest on a time-apportioned basis and subject to the satisfaction of performance conditions, assessed on such basis as the Remuneration Committee considers appropriate. Nil cost options shall be exercisable for a period of twelve months from the date of death and shall lapse thereafter.

If a participant is a good leaver (i.e. the sale or transfer of his employing company or business out of the Group, or cessation by reason of redundancy, retirement, injury, ill-health, disability or any other reason permitted by the Remuneration Committee) his Bonus Awards or Invested Awards will vest in full and his Matching Awards will vest on a pro-rated basis on the normal vesting date, unless the Remuneration Committee determines in exceptional circumstances that awards should vest earlier. Nil cost options shall be exercisable for six months from the date on which the Remuneration Committee determines Bonus Awards, Matching Awards and Invested Awards vest (or where options are already exercisable, upon the participant becoming a good leaver) and shall lapse thereafter. 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 (or over a curtailed period, as relevant) unless the Remuneration Committee, in its discretion, determines otherwise. Cessation of employment for any other reason will cause all unvested awards to be forfeited, except any Ordinary Shares which the participant has voluntarily purchased and/or pledged under the DBSP.

(g) *Change of Control or Winding up*

In the event of a change of control by way of general offer, compulsory acquisition, scheme of arrangement Bonus Awards and for the reconstruction or amalgamation of the Company, voluntary winding up 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. Matching Awards, Bonus Awards and Invested Awards granted as nil cost options remain exercisable for six months from the date on which control is obtained and shall lapse thereafter.

If there is an internal reorganisation following a change of control or scheme of arrangement, awards will not vest but will be exchanged for awards over shares or securities in the acquiring company.

(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/Settlement of Awards*

Awards granted under the DBSP may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury.

The Remuneration Committee may, in exceptional circumstances and if it considers appropriate, determine that the participant shall receive an amount in cash equal to the market value of the Ordinary Shares subject to an award on the vesting date (or date of exercise, as applicable).

(j) *Voting, dividend and other rights*

Until awards have vested participants have no voting or other rights in respect of the Ordinary Shares subject to their awards.

Ordinary Shares issued or transferred pursuant to the DBSP shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that, in respect of any award granted before 25 May 2017 only, they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of issue or transfer following the vesting of the awards.

In respect of any award granted on or after 25 May 2017, the Remuneration Committee may decide that a participant is entitled to receive an amount (in cash and/or Ordinary Shares) equivalent to the value of dividends which would have been paid in respect of Ordinary Shares subject to a vested award, in respect of dividend record dates from the date of grant until vesting. The Remuneration Committee may assume reinvestment of dividends for these purposes. Alternatively, the Remuneration Committee may determine that, in respect of any award granted on or after 25 May 2017, it shall grant an award on terms whereby the number of Ordinary Shares comprised in an award shall increase by deeming dividends that would have been paid between grant and vesting have been reinvested into additional Ordinary Shares.

(k) *Malus and clawback*

In respect of awards made on or after 25 May 2017, the Remuneration Committee may decide within the three year period commencing on the date of grant of an award that a participant must repay either all or part of the value of an award in the following circumstances:

(i) where the Company has materially misstated its financial results;

(ii) where any calculation in connection with an award or any assessment of any performance condition and/or any other condition was based on an error or on inaccurate or misleading information;

(iii) where it is determined that the relevant individual committed misconduct on or prior to the date of vesting of an award (or prior to the exercise of an option), that could have warranted their summary dismissal.

In the above circumstances, the Remuneration Committee may reduce any amount of a future bonus, the number of Ordinary Shares subject to any award under the DBSP, reduce the number of Ordinary Shares subject to an award under any other plan operated by the Group (excluding the Sharesave), or require the participant to pay the relevant amount back out of his or her salary. Benefits obtained under the DBSP shall not be pensionable. Awards are not assignable or transferable.

(l) *Administration and Amendment*

The DBSP will be administered by the Remuneration Committee which may amend the scheme by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to those provisions of the scheme relating to eligibility, the limitations on the number of Ordinary Shares in respect of which awards may be granted, the basis for determining a participant's entitlement under the DBSP and the terms of Ordinary Shares to be provided under the DBSP, the periods during which awards may vest, any rights attaching to Ordinary Shares comprised in awards and the adjustment of awards in the event of a variation of capital, except in the case of minor amendments to benefit the administration of the DBSP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and (b) no amendment may be made which would adversely vary any awards granted prior to the amendment unless the written consent of participants holding awards of not less than 75 per cent. of the Ordinary Shares subject to awards is obtained or a resolution is passed at a meeting of participants of not less than 75 per cent. of participants who attend and vote either in person or by proxy.

(m) *Termination*

The DBSP may be terminated at any time by resolution of the Remuneration Committee or the Directors and shall in any event terminate on the tenth anniversary of the date on which the DBSP is approved by the Company in general meeting. Termination will not affect the outstanding rights of participants.

14.2 ***Restricted Share Plan***

(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. The Remuneration Committee does not intend on granting further awards under the RSP to Executive Directors other than on recruitment.

(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 (i) contingent awards ("**Conditional Awards**") of Ordinary Shares; (ii) nil cost options; and (iii) 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.

(ii) Nil cost options

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. The vesting of nil cost options shall be subject to the satisfaction of applicable performance conditions.

(iii) Interests

The RSP may be operated in conjunction with an employee benefit trust to permit the Award interests in Ordinary Shares to be held jointly by RSP participants with the trustees of the employee benefit trust.

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. 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 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) *Plan and Individual Limits*

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.

(iii) The value of the minimum number of Ordinary Shares that may be granted to any eligible employee in any financial year of the Company shall not exceed 200 per cent. of annual base salary or 300 per cent. in exceptional circumstances.

(e) *Vesting/Exercise of Awards*

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an Award. Awards normally 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)).

In addition, the vesting of Awards may be subject to the satisfaction of such performance conditions as the Remuneration Committee may from time to time consider appropriate.

If events occur which cause the Remuneration Committee to consider that any performance conditions has become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

(f) *Cessation of Employment*

In respect of Awards made before 25 May 2017, 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. In respect of Awards granted on or after 25 May 2017, if a participant dies, his Awards will vest in full on the date of death, unless the Remuneration Committee determines that Awards should vest on a time-apportioned basis and subject to the satisfaction of performance conditions assessed on such basis as the Remuneration Committee considers appropriate. Nil cost options shall be exercisable for a period of twelve months from the date of death and shall lapse thereafter.

If a participant's employment ceases before the end of the vesting period, his Award shall vest 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 or sold outside the Group, or in other circumstances which, in the view of the Remuneration Committee, justify him being treated as a good leaver on the normal vesting date, unless the Remuneration Committee determines in exceptional circumstances that Awards should vest earlier. Nil cost options shall be exercisable for six months from the date on which the Remuneration Committee determines Awards vest (or where options are already exercisable, upon the participant becoming a good leaver) and shall lapse thereafter. . 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 (or over a curtailed 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 or Winding up*

The vesting of Awards on a change of control by way of general offer, compulsory acquisition, scheme of arrangement for the reconstruction or amalgamation of the Company, voluntary winding up or a demerger will usually be determined on a pro-rated basis and taking into account the extent to which any performance conditions have been met, subject to the discretion of the Remuneration Committee to permit a greater number of Awards to vest in exceptional circumstances. Awards granted as nil cost options remain exercisable for six months from the date on which control is obtained and shall lapse thereafter.

If there is an internal reorganisation following a change of control or scheme of arrangement, Awards will not vest but will be exchanged for Awards over shares or securities in the acquiring company.

(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) *Sources of Ordinary Shares/Settlement of Awards*

Awards granted under the RSP may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury. It is anticipated that Awards under the RSP will generally be satisfied by the transfer of existing Ordinary Shares.

The Remuneration Committee may, in exceptional circumstances and if it considers appropriate, determine that the participant shall receive an amount in cash equal to the market value of the Ordinary Shares subject to an Award on the vesting date (or date of exercise, as applicable).

(j) *Voting, dividend and other rights*

Until Awards have vested participants have no voting or other rights in respect of the Ordinary Shares subject to their Awards.

Shares issued or transferred pursuant to the RSP shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that, in respect of any Award granted before 25 May 2017, they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of issue or transfer following the vesting of the Award.

In respect of any Award granted on or after 25 May 2017, the Remuneration Committee may decide that a participant is entitled to receive an amount (in cash and/or Ordinary Shares) equivalent to the value of dividends which would have been paid in respect of Ordinary Shares subject to a vested Award, in respect of dividend record dates from the date of grant until vesting. The Remuneration Committee may assume reinvestment of dividends for these purposes. Alternatively, the Remuneration Committee may determine that, in respect of any Award granted on or after 25 May 2017, it shall grant an Award on terms whereby the number of Ordinary Shares comprised in an Award shall increase by deeming dividends that would have been paid between grant and vesting have been reinvested into additional Ordinary Shares.

Benefits obtained under the RSP shall not be pensionable. Awards are not assignable or transferable.

(k) *Malus and clawback*

In respect of awards made on or after 25 May 2017, the Remuneration Committee may decide within the three year period commencing on the date of grant of an award that a participant must repay either all or part of the value of an Award in the following circumstances:

(i) where the Company has materially misstated its financial results;

(ii) where any calculation in connection with an award or any assessment of any performance condition and/or any other condition was based on an error or on inaccurate or misleading information;

(iii) where it is determined that the relevant individual committed misconduct on or prior to the date of vesting of an award (or prior to the exercise of an option), that could have warranted their summary dismissal.

In the above circumstances, the Remuneration Committee may reduce any amount of a future bonus, reduce the number of Ordinary Shares subject to any Award under the RSP, reduce the number of Ordinary Shares subject to an award under any other plan operated by the Group (excluding the Sharesave), or require the participant to pay the relevant amount back out of his or her salary.

(l) *Administration and Amendment*

(m) The RSP will be administered by the Board's remuneration committee which may amend the scheme by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to those provisions of the scheme relating to eligibility, the limitations on the number of Ordinary Shares in respect of which Awards may be granted, the basis for determining a participant's entitlement under the RSP and the terms of Ordinary Shares to be provided under the RSP, the periods during which Awards may vest, any rights attaching to Ordinary Shares comprised in Awards and the adjustment of Awards in the event of a variation of capital, except in the case of minor amendments to benefit the administration of the RSP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and (b) no amendment may be made which would adversely vary any Awards granted prior to the amendment unless the written consent of participants holding Awards of not less than 75 per cent. of the Ordinary Shares subject to Awards is obtained or a resolution is passed at a meeting of participants of not less than 75 per cent. of participants who attend and vote either in person or by proxy.

(n) *Termination*

The RSP may be terminated at any time by resolution of the Remuneration Committee or the Directors and shall in any event terminate on the tenth anniversary of the date on which the RSP is approved by the Company in general meeting. Termination will not affect the outstanding rights of participants.

14.3 ***Performance Share Plan***

(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 (i) contingent awards ("**Conditional Awards**") of Ordinary Shares; (ii) nil cost options; and (iii) 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.

(ii) Nil cost options
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. The vesting of nil cost options shall be subject to the satisfaction of applicable performance conditions.

(iii) Interests
The PSP may be operated in conjunction with an employee benefit trust to permit the Award of interests in Ordinary Shares to be held jointly by PSP participants with the trustees of the employee benefit trust.

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) *Plan and Individual Limits*

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.

(iii) The value of the minimum number of Ordinary Shares that may be granted to any eligible employee in any financial year of the Company shall not exceed 250 per cent. of annual base salary or 350 per cent. in exceptional circumstances.

(e) *Vesting/Exercise of Awards*

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.

If events occur which cause the Remuneration Committee to consider that any performance conditions has become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

(f) *Holding period*

In respect of executive directors only, and such other individuals as the Committee determines appropriate, on or after 24 May 2018 an additional holding period shall apply to Ordinary Shares subject to vested Awards, during such time the participant may not sell, transfer, assign or dispose of his or her net vested Ordinary Shares. The holding period shall normally expire on the earliest of the second anniversary of the date of vesting of an Award, the date on which a change of control occurs, the death of a participant and such other time as the Remuneration Committee determines.

(g) *Cessation of Employment*

In respect of Awards made before 25 May 2017, 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. In respect of Awards granted on or after 25 May 2017, if a participant dies, his Awards will vest in full on the date of death, unless the Remuneration Committee determines that Awards should vest on a time-apportioned basis and subject to the satisfaction of performance conditions assessed on such basis as the Remuneration Committee considers appropriate. Nil cost options shall be exercisable for a period of twelve months from the date of death and shall lapse thereafter.

If a participant's employment ceases before the end of the vesting period, he will not automatically forfeit his Award and his Award will vest, 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 or sold outside the Group, or in other circumstances which, in the view of the Remuneration Committee, justify him being treated as a good leaver on the normal vesting date, unless the Remuneration Committee determines in exceptional circumstances that Awards should vest earlier. Nil cost options shall be exercisable for six months from the date on which the Remuneration Committee determines Awards vest (or where options are already exercisable, upon the participant becoming a good leaver) and shall lapse thereafter. . 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 (or over a curtailed 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.

(h) *Change of Control or Winding up*

The vesting of Awards on a change of control by way of general offer, compulsory acquisition, scheme of arrangement for the reconstruction or amalgamation of the Company, voluntary winding up 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. Awards granted as nil cost options remain exercisable for six months from the date on which control is obtained and shall lapse thereafter.

If there is an internal reorganisation following a change of control or scheme of arrangement, Awards will not vest but will be exchanged for Awards over shares or securities in the acquiring company.

(i) *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.

(j) *Sources of Ordinary Shares/Settlement of Awards*

Awards may be satisfied by the transfer of existing Ordinary Shares or by the issue of new Ordinary Shares or the transfer of Ordinary Shares from treasury.

The Remuneration Committee may, in exceptional circumstances and if it considers appropriate, determine that the participant shall receive an amount in cash equal to the market value of the Ordinary Shares subject to an Award on the vesting date (or date of exercise, as applicable).

(k) *Voting, dividend and other rights*

Until Awards have vested participants have no voting or other rights in respect of the Ordinary Shares subject to their Awards.

Ordinary Shares issued or transferred pursuant to the PSP shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that, in respect of an Award made prior to 27 May 2017, they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of issue or transfer following the vesting of the Award.

In respect of any Award granted on or after 25 May 2017, the Remuneration Committee may decide that a participant is entitled to receive an amount (in cash and/or Ordinary Shares) equivalent to the value of dividends which would have been paid in respect of Ordinary Shares subject to a vested Award, in respect of dividend record dates from the date of grant until vesting. The Remuneration Committee may assume reinvestment of dividends for these purposes. Alternatively, the Remuneration Committee may determine that, in respect of any Award granted on or after 25 May 2017, it shall grant an Award on terms whereby the number of Ordinary Shares comprised in an Award shall increase by deeming dividends that would have been paid between grant and vesting have been reinvested into additional Ordinary Shares.

Benefits obtained under the PSP shall not be pensionable. Awards are not assignable or transferable.

(l) *Malus and clawback*

In respect of Awards made on or after 25 May 2017, the Remuneration Committee may decide within the three year period commencing on the date of grant of an Award that a participant must repay either all or part of the value of an Award in the following circumstances:

(i) where the Company has materially misstated its financial results;

(ii) where any calculation in connection with an Award or any assessment of any performance condition and/or any other condition was based on an error or on inaccurate or misleading information;

(iii) where it is determined that the relevant individual committed misconduct on or prior to the date of vesting of an Award (or prior to the exercise of an option), that could have warranted their summary dismissal.

In the above circumstances, the Remuneration Committee may reduce any amount of a future bonus, the number of Ordinary Shares subject to any Award under the RSP, reduce the number of Ordinary Shares subject to an Award under any other plan operated by the Group (excluding the Sharesave), or require the participant to pay the relevant amount back out of his or her salary.

(m) *Administration and Amendment*

The PSP will be administered by the Board's remuneration committee which may amend the scheme by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to those provisions of the scheme relating to eligibility, the limitations on the number of Ordinary Shares in respect of which Awards may be granted, the basis for determining a participant's entitlement under the PSP and the terms of Ordinary Shares to be provided under the PSP, the periods during which Awards may vest, any rights attaching to Ordinary Shares comprised in Awards and the adjustment of Awards in the event of a variation of capital, except in the case of minor amendments to benefit the administration of the PSP and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and (b) no amendment may be made which would adversely vary any Awards granted prior to the amendment unless the written consent of participants holding Awards of not less than 75 per cent. of the Ordinary Shares subject to Awards is obtained or a resolution is passed at a meeting of participants of not less than 75 per cent. of participants who attend and vote either in person or by proxy.

(n) *Termination*

The PSP may be terminated at any time by resolution of the Remuneration Committee or the Directors and shall in any event terminate on the tenth anniversary of the date on which the PSP is approved by the Company in general meeting. Termination will not affect the outstanding rights of participants.

14.4 ***Sharesave Plan***

(a) *Introduction*

The Sharesave Plan is an approved savings related share option scheme. The Sharesave Plan is based on eligible employees being granted options and their agreement to opening a Sharesave account with a nominated savings carrier and to save over a specified period, either three or five years. The right to exercise the option is at the employee's discretion at the end of the period previously chosen, for a period of six months.

(b) *Eligibility*

All employees (including directors working at least 25 hours per week excluding meal breaks) of the Company or any participating member of the Group who have completed a period of service determined by the Board (such period not to exceed five years) and who are UK tax resident are eligible to participate in the Sharesave Plan. The Board may in its discretion extend participation to other employees or directors of participating members of the Group who do not meet these requirements.

(c) *Savings contract*

Participating employees must enter into a Save-As-You-Earn savings contract with an approved savings carrier under which they agree to make monthly contributions from net salary for a period of either three or five years. On maturity of the savings contract, a tax-free bonus is added to the employee's savings. Monthly savings contributions must be between £5 and £500 (or such other limit as may be permitted by relevant legislation from time to time).

(d) *Grant of options*

Each employee who joins the scheme and enters into a savings contract is granted an option to acquire Ordinary Shares of 5 pence each in the Company. The number of Ordinary Shares under option is equal to that number of Ordinary Shares which may be acquired at the option price with the proceeds of the savings contract (including the bonus) at maturity. The Board may impose a limit on the number of Ordinary Shares over which options may be granted in which case applications from employees may be scaled down.

The option exercise price per share will be the market value of a share when invitations to participate in the scheme are issued less a discount of up to 20 per cent. (or, in the case of an option to subscribe, the nominal value of a share if higher). Market value is determined as the middle market quotation of a share as derived from the Daily Official List of the London Stock Exchange on the last dealing day before invitations to participate in the scheme are sent out or, if the Board so decides, the average of the middle market quotations over the three dealing days preceding that date.

No option may be granted later than ten years after the approval of the Sharesave Plan by HMRC.

(e) *Timing of invitations*

Invitations to participate in the scheme will only be issued within 42 days after (i) the announcement of the Company's results for any period, (ii) the date on which any change to the legislation affecting Sharesave schemes takes effect or (iii) the date on which a new savings contract prospectus is announced or takes effect. Invitations may also be issued at any other time at which the Board determines that there are exceptional circumstances which justify the grant of options.

(f) *Limit on issue of new shares*

No option may be granted under the scheme if, as a result, the aggregate number of Ordinary Shares issued or committed to be issued pursuant to grants made under the scheme and during the previous ten years under all other employee share schemes established by the Company would exceed 10 per cent. of the issued Ordinary share capital of the Company on that date. Ordinary Shares which have been the subject of options or rights granted under any share plan which have lapsed shall not be taken into account for the purposes of this limit.

Ordinary Shares transferred or committed to be transferred from treasury shall count towards this limit.

(g) *Vesting/Exercise of Options*

In normal circumstances, an option may be exercised within six months following the date on which the savings contract matures (the "**Maturity Date**") and any option not exercised within that period will lapse.

An option may be exercised earlier than the Maturity Date, for a limited period, on the death of a participant or on his ceasing to hold office or employment with the Group by reason of injury, disability, redundancy, retirement, the sale or transfer out of the Group of his employing company or business or for any other reason (provided in such case the option was granted more than three years previously) or as permitted by the legislation governing Sharesave plans.

Options may be satisfied by the issue of new Ordinary Shares or by the transfer of existing shares, either from treasury or otherwise.

(h) *Change of control*

Rights to exercise options early for a limited period also arise if another company acquires control of the Company as a result of a takeover or a scheme of arrangement. An option may be exchanged for an option over Ordinary Shares in the acquiring company if the participant so wishes and the acquiring company agrees.

If the Company passes a resolution for a voluntary winding-up, any subsisting option must be exercised within six months of the passing of that resolution or it lapses.

(i) *Variation of Capital*

In the event of any variation in the share capital of the Company, adjustments to the number of Ordinary Shares subject to options and the option exercise price may be made by the Board in such manner and with effect from such date as the Board may determine to be appropriate.

(j) *Voting, dividend and other rights*

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares subject to their options.

Ordinary Shares issued or transferred pursuant to the Sharesave Plan shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of issue or transfer following the exercise of the option. Benefits obtained under the plans shall not be pensionable. Options are not assignable or transferable.

(k) *Administration and amendment*

The Sharesave Plan will be administered by the Board's remuneration committee which may amend the scheme by resolution provided that (a) prior approval of the Company in general meeting will be required for any amendment to the advantage of participants to those provisions of the scheme relating to eligibility, the limitations on the number of Ordinary Shares, cash or other benefits subject to the scheme, a participant's maximum entitlement or the basis for determining a participant's entitlement under the scheme and the adjustment thereof in the event of a variation in capital, except in the case of minor amendments to benefit the administration of the scheme and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group; and (b) no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the scheme without the prior approval of the majority of the affected participants.

(l) *Overseas plans*

The Board may at any time and without further formality establish further plans in overseas territories, any such plan to be similar to the scheme but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such scheme will count against the limit on the number of new Ordinary Shares which may be issued under the scheme.

(m) *Termination*

The Sharesave Plan may be terminated at any time by resolution of the Board or of the Company in a general meeting and shall in any event terminate on the tenth anniversary of the date on which the scheme is approved by HMRC. Termination will not affect the outstanding rights of participants.

14.5 ***Employee Benefit Trust***

The trustee of the EnQuest EBT is independent of the Company and based offshore.

The beneficiaries of the EnQuest EBT are employees and former employees of the Group and their dependants. The EnQuest EBT is funded by way of loans from the Company to acquire Ordinary Shares to be used for the purposes of the PSP, the RSP, the DBSP and the Sharesave Plans. The Trustees has the power to subscribe for new Ordinary Shares or to acquire Ordinary Shares in the market but is not 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 EnQuest EBT will terminate on the earlier of 80 years from the date of the trust deed establishing the EnQuest EBT (the "**EBT Deed**") and such earlier date as the Trustees 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 Trustees pursuant to the EBT Deed).

The EBT Deed may be amended by deed between the Company and the Trustees 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.

15. Major Shareholders

15.1 So far as the Company is aware, as at the Latest Practicable Date, the following persons (other than the Directors and Senior Managers) had notifiable interests in three per cent. of the issued share capital of the Company:

Shareholder	Ordinary Shares held prior to the Rights Issue	Percentage of issued Ordinary Share capital prior to the Rights Issue (%)	Ordinary Shares held after the Rights Issue[(2)]	Percentage of issued Ordinary Shares capital after the Rights Issue (%)[(2)]
Aberforth Partners LLP	105,292,001	8.88	150,417,144.00	8.88
Double A Limited[(1)]	103,141,033	8.70	147,344,332.00	8.70
Baillie Gifford & Co Ltd	69,934,972	5.90	99,907,102.00	5.90
EnQuest Employee Benefit Trust[(3)]	51,628,456	4.35	73,754,937.00	4.35
Hargreaves Lansdown Asset Management	51,375,063	4.33	73,392,947.00	4.33
Swedbank Robur Fonder AB	48,204,048	4.06	68,862,925.00	4.06
Dimensional Fund Advisors	43,236,786	3.65	61,766,837.00	3.65

Notes:

(1) Double A Limited is a company beneficially owned by the extended family of Amjad Bseisu.

(2) Assuming (i) that no awards vest and no share options are exercised between the Latest Practicable Date and completion of the Rights Issue; and (ii) that each of the Shareholders listed above (other than EnQuest Employee Benefit Trust) takes up its rights under the Rights Issue in full.

(3) EnQuest Employee Benefit Trust has agreed to take up in full rights under the Rights Issue in respect of the Unallocated Shares to the extent it receives sufficient funding from the Group.

15.2 Save as set out in this paragraph, the Company is not aware of any person who has or will immediately following completion of the Rights Issue have a notifiable interest in three per cent. or more of the issued share capital of the Company.

15.3 The Company is not aware of any person who either as at the date of this document or immediately following completion of the Rights Issue exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

15.4 None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

16. Related Party Transactions

Save as disclosed in note 25 to the 2017 Financial Statements, note 25 to the 2016 Financial Statements, note 25 to the 2015 Financial Statements and the 2018 Unaudited Interim Financial Statements, each as incorporated by reference in Part 6 ("*Financial Information on the Group*"), there are no related party transactions between the Group and its related parties that were entered into during the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the six months ended 30 June 2018 or during the period from and including 30 June 2018 to and including the Latest Practicable Date.

17. Subsidiaries, Investments and Principal Establishments

17.1 The Company is the holding company of the Group and EnQuest Heather Limited is its principal operating company. The significant subsidiaries and subsidiary undertakings of the Company are as follows:

Name	Country of incorporation/ Principal place of business	Principal activity	Effective interest and proportion of equity held
EnQuest Britain Limited	England	Intermediate holding company and provision of Group manpower and contracting/procurement services	100%
EnQuest Heather Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Thistle Limited[(1)]	England	Extraction and production of hydrocarbons	100%
Stratic UK Holdings Limited[(1)]	England	Intermediate holding company	100%
Grove Energy Limited	Canada	Intermediate holding company and exploration of hydrocarbons	100%
EnQuest ENS Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest UKCS Limited (dormant)[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Norge AS[(1)]	Norway	Exploration, extraction and production of hydrocarbons	100%
EnQuest Heather Leasing Limited[(1)]	England	Leasing	100%
EQ Petroleum (Sabah) Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Dons Leasing Limited[(1)]	England	Dormant	100%
EnQuest Energy Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Production Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Global Limited	England	Intermediate holding company	100%
EnQuest NWO Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Petroleum Production Malaysia Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
NSIP (GKA) Limited	Scotland	Construction, ownership and operation of an oil pipeline	100%
EnQuest Global Services Limited[(1)]	Jersey	Provision of Group manpower and contracting/procurement services for the International business	100%
EnQuest Marketing and Trading Limited	England	Marketing and trading of crude oil	100%
NorthWestOctober Limited[(1)]	England	Dormant	100%
EnQuest UK Limited[(1)]	England	Dormant	100%
EnQuest Petroleum Developments Malaysia SDN. BHD[(1)]	Malaysia	Exploration, extraction and production of hydrocarbons	100%
EnQuest NNS Holdings Limited	England	Intermediate holding company	100%
EnQuest NNS Limited	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Forward Holdings Limited	England	Intermediate holding company	100%

Name	Country of incorporation/ Principal place of business	Principal activity	Effective interest and proportion of equity held
EnQuest Forward Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Advance Holdings Limited	England	Intermediate holding company	100%
EnQuest Advance Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%

Note:

(1) Held by subsidiary undertaking.

17.2 In addition to the Group's assets described in Part 2 ("*Information on the Group*"), the following are the principal establishments of the Group:

Location	Use	Tenure
5th Floor Cunard House 15 Regent Street London United Kingdom SW1Y 4LR	Office	Leasehold
Annan House Palmerston Road Aberdeen United Kingdom AB11 5QP	Office	Leasehold

18. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) in the two years immediately preceding the date of this document and are, or may be, material to the Group or (b) contain provisions under which EnQuest or any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

18.1 ***Underwriting Agreement***

On 7 September 2018, the Company and the Joint Bookrunners entered into an underwriting and sponsor's agreement (the "**Underwriting Agreement**").

Subject to the terms and conditions of the Underwriting Agreement, the Joint Bookrunners have agreed to fully underwrite the Rights Issue (save in respect of the New Ordinary Shares which Double A Limited and the EnQuest EBT have undertaken to subscribe for pursuant to the Irrevocable Undertakings, which are not being underwritten). The Joint Bookrunners (as agents of the Company) have agreed to use reasonable endeavours to procure, on behalf of the Company, subscribers for the New Ordinary Shares which have not been taken up under the Rights Issue (other than the New Ordinary Shares which Double A Limited and the EnQuest EBT have undertaken to subscribe for pursuant to the Irrevocable Undertakings) (or, at their discretion, for as many as can be so procured) as soon as reasonably practicable and in any event by no later than 4.30 p.m. on the second dealing day after the last date for acceptance under the Rights Issue, for an amount which is not less than the total of the Issue Price (in pounds sterling) multiplied by the number of such New Ordinary Shares for which subscribers are so procured plus the expenses of procurement (including any applicable commissions and VAT). If and to the extent that the Bookrunners are unable to procure, on behalf of the Company, subscribers on the basis outlined above, the Bookrunners have agreed to subscribe, on a several basis (in their due proportions), for any remaining New Ordinary Shares at the Issue Price (in pounds sterling).

In connection with the Rights Issue, the Company has agreed to pay the Joint Bookrunners an underwriting commission equal to 2.7 per cent. of the amount equal to the product of the Issue Price and the aggregate number of New Ordinary Shares (other than the New Ordinary Shares which Double A Limited and the EnQuest EBT have undertaken to subscribe for pursuant to the Irrevocable Undertakings). Out of such commission payable to the Joint Bookrunners, the Joint Bookrunner s shall pay or procure the payment of sub-underwriting commissions payable to such persons (if any) as the Joint Bookrunners may procure to acquire New Ordinary Shares.

The Company has given certain customary representations, warranties and undertakings to the Joint Bookrunners, and customary indemnities to the Joint Bookrunners and to certain persons connected with them, in relation to the Rights Issue.

The obligations of the Joint Bookrunners under the Underwriting Agreement in respect of the Rights Issue are conditional on certain conditions subject to certain other customary conditions to be satisfied prior to LSE Admission including, amongst others:

(a) the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of the Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree) and such Resolution remaining in force;

(b) the Company having complied with and not being in breach, at any time prior to LSE Admission, of any of its obligations under this Agreement or under the terms of the Rights Issue which, in each case, fall to be performed or satisfied prior to LSE Admission and the Company having complied with those of its obligations under the Listing Rules and the Prospectus Rules which fall to be performed or satisfied prior to LSE Admission; and

(c) LSE Admission occurring not later than 8.00 a.m. on 2 October 2018 (or such later time and/or date as the Joint Bookrunners and the Company may agree, not being later than 8.00 a.m. on 2 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on or before 16 October 2018.

If, by the time specified in the Underwriting Agreement (or such later time and/or date as the Joint Bookrunners may agree) any of the conditions have not fulfilled or waived in writing by the Joint Bookrunners, or becomes incapable of being satisfied, then, save for certain exceptions, the obligations of the parties under the Underwriting Agreement shall cease and terminate without prejudice to any liability for any prior breach of the Underwriting Agreement. The Joint Bookrunners may, in their discretion, waive compliance with the whole or any part of certain of the conditions to the Underwriting Agreement by notice in writing to the Company or extend the time provided for the fulfilment of any such conditions but only prior to LSE Admission. In addition, the Joint Bookrunners are entitled to terminate the Underwriting Agreement in certain circumstances (such as material adverse change or force majeure event) but only prior to LSE Admission. The Joint Bookrunners are not entitled to terminate the Underwriting Agreement after LSE Admission.

Pursuant to the terms of the Underwriting Agreement, the Company has undertaken that, between the date of the Underwriting Agreement and the date which falls six months after the settlement date of the Rights Issue it will not, without the prior written consent of the Joint Bookrunners: (i) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or file any registration statement under the Securities Act with respect to any of the foregoing (or publicly announce the same or any intention to do the same); or (ii) enter into any swap or other agreement, arrangement or transaction that transfers or confers in whole or in part, directly or indirectly, any of the economic consequences of the ownership of its Ordinary Shares (or publicly announce the same or any intention to do the same), whether any such swap, agreement, arrangement or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares, cash or otherwise. The foregoing undertaking does not apply to (a) the issuance of the New Ordinary Shares to be issued in the context of the Rights Issue; (b) any Ordinary Shares issued or to be issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date of the Underwriting Agreement and disclosed in this document; and (c) any New Ordinary Shares issued or to be issued or options to subscribe for or acquire Ordinary Shares granted pursuant to existing or proposed employee benefit plans of the Company disclosed in this document.

18.2 ***Irrevocable Undertakings***

(a) *Double A Irrevocable Undertaking*

Please see paragraph 17 of Part 1 ("*Letter from the Chairman of EnQuest PLC*") for further details.

(b) *EnQuest EBT Irrevocable Undertaking*

Pursuant to the terms of the EnQuest EBT Irrevocable Undertaking, the Trustees have irrevocably undertaken to take up in full its entitlement under the Rights Issue in respect of the Unallocated Shares held in the EnQuest EBT, subject to and to the extent that the Company and/or another member of the Group provides the Trustees with sufficient funds to do so. The Trustees have also agreed to vote and/or procure the vote of all of its holdings of Unallocated Shares in favour of the Resolutions in accordance with the terms of the EBT Deed.

The Trustees have also agreed not to sell, transfer, or otherwise dispose of (including undertaking any transaction with the same economic effect as disposing of), nor enter into any agreement (whether conditional or not) for the sale, transfer or other disposal of any of the Unallocated Shares (to the extent they remain unallocated) or any interest therein prior to, and will procure that the Unallocated Shares remain registered in the name of the Trustees until 5.00 p.m. on the latest date for acceptance and payment in full under the Rights Issue.

The EnQuest EBT Irrevocable Undertaking contains certain customary acknowledgements and undertakings from the Trustees.

No commission is payable by the Company in respect of the EnQuest EBT Irrevocable Undertaking.

The EnQuest EBT Irrevocable Undertaking is governed by English law.

18.3 ***Agreements relating to EnQuest's assets***

(a) *Magnus Agreements*

(i) Magnus SPA

On 24 January 2017 SPV and BPEOC entered into a sale and purchase agreement pursuant to which SPV acquired the 25 per cent. Interests.

Completion of SPV's acquisition of the 25 per cent. Interests (and transfer of operatorship of the Magnus Assets from BPEOC to SPV) occurred on 1 December 2017. On completion of the Magnus SPA, SPV entered into the Magnus joint operating agreement and certain security documents in relation to the 25 per cent. Interests.

Consideration

The base consideration for the 25 per cent. Interests was \$85 million (plus or minus customary adjustments, based on an economic date of 1 January 2017).

The final consideration for the 25 per cent. Interests was not payable by SPV at completion under the Magnus SPA. Instead, the final consideration is recoverable by BPEOC through the waterfall mechanic described at paragraph 18.3(a)(i) of this Part 11.

Waterfall mechanics

On and from completion under the Magnus SPA, the aggregate amount from time to time of: (a) all actual receipts under or in connection with any contract or arrangements for the sale and/or supply of petroleum received by or credited to SPV in respect of the 25 per cent. Interests (on a cash basis) ("**Petroleum Sales Receipts**"); plus (b) all income and other receipts of any kind, including third-party tariff and similar income (but excluding any Petroleum Sales Receipts) received by SPV in respect of the 25 per cent. Interests (on a cash basis); plus (c) any amounts that are paid to or that otherwise benefit SPV in respect of the 25 per cent. Interests arising in connection with the audit of an operator's accounts or accounting history under an operating agreement, (together, "**Interests Related Income**") is applied in accordance with the waterfall set out below in this paragraph 18.3(a)(i) of this Part 11.

All Interests Related Income is applied as follows:

(a) first, to reimburse BPEOC up to an amount equal to any outstanding "**Accumulated Interests Seller Costs Amount**". This is the cumulative amount paid by BPEOC on behalf of SPV towards Magnus cash calls and Non-Magnus JOA billings as described in paragraph 18.3(a)(i) of this Part 11 (together with interest at 5 per cent. per annum) less any amounts already reimbursed to BPEOC through the waterfall mechanism;

(b) next, to reimburse BPEOC up to an amount equal to any outstanding "**Accumulated Post-Economic Date Cost Amount**". This is the cumulative amount of post-economic date costs which SPV owes to BPEOC (together with interest at 5 per cent. per annum) less any amounts already reimbursed to BPEOC through the waterfall mechanism;

(c) next, to reimburse BPEOC an amount equal to any outstanding "**Final Earn Out Reimbursement Amount**". This is the final adjusted consideration less any amounts already reimbursed to BPEOC through the waterfall mechanism (together with interest at 5 per cent. per annum);

(d) next, to pay Magnus cash calls and Non-Magnus JOA billings as they arise; and

(e) next, to be retained by SPV (the "**Buyer 25 per cent. Return Amount**").

To the extent that SPV has a claim against BPEOC under the Magnus SPA (for example, for a breach of warranty), any amounts payable by BPEOC to SPV will be used first to reduce the Accumulated Interests Seller Costs Amount, the Accumulated Post-Economic Date Cost Amount and the Final Earn Out Reimbursement Amount. To the extent that BPEOC still owes amounts in respect of such claim to SPV, BPEOC will pay such excess to SPV.

The above is paid in accordance with the Magnus SPA and the STWD (as defined below).

If any amount owing to BPEOC pursuant to the Magnus SPA is not satisfied as a consequence of (and solely as a consequence of) insufficient Interests Related Income being received by SPV at the relevant date for payment, non-payment of such amount does not constitute a breach of the Magnus SPA but such amount remains due and outstanding until capable of being satisfied. If the Magnus COP Date (as defined in paragraph 2.4 of this Part 11) occurs and any amount owing to BPEOC pursuant to the Magnus SPA is not satisfied as a consequence of (and solely as a consequence of) insufficient Interests Related Income being received by SPV prior to the Magnus COP Date, SPV will have no liability in respect of such amounts and will have no obligation to pay BPEOC such amounts.

Funding by BPEOC of negative cashflows

If on any date that the Magnus operator issues a cash call under the Magnus JOA:

(a) the aggregate Buyer 25 per cent. Return Amount; less

(b) the aggregate amount of all Magnus cash call payments and non-Magnus JOA billing payments paid by SPV and all Positive Additional Consideration Amounts (as defined in paragraph 18.3 of this Part 11) paid by SPV,

(together the "**Net Aggregate Buyer 25 per cent. Return Amount**") is greater than the amount of such Magnus cash call, SPV is required to fund such Magnus cash call. If however, the Net Aggregate Buyer 25 per cent. Return Amount is less than the amount of such Magnus cash call, BPEOC shall, at SPV's request, pay the amount of the Magnus cash call which exceeds the Net Aggregate Buyer 25 per cent. Return Amount on SPV's behalf, and the balance of such Magnus cash call will be for SPV's account.

If on any date that the relevant operator issues a non-Magnus JOA billing under the relevant operating agreement (for example the Amended SVTOA, as described in paragraph 18.3(e) of this Part 11), the Net Aggregate Buyer 25 per cent. Return Amount is greater than the amount of such non-Magnus JOA billing, SPV is required to fund such non-Magnus JOA billing. If however, the Net Aggregate Buyer 25 per cent. Return Amount is less than the amount of such non-Magnus JOA billing, BPEOC shall, at SPV's request, pay the amount of the non-Magnus JOA billing which exceeds the Net Aggregate Buyer 25 per cent. Return Amount on SPV's behalf, and the balance of such non-Magnus JOA billing will be for SPV's account.

Any such amounts funded by BPEOC on behalf of SPV are recoverable by BPEOC as Accumulated Interests Seller Costs Amounts under the waterfall mechanics as described in paragraph 18.3(a)(i) of this Part 11.

Decommissioning liability

Under the Magnus SPA, BPEOC agrees to be liable for and to indemnify SPV against any decommissioning liabilities arising in respect of any property attributable to the 25 per cent. Interests in existence before completion under the Magnus SPA and three infill wells which are planned to be drilled as part of the three year work programme and budget planned for the Magnus field (each a "**BPEOC Decommissioning Payment**").

SPV agrees to be liable for and to indemnify BPEOC against decommissioning liabilities arising in respect of any property attributable to the 25 per cent. Interests that comes into existence on or after completion under the Magnus SPA (subject to certain carve-outs which will be treated as existing property).

Within 30 business days of the date on which SPV receives evidence of a BPEOC Decommissioning Payment or any BPEOC Decommissioning Payment is received by SPV, SPV is required to pay BPEOC an amount in US Dollars equal to 30 per cent. of the BPEOC Decommissioning Payment less the amount equal to notional tax relief that may be claimed by BPEOC (each a "**Positive Additional Consideration Amount**"). However, SPV is not required to make payment of a Positive Additional Consideration Amount to the extent that on the relevant date payment is due, part or all of such payment would, when aggregated with any previous Positive Additional Consideration Amounts, exceed the amount received by SPV through the waterfall mechanism in the Magnus SPA on such date, minus the aggregate amount of any Magnus cash call payments or non-Magnus JOA billing payments which SPV has been required to make in respect of the 25 per cent. Interests in the same period (as described at paragraph 2.2 of this Part 11). BPEOC will also indemnify SPV against any decommissioning liability for six plugged and abandoned wells and four redundant LPG tanks at SVT. There is no Positive Additional Consideration Amount due in respect of these decommissioning payments made by BPEOC.

Environmental liability

SPV agrees to be liable for and to indemnify BPEOC against all environmental liabilities relating to the 25 per cent. Interests (whether arising before, on or after completion under the Magnus SPA) (subject to certain limited carve outs).

(ii) Magnus JOA

SPV entered into a joint operating agreement with BPEOC for Magnus on 1 December 2017, following completion under the Magnus SPA. SPV is the operator under the Magnus JOA.

Joint operations under the Magnus JOA are divided into four phases:

(a) "*Magnus Phase 1*", which covers the period from completion under the Magnus SPA until one of the other Magnus Phases commences. Magnus Phase 1 governs the period where SPV owns 25 per cent. of the percentage interest in Magnus and BPEOC owns 75 per cent. of the percentage interest in Magnus;

(b) "*Magnus Phase 2*", which will only occur from completion under the Magnus Call Option Deed and will run until either Magnus Phase 3 or Magnus Phase 4 commences. This governs the period where SPV owns 100 per cent. of the percentage interest in Magnus and BPEOC owns 0 per cent. of the percentage interest in Magnus;

(c) "*Magnus Phase 3*", which will only occur if SPV wants to cease production of Magnus in accordance with the Magnus JOA, but BPEOC wants the Magnus facilities to remain open so that SPV, as the operator of Magnus, will be required to provide the certain services to the West of Shetland field owners. During this Magnus Phase 3, SPV may either own 25 per cent. or 100 per cent. of the percentage interest in Magnus (depending on whether completion under the Magnus Call Option Deed has occurred); and

(d) "*Magnus Phase 4*", which is the decommissioning phase. During this Magnus Phase 4, SPV may either own 25 per cent. or 100 per cent. of the percentage interest in Magnus (depending on whether completion under the Magnus Call Option Deed has occurred).

The Magnus JOA establishes a joint operating committee which is responsible for, among other things, approving programmes and budgets submitted to the joint operating committee by the operator. Save for certain reserved matters which require the unanimous approval of all participants entitled to vote (including authorising the operator to prosecute or defend litigation outside the United Kingdom, waiving the notice period for calling a meeting of the joint operating committee, any decision to abandon the joint operations and any matter or decision relating to decommissioning), the joint operating committee may approve decisions in accordance with the following, depending on the phase of the Magnus joint operations:

(a) during Magnus Phase 1, all decisions require the affirmative vote of both SPV and BPEOC;

(b) during Magnus Phase 2, save for the reserved matters (which require the affirmative vote of SPV and BPEOC), all decisions require the affirmative vote of SPV;

(c) during Magnus Phase 3, save for the reserved matters (which require the affirmative vote of SPV and BPEOC), all decisions require the affirmative vote of BPEOC, provided that the operator is not obliged to carry out any action or activity which the operator reasonably believes would place the operator in breach of any legislation; and

(d) during Magnus Phase 4, save for the reserved matters where SPV owns 100 per cent. of the percentage interest in Magnus (which require the affirmative vote o SPV and BPEOC), all decisions require the affirmative vote of SPV and BPEOC.

(iii) Magnus Call Option Deed
On 24 January 2017 SPV and BPEOC entered into a call option deed pursuant to which SPV has the option to require BPOEC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests, as described in Part 3 ("*Principal Terms of the Magnus Transaction*").

(b) *Thistle and Deveron agreements*
In September 2002, the Company, through Lundin Thistle Limited ("**Lundin Thistle**") (currently known as EnQuest Thistle Limited), an entity that would later become the Company's subsidiary, signed agreements with Britoil Public Limited Company ("**Britoil**"), Conoco (U.K.) Limited ("**Conoco**") and BP Exploration Operating Company Limited ("**BPEOC**") under which EnQuest Thistle 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 transferred back to Britoil, Conoco and BPEOC at a future date. The parties also entered into agreements relating to the (i) intervening period in which EnQuest 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 dated 27 September 2002 ("**ISPA**"); (ii) the Intervening Period Agreement dated 27 September 2002 ("**IPA**"); (iii) the Retransfer Sale and Purchase Agreement dated 1 January 2003 ("**RSPA**"); and (iv) the Decommissioning Liability Agreement dated 1 January 2003 ("**DLA**" and, together, the "**Thistle and Deveron Field Arrangement Agreements**"). EnQuest Thistle subsequently sold its business and assets to EnQuest Heather on 1 January 2013 and EnQuest Heather acquired EnQuest Thistle's rights and obligations under the Thistle and Deveron Field Arrangement Agreements. On 1 December 2017, EnQuest Heather, BP Exploration, Britoil and Conoco entered into an agreement to amend certain provisions of the Thistle and Deveron Field Arrangement Agreements (the

"**Thistle Umbrella Amendment Agreement**"), which provided, amongst other things, for EnQuest Heather to be the operator of the Thistle and Deveron fields after the Re-Transfer Date and during the decommissioning phase.

(i) Initial sale and purchase agreement

Under the ISPA, EnQuest Thistle (previously Lundin Thistle) acquired from Britoil and Conoco their interests in the Thistle and Deveron fields and from BPEOC part of its interest in SVT (together, the "**Thistle Interests**"). Under the ISPA, EnQuest Thistle indemnified Britoil, Conoco and BPEOC against all costs, charges, expenses, liabilities and obligations in respect of the transferred interests, including any environmental liabilities but excluding decommissioning liabilities (other than decommissioning liabilities in respect of property EnQuest Thistle purchased for field operations following completion of the ISPA), arising on or after 1 May 2002. EnQuest Thistle also indemnified Britoil, BPEOC and Conoco against any liabilities they incur as a result of EnQuest Thistle's failing to transfer the Thistle Interests to them (other than in circumstances beyond its control). EnQuest Thistle's liability under this indemnity is limited to £20 million, although the other parties retain the right to make a separate claim under contract or otherwise against EnQuest Thistle for sums in excess of this.

Lundin Petroleum AB provided a parent company guarantee on 13 February 2004 in favour of Britoil, Conoco and BPEOC to secure Lundin Thistle's obligations under the Thistle and Deveron Field Agreements, which was released and discharged on 4 March 2010 following the Company's purchase of Lundin Thistle. The Company provided a replacement parent company guarantee dated 6 April 2010 to secure EnQuest Thistle's obligations under the Thistle and Deveron Field Arrangement Agreements. Following the transfer of EnQuest Thistle's business to EnQuest Heather, the Company entered a further replacement guarantee on 1 January 2013 to secure EnQuest Heather's obligations under the Thistle and Deveron Arrangement Agreements. The guarantee is limited to £20 million. On the Company's purchase of Lundin Thistle, the Company agreed to indemnify Lundin Petroleum AB in respect of any cost that Lundin Petroleum AB incurs arising out of, or in connection with, the original parent company guarantee dated 13 February 2004.

(ii) Intervening period agreement

The IPA sets out EnQuest Thistle's rights and obligations in relation to the Thistle Interests during the period between 1 January 2003 (the date of completion of the transfer under the ISPA) and the re-transfer of the Thistle Interests to Britoil, Conoco and BPEOC at a future date upon a termination notice being duly served under the IPA and in accordance with the terms of the RSPA. EnQuest Thistle may serve a termination notice at any time on Britoil and Conoco with 12 months' notice. Britoil and Conoco may serve a joint termination notice at any time on EnQuest Thistle with 12 months' notice (or on four months' notice in certain circumstances, including where EnQuest Thistle is in material breach of its obligations under the IPA or the DLA, or is in default, and has not remedied such breach or default within a specified time period, or immediately where there has been an insolvency event at the EnQuest Thistle or parent company level).

Where Britoil and Conoco serve a notice at any time, this is subject to EnQuest Thistle's right to counter that the operations are not likely to be sub-economic at the end of the 12 months. If EnQuest Thistle serves this counter-notice and the matter is disputed, it will be referred to an expert. The operations are deemed to have become sub-economic if EnQuest Thistle's interests in the Thistle and Deveron fields are agreed or determined to be likely to be loss making for at least three consecutive months, and the aggregate losses for those three months exceed £1.5 million. If it is determined that the operations are likely to be sub-economic upon expiry of the 12 month period, the termination notice is effective and EnQuest Thistle is not entitled to any early termination compensation with respect to the transfer. If it is determined (by expert or agreement) that the operations are likely to be sub-economic upon expiry of the 12 month period (save where the IPA is terminated as a result of EnQuest Thistle's default), the termination notice is still effective but EnQuest Thistle is entitled to early termination compensation from Britoil and Conoco, which is based on estimated future cash flows.

Ownership of field equipment transferred to use under the ISPA (including replaced equipment) reverts to Britoil, Conoco and BPEOC upon re-transfer of the Thistle Interests for no additional consideration, while EnQuest Thistle retains any equipment which it has purchased for field operations since completion of the ISPA. EnQuest Thistle and Britoil each have a 50 per cent. voting interest in the Thistle Interests in respect of certain reserved matters, notwithstanding that the Group's working interest is 99 per cent. These reserved matters include the decommissioning of unit property, the approval of the annual programme and budget relating to major structural repairs and items noted as reserved matters in the DLA.

(iii) Retransfer Sale and Purchase Agreement ("**RSPA**")

The RSPA provides the arrangements for the re-transfer by EnQuest Thistle back to Britoil, Conoco and BPEOC of the Thistle Interests transferred under the ISPA. Pursuant to the Thistle Umbrella Amendment Agreement, the Company will continue to operate the assets through the decommissioning phase until the Thistle Interests are re-transferred. Under the RSPA, EnQuest Thistle has indemnified Britoil, Conoco and BPEOC against all costs, charges, expenses, liabilities and obligations in respect of the Thistle Interests arising before the date specified in the termination notice delivered under the IPA, and Britoil, Conoco and BPEOC have indemnified EnQuest Thistle against all costs, charges, expenses, liabilities and obligations in respect of the Thistle Interests, including any environmental liabilities but excluding decommissioning liabilities (other than decommissioning liabilities in respect of property EnQuest Thistle purchased for field operations during the intervening period), arising on or after the date specified in the termination notice.

(iv) Decommissioning liability agreement

The DLA apportions liability between Britoil, Conoco and EnQuest Thistle 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. EnQuest Thistle is party to a trust deed dated 5 August 2004, under which it will pay sums in trust to meet its decommissioning obligations under the DLA.

If re-transfer of the Thistle Interests does not take place (other than in circumstances beyond EnQuest Thistle's control) then Britoil and Conoco will not have any liability under this agreement for decommissioning costs. If re-transfer of the Thistle Interests does take place, Britoil and Conoco are liable for field decommissioning costs (other than in respect of property EnQuest Thistle purchased for field operations since completion of the ISPA) together with site reinstatement. EnQuest Thistle is liable for 99 per cent. and Britoil is liable for 1 per cent. of any costs incurred to the extent they arise solely as a result of the decommissioning of property EnQuest Thistle purchased for field operations since completion of the ISPA. Britoil and Conoco may request that EnQuest Thistle undertakes field decommissioning during the intervening period, with Britoil and Conoco liable for the costs of such work.

(v) Thistle Financing Deed

On 24 January 2017, SPV, BPEOC and Britoil entered into a financing deed in respect of decommissioning of the Thistle and Deveron fields. On 30 January 2018, SPV, BPEOC and Britoil agreed to amend the terms of such financing deed by entering into the Thistle Financing Deed, which is described in Part 4 ("*Principal Terms of the Thistle Transaction*").

(c) *Dons agreements*

(i) Transportation agreements

On 26 February 2010, the owners of Don Southwest and West Don (who are currently EnQuest Heather and Ithaca Energy (UK) Limited) (the "**Don Fields Group**") entered into an agreement with Lundin Thistle and Britoil (the "**Thistle Group**") for the provision of transportation services for the production from the Don Southwest and West 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 Dons, provided that such termination occurs prior to either (a) the contracted volume of Don Fields Group liquids being delivered; or (b) 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 the Don Field Group's decommissioning obligations under the Thistle TA (the "**Don Fields Group Guarantee**"). The Don Fields Group is responsible under the Thistle TA for the decommissioning, abandonment, removal and disposal of the Don facilities and equipment upstream of the Thistle facilities, including the removal of all parts within a 500 metre distance of the Thistle platform.

Under a side letter to the Thistle TA entered into between Lundin Thistle and PEDL, dated 26 February 2010, Lundin Thistle agreed to reimburse the Don Fields Group in respect of certain events of early termination under the Thistle TA. Lundin Thistle is obliged to procure a parent company guarantee from Lundin Britain Limited in favour of the Don Fields Group in respect of the reimbursements which would become due under the side letter from Lundin Thistle to the Don Fields Group following early termination of the Thistle TA.

Separate transportation agreements have been entered into for the transportation of production from the Conrie and Ythan fields (which are tied-back through Don Southwest) dated 19 August 2011 and 7 April 2015 respectively. These are broadly similar to the Thistle TA save that the Ythan transportation agreement end date is 31 December 2023 and it has no termination payment.

The Don Fields Group has also entered into a transportation agreement and executed an SVT tariff agreement, each dated 26 February 2010, for the transportation of its hydrocarbons from the Dons through the Brent system to SVT for processing and redelivery ("**Brent TA**"). The Brent TA expires at 24:00 hours on 31 August 2025 unless terminated earlier in accordance with its terms. The Don Fields Group is under a send-or-pay obligation amounting to 80 per cent. of the predicted annual quantity of Don fields liquids to be delivered to the Brent system pipeline. The Don Fields Group is obliged to make a deficiency payment to the extent that the actual volume of liquids delivered is less than the send-or-pay volume. The Conrie and Ythan fields have each entered transportation agreements dated 19 August 2011 and 7 April 2015 respectively, and SVT tariff agreements dated 19 August 2011 and 18 February 2015 respectively, each on broadly similar terms. EnQuest's hydrocarbons are transported pursuant to the BSOA, described at paragraph 18.3(g) of this Part 11 below, and are not therefore subject to send-or-pay obligations.

(ii) Shared facilities operating agreement

Upon the Company's acquisitions of its working interests in Don Southwest and West Don, EnQuest Heather became party to the shared facilities operating agreement previously entered into by the interest holders of those fields on 26 February 2010. The agreement provides for the operation and development of the facilities shared by both fields (including the Northern Producer floating production unit and other related infrastructure) under the supervision of a management committee, including how liabilities under the transportation agreements are shared between the West Don and Don Southwest fields (such as the Thistle TA and Brent TA), how capacity in the shared facilities is to be allocated and how costs in relation to the shared facilities are to be shared. EnQuest Heather is operator of both Don Southwest and West Don, in addition to having the role of operator under the shared facilities agreement for both fields. However, in its capacity as operator of the shared facilities, EnQuest Heather does not have unilateral control over operations at either Don Southwest or West Don. The operator must submit all development and production plans and budgets to the management committee for approval. The management committee must approve all decisions relating to joint operations by unanimous vote. For approval of budgets where unanimous consent is not achieved, the affirmative vote of three or more field group members whose voting interests total at least 75 per cent. of the interests at both fields is required. EnQuest Heather therefore does not have unilateral control over the operations under the shared facilities agreement.

(iii) West Don unitisation and unit operating agreement

PEDL entered into an unitisation agreement for West Don on 1 August 2008 covering operations in relation to a unit area located within the West Don area and additional acreage at Block 211/13b, which is now also owned by EnQuest Heather. The agreement assigned the role of unit operator of West Don to PEDL. Following the Company's acquisition of PEDL, EnQuest Heather is the unit operator under the agreement. A unit operating committee is responsible for, among other things, approving all authorisations for expenditure for production, development, exploratory and decommissioning operations to be undertaken by the unit operator in relation to the unit operations. The unit operating committee makes decisions through an affirmative vote by representatives appointed by two or more interest holders having in aggregate a percentage interest of at least 70 per cent. The West Don joint operating agreement (as described below) still continues to govern matters relating to West Don which fall outside of the unit area and if the terms of the unitisation agreement are inconsistent with the West Don joint operating agreement as it relates to the unit area, the terms of the unitisation agreement prevail.

(iv) West Don joint operating agreement

PEDL entered into a joint operating agreement for West Don on 23 February 2006. Following the Company's acquisition of PEDL, EnQuest Heather is the operator under the agreement. The agreement establishes a joint operating committee which is responsible for, among other things, approving production, development, exploratory and decommissioning plans submitted to the joint operating committee by the operator. The joint operating committee approves such plans with the affirmative vote of two or more interest holders whose aggregate interests total at least 81 per cent. EnQuest Heather has a 61.6 per cent. interest in West Don under the joint operating agreement outside the unitised area and therefore cannot exercise unilateral control over operations in respect of this area. Decisions relating to the sale, purchase or use of joint property to, from or by third parties, or the use of third-party facilities for the joint operations, requires the unanimous vote of the participants.

(v) Don Southwest and Conrie joint operating agreement

PEDL entered into a joint operating agreement for Don Southwest and Conrie on 15 December 2006. Following the Company's acquisition of PEDL, EnQuest Heather is the operator under the agreement. The agreement establishes a joint operating committee which is responsible for, among other things, approving production, development, exploratory and decommissioning plans submitted to the joint operating committee by the operator. The joint operating committee approves such plans with the affirmative vote of two or more interest holders that have an aggregate percentage interest in Don Southwest of at least 75 per cent. EnQuest Heather has a 60 per cent. interest in Don Southwest and therefore cannot exercise unilateral control over operations at the field. Decisions relating to the sale, purchase or use of joint property to, from or by third parties, or the use of third-party facilities for the joint operations, requires the unanimous vote of the participants.

(vi) Ythan joint operating agreement

EnQuest Heather entered into a joint operating agreement dated 24 September 2014 in respect of Blocks 211/18e and 211/19c. EnQuest Heather is the operator under the agreement. The agreement establishes a joint operating committee which is responsible for, among other things, determining all matters in general relating to policies, procedures and methods of operation, the approval of programmes and budgets and decisions relating to decommissioning. The joint operating committee makes decisions with the affirmative vote of two or more interest holders that have an aggregate percentage interest in Ythan of at least 75 per cent. EnQuest Heather has a 60 per cent. interest in Ythan and therefore cannot exercise unilateral control over operations at the field. Some decisions require the unanimous vote of the participants, including decisions to authorise the operator to prosecute or defend litigation outside of the UK, to abandon joint operations, amend the terms of the joint operating agreement or determine the licence.

(d) *Heather/Broom agreements*

(i) Broom JOA
EnQuest Heather is party to a joint operating agreement for the Broom field in respect of Block 2/4a and Block 2/5 (excluding the Heather field area) dated 16 July 2003. The agreement establishes a joint operating committee to consider and determine matters in general relating to the policies, procedures and methods of operation, including the approval of programmes and budgets proposed by the operator and decisions relating to decommissioning. The joint operating committee makes a majority of decisions with the affirmative vote of two or more interest holders whose aggregate interests total at least 50 per cent., except in the case of decisions relating to the termination of the licence or surrender of any part of the contract area, which require unanimous consent of the participants.

EnQuest Heather is the operator under the agreement and is therefore responsible for, subject to the overall supervision of the joint operating committee, carrying out the operations and activities relating to the joint venture, including the preparation of programmes, budgets and authorisations for expenditures, the provision of technical and advisory services and the planning for and obtaining of all requisite services and materials.

(ii) Heather Field Decommissioning Security Agreement
On 22 December 2014, the Company and EnQuest Heather entered into a revised Heather field decommissioning security agreement ("**Heather DSA**") to regulate the arrangements for the decommissioning of the existing Heather field facilities. The Heather DSA superseded the original Heather field decommissioning security agreement dated 15 September 1999.

Pursuant to the Heather DSA, the parties are required to post security on an annual basis to cover its decommissioning liability in relation to the existing Heather field facilities (37.5 per cent. in relation to EnQuest Heather). As operator, the Company must submit a proposed decommissioning plan to the parties each year, including a reservoir review, an estimated date of commencement and completion of decommissioning and a cost estimate for the following calendar year. This proposed plan requires the unanimous approval of the parties.

(e) *Amended Sullom Voe Terminal Operating Agreement*

EnQuest Heather and EnQuest NNS are parties to the amended Sullom Voe Terminal operating agreement dated 21 October 2015 (the "**Amended SVTOA**"), which amended and restated the original Sullom Voe Terminal operating Agreement dated 21 April 1999. The Amended SVTOA governs the rights and obligations in relation to the ownership and management of SVT, including the procedure for managing capacity in SVT, the procedures for allocating oil and gas produced at SVT, decommissioning responsibilities and the negotiation of tariff agreements.

The SVTOA establishes a terminal management committee to, among other things, consider and approve programmes, budgets and authorisations for expenditure. A majority of the decisions of the terminal management committee are made by an affirmative vote of at least 25 per cent. of the total SVT owners whose aggregate equity in SVT amounts to at least 70 per cent. However, there are some decisions which require a higher threshold. Decisions to approve authorisation for expenditure in excess of £2 million requires an affirmative vote of 85 per cent. of all SVT owners. Decisions relating to decommissioning and the removal of the SVT operator without cause require an affirmative vote of at least 95 per cent. of all SVT owners. In addition, decisions including those relating to the disclosure of information outside of the confidentiality provisions, entering into agreements relating to tariffed production (which requires approval from all participating owners), the amendment of terminal regulations and the amendment of associated agreements requires unanimous approval. EnQuest Heather and EnQuest NNS have 3.016523 per cent. and 3.015286 per cent. interests in SVT, respectively, and thus cannot exercise unilateral or negative control over operations at SVT, unless the decision requires unanimity.

The SVT operator is EnQuest NNS. Subject to the overall supervision of the terminal management committee, the operator has the exclusive right to carry out all operations and activities relating to the operation, maintenance and decommissioning of SVT and receives a small management fee for providing its services, in addition to amounts received from SVT owners to meet operating costs. The SVT operator is also responsible for the negotiation of all tariff agreements, on behalf of the SVT owners, with non-SVT owner third parties wishing to deliver production to SVT.

The Amended SVTOA will terminate on the earliest of (i) 24:00 hours on 31 August 2025; (ii) the date on which operations of SVT permanently cease; and (iii) the date with effect from which the owners unanimously agree to terminate the agreement.

(f) *Ninian Pipeline Operating Agreement*

EnQuest Heather and EnQuest NNS are parties to the Ninian Pipeline operating agreement dated 21 April 1999 (the "**NPOA**") together with BPEOC, the Ninian field group participants and the other Ninian Pipeline owners. The NPOA governs the rights and obligations in relation to the ownership, management and operation of the Ninian Pipeline, including the procedure for managing capacity in the Ninian Pipeline, the procedures for sharing costs and expenditures incurred in connection with the operation of the Ninian Pipeline, decommissioning responsibilities and the negotiation of tariff agreements.

The NPOA establishes a pipeline management committee to, among other things, consider and approve programmes, budgets and authorisations for expenditure. A majority of the decisions of the pipeline management committee are made by an affirmative vote of at least 25 per cent. of the total Ninian Pipeline owners whose aggregate equity in the Ninian Pipeline amounts to at least 70 per cent. However, there are some decisions which require a higher threshold. Decisions to approve authorisation for expenditure in excess of £2 million requires an affirmative vote of 85 per cent. of all Ninian Pipeline owners. Decisions relating to decommissioning and the removal of the Ninian Pipeline operator without cause require an affirmative vote of at least 95 per cent. of all Ninian Pipeline owners. In addition, decisions relating to the disclosure of information outside of the confidentiality provisions, entering into agreements relating to tariffed production (which requires approval from all participating owners) and the amendment of certain oil and gas quantity determination and value adjustments requires unanimous approval. EnQuest Heather has a 2.71212980 per cent. interest and EnQuest NNS has a 3.83475406 per cent. interest in the Ninian Pipeline and thus cannot exercise unilateral or negative control over operations in the Ninian Pipeline, unless the decision requires unanimity.

The Ninian Pipeline operator is EnQuest NNS. Subject to the overall supervision of the pipeline management committee, the operator has the exclusive right to carry out all operations and activities relating to the operation, maintenance and decommissioning of the Ninian Pipeline. The Ninian Pipeline operator is also responsible for the negotiation of all tariff agreements, on behalf of the Ninian Pipeline owners, with non-Ninian Pipeline owner third parties wishing to deliver production to the Ninian Pipeline.

The NPOA will terminate on the earliest of (i) 24:00 hours on 31 August 2025; (ii) the date on which operations of the Ninian Pipeline permanently cease; and (iii) the date with effect from which the owners unanimously agree to terminate the agreement.

(g) *Brent System Operating Agreement*

EnQuest Heather is a party to the Brent system operating agreement dated 21 April 1999 (the "**BSOA**") together with the other Brent system owners and the Cormorant-A platform owners. The BSOA governs the rights and obligations in relation to the ownership, management and operation of the Brent system, including the procedure for managing capacity in the Brent system, the procedures for sharing costs and expenditures incurred in connection with the operation of the Brent system, decommissioning responsibilities and the negotiation of tariff agreements with non-Brent system owner third parties wishing to deliver production to the Brent system.

The BSOA establishes a system management committee to, among other things, consider and approve programmes, budgets and authorisations for expenditure. A majority of the decisions of the system management committee are made by an affirmative vote of at least 25 per cent. of the total Brent system owners whose aggregate equity in the Brent system amounts to at least 70 per cent. However, there are some decisions which require a higher threshold. Decisions to approve authorisation for expenditure in excess of £2 million requires an affirmative vote of 85 per cent. of all Brent system owners. Decisions relating to decommissioning and the removal of the Brent system operator without cause require an affirmative vote of at least 95 per cent. of all Brent system owners. In addition, decisions relating to the disclosure of information outside of the confidentiality provisions and entering into agreements relating to tariffed production (which requires approval from all participating owners) requires unanimous approval. EnQuest Heather has a 4.46 per cent. interest in the Brent system and thus cannot exercise unilateral or negative control over operations in the Brent system, unless the decision requires unanimity.

The Brent system operator is TAQA Bratani Limited. Subject to the overall supervision of the system management committee, the operator is authorised to represent and act as agent for and on behalf of the Brent system owners in all matters relating to the Brent system.

The BSOA will terminate on the earliest of (i) 24:00 hours on 31 August 2025; (ii) the date on which operations of the Brent system permanently cease; and (iii) the date with effect from which the owners unanimously agree to terminate the agreement.

(h) *GKA agreements*

(i) GKA acquisition agreement

On 21 October 2013, EnQuest Heather entered into an agreement (which completed on 1 March 2014) with Centrica North Sea Oil Limited ("**Centrica**") to acquire its 50 per cent. working interest in each of the Kittiwake, Mallard, Goosander, Gadwall and Grouse fields in GKA (the "**GKA SPA**"). The agreement also included the acquisition of Centrica's 50 per cent. interest in the Duck and Eagle prospect. EnQuest Heather agreed to pay a base consideration of $39.8 million to Centrica pursuant to the agreement. In addition, EnQuest Heather agreed to pay a contingent consideration with respect to the Duck and Eagle prospect to be calculated based on the future estimate of 2P reserves of the prospect after submission of a field development plan. The agreement caps the amount of contingent consideration to be paid at $100 million. EnQuest Heather also agreed to pay deferred consideration contingent upon government approval of a field development plan in respect of the Scolty and/or Crathes offshore fields which incorporates a tie back of the Scolty and/or Crathes offshore fields to the Kittiwake platform.

The structure of the deferred consideration payments under the GKA SPA was amended on 15 June 2015 and 13 February 2017 to reduce and reallocate the $30 million payable upon Secretary of State approval of the Scolty/Crathes field development plan such that (a) $3 million was paid on 2 November 2015; (b) $9 million was paid on 31 March 2017; and (c) $8 million was paid on 2 February 2018. There is also a contingent payment based on the oil price being a $0.5 million payment (in the first year of production) and a $0.3 million payment (in the second year of production) for each dollar above the oil price threshold of $75 per barrel (capped at $12.5 million in the first year of production and $7.5 million in the second year of production). No payment was due in respect of the first year of production.

(ii) GKA joint operating agreement

The interest holders in GKA, including EnQuest Heather, are subject to a joint operating agreement dated 12 January 2004. The GKA joint operating agreement establishes a joint operating committee to, among other things, prepare and approve programmes, budgets and authorisations for expenditures proposed by the operator. The joint operating committee makes decisions with the affirmative vote of two or more interest holders whose aggregate interests total more than 75 per cent., except in a limited number of circumstances, including a decision to surrender the licence, where unanimity is required. EnQuest Heather has a 50 per cent. interest in GKA and therefore cannot exercise unilateral control over operations at GKA.

EnQuest Heather is the operator under this agreement and is therefore responsible for, subject to the overall supervision of the joint operating committee, carrying out the operations and activities relating to the joint venture, including the preparation of programmes, budgets and authorisations for expenditures and the provision of technical and advisory services.

(i) *Alma/Galia agreements*

(i) Farm-out of 35 per cent. interest in Alma/Galia to KUFPEC

On 29 May 2012, EnQuest Heather agreed to transfer to KUFPEC a 35 per cent. working interest in the Alma/Galia development and associated licences and data. In exchange for this interest, KUFPEC agreed (in addition to paying its equity share of costs from the effective date, 1 January 2012) to carry EnQuest Heather in respect of its remaining share of development costs up to a maximum amount of $182 million (the "**KUFPEC Cap**"). As security for the payment by KUFPEC of such development costs, KUFPEC procured a letter of guarantee in EnQuest Heather's favour under which KUFPEC's payment obligations under this agreement up to the value of the KUFPEC Cap were guaranteed by Deutsche Bank. This carry amount has been exhausted.

This agreement also provides that, with effect from 1 January 2017, to the extent that KUFPEC have not recovered or are deemed (on the basis of an assumed oil price) not to have recovered their development costs incurred to first oil, EnQuest Heather must provide to KUFPEC an additional 20 per cent. share of revenue (net of operating expenditure) received from the sale of petroleum from the fields until such point as KUFPEC have recovered (or are deemed to have recovered) such costs.

(ii) Alma/Galia joint operating agreements

EnQuest Heather is party to a joint operating agreement with KUFPEC for each of the Alma and Galia fields that are each dated 12 October 2012. One agreement applies to operations at blocks 30/24c and 30/25c (Alma), whereas the other applies to operations at block 30/24b (Galia). Both agreements establish a joint operating committee to consider and determine matters in general relating to the policies, procedures and methods of operation, including the approval of programmes and budgets proposed by the operator, the contract strategy and decisions as to decommissioning. Both joint operating committees make a majority of decisions with the affirmative vote of two or more interest holders whose aggregate interests total at least 66 per cent. Decisions including the authorisation of the operator to prosecute or defend litigation outside the UK, those relating to decommissioning, the disclosure of confidential information, the amendment of the joint operating agreement or the determination of the licence require unanimity. EnQuest Heather has a 65 per cent. interest in Alma/Galia and thus cannot exercise unilateral control over operations at Alma/Galia, although it can exercise negative control in relation to decisions requiring unanimity.

EnQuest Heather is the operator under these agreements and is therefore responsible for, subject to the overall supervision of the joint operating committee, carrying out the operations and activities relating to the joint venture, including the preparation of programmes, budgets and authorisations for expenditures, the provision of technical and advisory services and the preparation of a decommissioning programme.

(iii) Alma/Galia Operation and Maintenance Services Agreement

EnQuest Heather entered into an operation and maintenance services agreement dated 12 October 2012 with KUFPEC. EnQuest Heather (in its capacity as the host operator) agreed to provide the EnQuest Producer FPSO to EnQuest Heather and KUFPEC (in their capacity as the Alma-Galia owners) and carry out operation and maintenance services in respect of the EnQuest Producer FPSO and subsea facilities. The term of the agreement continues until the date on which the EnQuest Producer FPSO is redelivered at the North West European port nominated by EnQuest Heather.

(j) *Alba joint operating agreement*

Interest holders in Alba are subject to a joint operating agreement dated 10 October 1990 in respect of Block 16/26a. Chevron is the appointed operator under the agreement, whose responsibilities include the preparation of programmes, budgets and authorisations for expenditures and the carrying out of technical and advisory services. The agreement establishes an operating committee that approves all production, development, exploratory and decommissioning operations plans and expenditure. The operating committee approves such plans through an affirmative vote of two or more interest holders that hold in aggregate at least two-thirds of all interests in Alba. The Group (through EnQuest Production Limited and EnQuest Petroleum Sabah Limited) has an 8 per cent. interest in Alba and thus cannot exercise unilateral control over operations at Alba. As an interest holder under the agreement, the Group has the right and obligation to take in kind and separately dispose of the Group's percentage interest share in the total quantities of produced oil. The operator may make monthly cash calls in pounds sterling and US dollars in relation to expenditure in connection with the operation of the field. The operator is also not liable to any interest holders for any act or omission in conducting field operations, unless such act or omission was the result of reckless or wilful misconduct on the part of the operator.

(k) *Kraken agreements*

The Company acquired its interests in the Kraken development through (a) the acquisition of Canamens Energy North Sea Limited ("**CENSL**") from Canamens Limited ("**Canamens**") (whose assets included a 20 per cent. working interest in Kraken); (b) the 24 January 2012 farm-in agreement with Nautical Petroleum PLC and Nautical Petroleum AG (together, "**Nautical**") for a 25 per cent. working interest; (c) the 25 April 2012 farm-in agreement with First Oil and Gas Limited ("**First Oil**") for a 15 per cent. working interest; and (d) the acquisition of a further 10.5 per cent. working interest from First Oil on 22 February 2016.

(i) Canamens acquisitions

On 8 January 2012, the Company agreed to purchase from Canamens the entire issued share capital of CENSL, through which it acquired CENSL's 20 per cent. interest in the Kraken development. The Company completed the acquisitions on 31 January 2012.

The Company paid upfront cash consideration of $35 million for the shares of CENSL. The Company also paid contingent consideration of $45 million after the Secretary of State's authorisation of a field development plan with respect to the Kraken development.

Pursuant to the agreement to purchase CENSL, the Company is obligated to indemnify Canamens against any decommissioning liabilities for which it is pursued in relation to CENSL's decommissioning obligations.

(ii) Nautical agreement

On 24 January 2012, the Company entered into a farm-in agreement and related carried interest agreement with Nautical in respect of a 25 per cent. interest in the Kraken development, together with interests in surrounding exploration acreage.

In exchange for these interests, the Company agreed to pay the development costs incurred from 1 January 2012 in respect of a development programme for the Kraken field that would otherwise have been payable by Nautical in respect of its aggregate remaining 25 per cent. interest in Licence P.1077 in respect of the Kraken development, up to a maximum of $150 million, plus a contingent amount of up to $90 million dependent on the gross 2P reserves in the Kraken field as determined by an independent reserves calculation.

If the Company defaults in its payment of the development costs payable by the Company, Nautical may, within 30 days of such event, require the Company to re-transfer to it the interests it purchased through this agreement. The contingent carry amount was determined at $26.59 million pursuant to a side letter with Nautical Petroleum Limited dated 29 July 2016, payable in instalments between July 2016 and January 2017. The carry amount has been exhausted.

(iii) Kraken joint operating agreement

Interest holders in Kraken are subject to a joint operating agreement dated 29 September 2006 relating to Block 9/2b. The existing participating interests are held 70.5 per cent. by

EnQuest Heather and 29.5 per cent. by Cairn Energy PLC (through Nautical Petroleum Limited).

The Kraken joint operating agreement establishes a joint operating committee to approve programmes, budgets and authorisations for expenditures proposed by the operator and decisions as to decommissioning. The joint operating committee makes decisions with the affirmative vote of two or more interest holders whose aggregate interests total at least 71 per cent., with the exception of decisions to voluntarily relinquish or surrender all or part of the licence area, or to voluntarily terminate the licence, which requires a unanimous vote of all participants. The Group currently has a combined 70.5 per cent. interest in Kraken and therefore cannot exercise unilateral control over operations at Kraken.

EnQuest Heather is the operator under the agreement and is therefore responsible for, subject to the overall supervision of the joint operating committee, carrying out the operations and activities relating to the joint venture, including the preparation of programmes, budgets and authorisations for expenditures, the provision of technical and advisory services and the planning for and obtaining of all requisite services and materials.

(iv) Kraken Operation and Maintenance of Services Agreement

The Company entered into an operation and maintenance of services agreement dated 20 December 2013 with Bumi Armada UK Limited in relation to the operation and maintenance of the Kraken FPSO. Bumi Armada UK Limited is contracted to provide services including but not limited to the supply of personnel, inspections, maintenance and repair of the FPSO and the provision of technical support and training. The term of the agreement continues until the date on which, following the termination of the FPSO charter period, the Kraken FPSO is uninstalled, disconnected, removed and redelivered to the area which is 500 metres from the Kraken field installations, known as the 500 metre safety zone.

(v) Bareboat charter in respect of the Kraken FPSO

On 20 December 2013, EnQuest Heather (in its capacity as the Kraken operator) entered into a bareboat charter with the Kraken field owners (as charterers) and Armada Kraken PTE. Ltd. ("**Armada**"). Armada agreed, among other things, to construct, and perform the installation, commissioning and hook-up of, the Kraken FPSO at the Kraken field and thereafter charter the Kraken FPSO to the charterers (including, among others, EnQuest Heather and EnQuest ENS Limited).

The original charter period begins on the "first production date" (which is 4 September 2018 being the date of issuance of the Acceptance Certificate) and expires, unless terminated earlier in accordance with its terms (including the charterers' ability to terminate for convenience on 180 days' notice) on 1 April 2025. Upon expiry of the original charter period, the charter period is automatically extended on an annual basis for a period of 12 months up to a maximum of 17 years in addition to the original charter period, unless terminated earlier in accordance with its terms (including the charters' ability to terminate for convenience on 180 days' notice) or if the charterers notify Armada of its election to terminate the bareboat charter 12 months prior to the expiry of the original charter period. The charterers are obliged to pay Armada a specified termination fee on the charterer's failure to pay the hire rate or on becoming subject to an insolvency event, or upon its termination for convenience during the original charter period.

EnQuest Heather (as Kraken operator for and on behalf of the charterers) has paid an initial payment of $100 million to Armada for the work, split into three tranches ($50 million once Armada demonstrated that it had committed financing in place to perform the work, $25 million once Armada entered binding commitments with subcontractors for the provision of equipment and $25 million upon arrival of the Kraken FPSO at the Singapore yard). EnQuest Heather is liable to pay a commissioning fee of $1 million once the Kraken FPSO is ready to accept hydrocarbons, albeit to date, the commissioning fee is unpaid despite the fact the FPSO is receiving hydrocarbons. In addition, EnQuest Heather (as Kraken operator for and on behalf of the charterers) paid a daily rate of $223,776 from the date on which the Kraken FPSO accepts delivery of hydrocarbons for a period of 16 days. The daily rate became payable from 6 July 2017). Hire rates per day are $447,352 during the original charter period and $139,860 during the extension hire period, payable by EnQuest Heather (subject to adjustments in the event of force majeure and availability).

On 10 August 2016, the charterers and Armada entered into an amendment agreement in respect of the bareboat charter (Amendment Agreement Number One), wherein it was agreed that Armada would pay up to $32 million to the charterers in respect of its failure to meet the certain key dates, and specifically the failure to achieve first production as scheduled in the bareboat charter, and would pay an additional $65 million as partial reimbursement of the initial payment referred to above. The amount totalling $32 million has been paid by Armada in full. The reimbursement of the intial payment is payable in instalments, with $38 million payable between February 2017 and February 2018 (paid in full by Armada) and the balance payable over a two year period commencing three months after the date of first production (which is 4 September 2018). These payments are in addition to the $20 million of liquidated damages paid to the Company, in respect of which it recognised a $14.1 million receivable (representing its net share of the damages) at 30 June 2016.

On 27 August 2018, charterers and Armada entered into a further amendment agreement in respect of the bareboat charter wherein it is agreed that Armada will pay $15 million to the charterers as settlement of all variations and various respective claims that the charterers and Armada has asserted over the other during the life of the Bareboat Charter to date. The $15 million amount is to be paid by Armada in two or three instalments with (i) $4 million payable 5 days after after issuance of the Acceptance Certificate (which is 4 September 2018). (ii) $4 million payable on 7 September 2018 (or $8 million if the first instalment has not been paid by such date); and (iii) $7 million payable on 17 December 2018. Amendment Agreement Number Two amends and adds various terms to the Bareboat Charter including setting out the minimum requirements to be achieved by Armada for issuance of the Acceptance Certificate (Armada achieved such requirements and an Acceptance Certificate was issued on 4 September 2018) and also prescribing the extent of the items to be completed by Armada post issuance of the Acceptance Certificate (the "Punch List Items"). Such Punch List Items each attract a prescribed amount of daily compensation which is payable by Armada to the charterers until such time as the relevant Punch List Item is completed by Armada or charterers on Armada's behalf or waived by charterers. Such compensation is payable by Armada to the charterers irrespective of the applicable daily Hire rate under the Bareboat Charter. The maximum compensation payable by Armada is $50,600 USD per day.

(vi) Contract for the provision of the Kraken development subsea facilities

EnQuest Heather is party to a contract dated 10 June 2014 and 1 July 2014 with Technip UK Limited ("**Technip**") in relation to the provision of the Kraken development subsea facilities. Technip was contracted to provide subsea facilities which extend from the riser hang-off at the submerged turret production buoy/FPSO to the Manifold connections at the drill centres 1, 2 and 3, with all such works being completed by Technip by 31 July 2016.

The original contract has also been amended seven times by the following amendment agreements: (i) dated 1 August 2014; (ii) dated 28 November 2014 (ii) dated 25 February 2015; (iv) dated 7 September 2016; (v) dated 21 June 2017; (vi) dated 21 December 2017; and (vii) dated 2 July 2018, pursuant to which, among other things, the payment of certain invoices was deferred and a rate of 7 per cent. per annum was applied on such deferred amounts. The deferred invoices have to date been paid in part, with the remainder of the balance (around £21.9 million) due in accordance with the specified payment schedules within amendment agreement (vii) above until 31 July 2019.

EnQuest Heather has also entered into a separate contract with Technip in respect of drill centre 4, with an original contract price of £30,310,986. Such contract price has already increased due to variations and is now £32,526,326. Under the arrangements, the payment of EnQuest's equity share (70.5 per cent.) of all invoices will be deferred and a rate of 7 per cent. per annum applied on such deferred amounts. The deferred amounts shall be paid in six monthly instalments, with the first such payment being due on the date falling nine months after completion of the work, with such completion expected to occur around 15 September 2018.

(vii) Contract for the provision of Transocean Leader

EnQuest Heather is party to a contract dated 29 September 2014 with Transocean Drilling U.K. Limited ("**Transocean**") in relation to the provision of the Transocean Leader drilling unit. The contract has since been amended by amendment agreement to reduce the term of the contract and the applicable suite of operating rates (see paragraph 18.4(c) of this Part 11 ("*Additional Information*") for details of the amendment agreements). The remaining scope of work under the contract comprises the workover of three wells at Alma and drilling and completion of four wells at Kraken. The remuneration to be paid to Transocean includes an operating rate of $135,000 per day payable by EnQuest Heather in respect of the Alma workovers and $160,000 per day in respect of Kraken drilling (together with a bonus-malus scheme based on rig performance). This daily operating rate is payable if the drilling unit is, among other things, anchored on location and ready to start the work. Lower rates apply in certain circumstances, including where Transocean is unable to proceed with the work because of adverse sea or weather conditions or force majeure.

See also paragraph 18.4(c) of this Part 11 ("*Additional Information*") on the deferral arrangement around the consideration payable to Transocean.

(l) *Scolty/Crathes agreements*

(i) Scolty/Crathes joint operating agreement

EnQuest Heather is subject to a joint operating agreement dated 2 November 2005, together with MOLGROWEST (II) Limited, in respect of its interest in the Scolty/Crathes development. The joint operating agreement establishes an operating committee to, among other things, consider and approve programmes, budgets and authorisations for expenditures proposed by the operator and to consider business opportunities to provide services to third parties. The operating committee makes decisions with the affirmative vote of two or more interest holders whose aggregate interests total more than 61 per cent. EnQuest Heather has a 50 per cent. interest in Scolty/Crathes and therefore cannot exercise unilateral control over operations at Scolty/Crathes.

EnQuest Heather is the operator under this agreement and is therefore responsible for, among other things and subject to the overall supervision of the operating committee, the preparation of programmes, budgets and authorisations for expenditures, the conduct of day to day operations within the scope of the approved programmes and budgets and the provision of technical and advisory services.

(m) *PM8 and Seligi agreements*

(i) Sale and purchase agreement

On 13 June 2014, EP Malaysia entered into a sale and purchase agreement for the purchase of ExxonMobil's 50 per cent. interest in the Seligi field and its 80 per cent. interest in the PM8 field, offshore Malaysia (although EP Malaysia's interest in the PM8 field reduced to 50 per cent. from 1 July 2014 pursuant to the joint operating agreement (as described at paragraph 18.3(m)(iii) of this Part 11 below)). EP Malaysia also agreed to purchase ExxonMobil's 50 per cent. interest in the gas rights available for sale from the PM8 producing fields. Pending completion of the acquisition, ExxonMobil agreed to provide EP Malaysia with transitional services to continue operating PM8 and Seligi until 15 December 2014, following which EP Malaysia took over full operatorship from ExxonMobil. EP Malaysia agreed to pay upfront cash consideration of $67 million for the interests.

(ii) Production Sharing Agreement

EP Malaysia's interest in the PM8 and Seligi fields is held pursuant to a PSC with PETRONAS Carigali Sdn Bhd, E&P Malaysia Venture Sdn Bhd (as contractors) and PETRONAS dated 10 December 2014. Under the PSC, EP Malaysia, as the appointed operator, is required to perform petroleum operations in accordance with an annual work programme and budget which is approved by PETRONAS. The PSC establishes an operations committee for the purposes of managing operations and approving the work programme and budget. Revenues from production under the PSC are firstly set aside for payments to the Malaysian state and then applied to the contractor's cost recovery, both up to a specified percentage. The additional revenues are divided based on a contractor's profitability. EP Malaysia's profitability is determined using the R/C index. The R/C index is the ratio of contractor's cumulative revenue over contractor's cumulative costs. Under the PSC, EP Malaysia, as a contractor, gets a higher share of production when its profitability is low and PETRONAS' share of production increases when EP Malaysia's contractor's profitability increases.

The contractors are required to pay an annual decommissioning cess to PETRONAS based on annual production, estimated costs and estimated remaining production, which is cost recoverable, and also to facilitate the decommissioning of the facilities in accordance with an agreed programme and budget approved by PETRONAS. The PSC expires on 31 March 2033.

(iii) Joint operating agreement
EP Malaysia entered into a joint operating agreement on 10 December 2014 in respect of PM8/Seligi. From 1 July 2014 onwards, participating interests are held: 50 per cent. by EP Malaysia, 40 per cent. by PETRONAS Carigali Sdn Bhd and 10 per cent. by E&P Malaysia Venture Sdn Bhd. The role of operator is assigned to EP Malaysia. The agreement establishes a management committee charged with the supervision and direction of operations and approving work programmes and budgets. The management committee makes decisions with the affirmative vote of two or more interest holders (who are not related companies) whose aggregate interests total at least 65 per cent. As EP Malaysia has a 50 per cent. interest, it cannot exercise unilateral control over operations.

Pursuant to this agreement, and a subsequent extension, EP Malaysia agreed to bear all costs of the interest holders (of at least $16 million) between 26 June 2014 and 26 June 2018 in relation to drilling one exploration well and one appraisal well.

(n) *Tanjong Baram agreements*

(i) Risk Service Contract
On 27 March 2014, EP Developments Malaysia signed a SFRSC with PETRONAS for the development and production of the Tanjong Baram field, offshore Malaysia. EP Developments Malaysia has a 70 per cent. interest in the Tanjong Baram SFRSC and the remaining 30 per cent. is held by Uzma. PETRONAS remains project owner and EP Developments Malaysia acts as a service provider responsible for implementing the field development plan and carrying out production operations. The Tanjong Baram SFRSC establishes a joint management committee for the purpose of general supervision and control of the project. Decisions are made by unanimous vote of all members.

EP Developments Malaysia's incurred upfront development and operations costs are to be reimbursed from field revenue upon commercial production. EP Developments Malaysia is also entitled to a per barrel remuneration fee which is not linked to oil prices. EP Developments Malaysia's remuneration fee is tied to cost, schedule and production performance. EP Developments Malaysia does not have any decommissioning liability upon expiry of the Tanjong Baram SFRSC or following the end of the life of the field. The Company has also provided a parent company guarantee in respect of EP Development Malaysia's participating share under the Tanjong Baram SFRSC. The term of the Tanjong Baram SFRSC is 9 years.

(ii) Joint operating agreement
EP Developments Malaysia entered into a joint operating agreement on 27 March 2014 with Uzma. The role of operator is assigned to it. The agreement established a joint management committee charged with the supervision and direction of operations and approving work programmes and budgets. Decisions require the affirmative vote of 100 per cent. of the participating interests, save for decisions to appoint an external auditor which require an affirmative vote by two or more interest holders having in aggregate a percentage interest of at least 70 per cent. The affirmative vote of both EP Developments Malaysia and Uzma is therefore required to approve decisions. However, deadlock can be resolved by EP Developments Malaysia (as operator) if a decision is required in order to comply with the Tanjong Baram SFRSC or applicable laws.

18.4 ***Description of certain financing arrangements***

(a) *SFA*

(i) Overview

The Company and certain of its subsidiaries entered into an agreement establishing the SFA on 6 March 2012, which agreement the Company amended and restated including on 17 November 2016. BNP Paribas SA is the fronting bank and the facility agent. The term facility of the SFA may be utilised in US dollars by drawing of cash advances and the revolving credit facility of the SFA may be utilised in US dollars or pounds sterling by drawing of cash advances or by issuances of letters of credit. Borrowings may be used for the purposes of funding oil and gas related expenditure of the Company and its subsidiaries from time to time.

Under the SFA, the Group has a $1,125 million dollar term loan tranche ("**Tranche A**", of which, as of 31 July 2018, $1,075 million was outstanding) and a $75 million multicurrency revolving credit tranche ("**Tranche B**", of which, as of 31 July 2018, $6.8 million was outstanding). After netting off unamortised facility fees, the balance sheet amount for the Group's liability represented by the SFA was $1,084.3 million as of 31 July 2018.

(ii) Borrowers and guarantors

Each of the following companies is both a borrower and a guarantor under the SFA: the Company, EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Norge AS, EnQuest Britain Limited, EnQuest Energy Limited, EQ Petroleum Sabah Ltd, EnQuest Production Limited, EnQuest NWO Limited and EnQuest Global Limited (each both an "SFA Borrower" and an "SFA Guarantor"). Each of the following companies is an SFA Guarantor but not an SFA Borrower: EnQuest Dons Leasing Limited, EQ Petroleum Production Malaysia Ltd, NSIP (GKA) Limited, Stratic UK Holdings Limited, EnQuest UKCS Limited, EnQuest Global Services Ltd, EnQuest Thistle, EnQuest Marketing and Trading Limited and NorthWestOctober Limited. A mechanism is included in the SFA to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the SFA, subject to certain conditions. It is intended that following the completion of the Permitted Novation and the Magnus Transaction, EnQuest NNS Limited and EnQuest NNS Holdings Limited and, further to the financing arrangements described in paragraph 18.4(d) of this Part 11 ("Kraken Project Structured Finance Loan – OZ"), EnQuest Advance Holdings will each accede to the SFA as a guarantor. The Company has obtained the required consent under the SFA for the liquidation (and retirement as an SFA Borrower and SFA Guarantor) of EnQuest Norge AS.

(iii) Security

The SFA is secured by way of (i) first ranking and second ranking English law share charges over the shares of EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Britain Limited, EnQuest Energy Limited, EnQuest Production Limited and EnQuest NWO Limited; (ii) a first ranking English law share charge over the shares of EnQuest Global Limited, EnQuest Marketing and Trading Limited; EQ Petroleum Production Malaysia Ltd and EQ Petroleum Sabah Ltd (iii) first ranking and second ranking floating charges over the Company, EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Energy Limited, EQ Petroleum Sabah Ltd, EnQuest Production Limited and EnQuest NWO Limited; (iv) a first ranking English floating charge over EnQuest Global Limited, EnQuest Britain Limited and EQ Petroleum Production Malaysia Limited; (v) first ranking Norwegian law security consisting of a share pledge over the shares of EnQuest Norge AS held by EnQuest Global Limited, an account charge by EnQuest Norge AS, a general assignment agreement by EnQuest Norge AS, two charges over machinery and plant and two factoring agreements by EnQuest Norge AS (which, in each case, the Company has obtained the required consent under the SFA to release); (vi) a first ranking Scottish law share charge over the shares of NSIP (GKA) Limited; (vii) a first ranking Scottish law floating charge over NSIP (GKA) Limited; (viii) a first ranking Canadian law share charge over the shares of Grove Energy Limited; (ix) first ranking and second ranking English law security assignment by certain obligors under the SFA; and (x) first ranking English law debentures by the Company, EnQuest Britain Limited and EnQuest

Global Limited over their respective interest in intercompany balances owed to them by any member of the Group.

In accordance with, and as a condition to, the consent request letter in respect of the financing arrangements described in paragraph 18.4(d) of this Part 11 ("Kraken Structured Finance Loan – OZ"), (i) EnQuest Heather will grant a first ranking English law charge over the shares in EnQuest Advance Holdings Limited; (ii) EnQuest Advance Holdings Limited will grant a second ranking English law charge over the shares of EnQuest Advance Limited; and (iii) EnQuest Advance Limited will grant second ranking English fixed and floating charge over all its assets, in each case in favour of the SFA security trustee.

(iv) Commitments and additional commitments

As of 31 July 2018, the aggregate commitments are $1,075 million for Tranche A and $50 million for Tranche B, with the total aggregate commitments of the SFA being $1,125 million (the "**Aggregate Commitments**"). Such amount may not be increased except with the consent of all parties to the SFA.

Funds may only be drawn under the SFA to a maximum amount of the lesser of (i) the Aggregate Commitments, and (ii) the maximum amount which could be outstanding on: (a) the most recent Scheduled Test Date taking into account the amount of the proposed utilisation without the Company being in breach of the Leverage Ratio, and (b) the most recent Test Reference Date taking into account the amount of any proposed utilisation without the Company being in breach of the Finance Charges Cover Ratio (see paragraph 18.4(a)(xiii) of this Part 11 ("Financial covenants") for the relevant definitions).

(v) Guarantees

Each of the SFA Guarantors has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the SFA) by any SFA Borrower in connection with the SFA.

(vi) Reduction and repayment

The Aggregate Commitments under the SFA reduce to zero on 1 October 2021.

Tranche A must, in accordance with the amortisation schedule of the SFA, be repaid on specified dates and may not be re-borrowed:

1. From the effective date under the last amendment and restatement agreement of 17 November 2016 up to and including 31 March 2018: US$1,125 million
2. From 1 April 2018 up to and including 30 September 2018: US$985 million
3. From 1 October 2018 up to and including 31 March 2019: US$855 million
4. From 1 April 2019 up to and including 30 September 2019: US$680 million
5. From 1 October 2019 up to and including 31 March 2020: US$580 million
6. From 1 April 2020 up to and including 30 September 2020: US$460 million
7. From 1 October 2020 up to and including 31 March 2021: US$425 million
8. From 1 April 2021 up to and including 30 September 2021: US$360 million
9. On 1 October 2021 (the "**SFA Final Maturity Date**"): nil.

In accordance with a consent and waiver letter dated 3 October 2017 (the "**October 2017 Waiver Letter**"), the Company obtained consent to defer the first repayment due on 1 April 2018 until the earlier of (i) 1 October 2018, at which time the aggregate Tranche A commitments shall reduce to $855 million and the Aggregate Commitments shall reduce to $930 million; and (ii) the date of the receipt of net proceeds by an Obligor from a farm down of an at least 20 per cent. interest in Kraken, at which time the aggregate Trance A commitments shall reduce to $985 million and the Aggregate Commitments shall reduce to $1,060 million.

Tranche B must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Tranche B amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The relevant SFA Borrower must also ensure that the aggregate dollar amount of the face value of all outstanding letters of credit does not at any time exceed $50 million.

On any day from 12 months before the Final Maturity Date on which the aggregate dollar amount of all outstanding utilisations exceeds 50 per cent. of the Aggregate Commitments, the Company must maintain cash cover in respect of outstanding letters of credit as the SFA Final Maturity Date approaches as follows: 25 per cent. of the outstanding utilisations by way of letters of credit from 12 months before the SFA Final Maturity Date, 50 per cent. of the outstanding utilisations by way of letters of credit from 9 months before the SFA Final Maturity Date, 75 per cent. of the outstanding utilisations by way of letters of credit from 6 months before the SFA Final Maturity Date and 100 per cent. of the outstanding utilisations by way of letters of credit from 3 months before the SFA Final Maturity Date.

(vii) Mandatory prepayment

Illegality: If it becomes unlawful in any applicable jurisdiction for a lender or for an affiliate of a lender for that lender to perform its obligations under the SFA or to fund or maintain its participation in a loan, the available commitment of that lender will be immediately cancelled once that lender has notified the Group (through the facility agent) of that unlawfulness and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender concerned in certain circumstances.

Change of Control: If the Group experiences certain change of control events, any lender may by notice to the Group and the agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender's participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

Bond Proceeds: If any member of the Group issues bonds, then the SFA Borrowers must apply all the proceeds of the issuance towards repayment of the SFA.

Cash Sweep: Any cash sweep amount (which is defined as the amount by which the aggregate of: (A) cash in hand or at bank of the Group (excluding certain restricted cash); and (B) the available commitments under Tranche B, on the last day of each semi-annual period ending on 30 June and 31 December in each year, exceeds $75 million (excluding any amounts required for capital expenditure included in the latest Liquidity Test) must be applied for repayment of the SFA. Nevertheless, the Company is entitled, on each semi-annual period ending on 31 December, to pay up to 50 per cent. of any cash sweep amount to (in the following order): (i) make a voluntary prepayment of any capitalised interest payable on an interest payment date under the High Yield Notes and the Retail Notes which is capitalised in accordance with their respective terms (the "**Capitalised Interest**"), in each case subject to satisfaction of the Bond Interest Payment Condition; and (ii) any permitted (under the SFA) distribution.

The "**Bond Interest Payment Condition**" includes that:

(A) the Leverage Ratio has been no greater than 2.0:1.0 for the four immediately preceding consecutive quarters;

(B) the Company is not in breach of the Leverage Ratio on the day of, and taking into account, the interest payment;

(C) the Company has delivered a Liquidity Test taking into account the proposed Capitalised Interest demonstrating, to the satisfaction of the Majority Lenders (as defined below), that the Group has sufficient funds available to meet all liabilities when due including all amounts on the SFA Final Maturity Date with a surplus to the extent that debt service in each six month period is covered 1.20:1.00;

(D) Aggregate Commitments under the SFA are less than $500 million; and

(E) no event of default is continuing under the SFA.

Other: The SFA also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

(viii) Voluntary prepayment and cancellation

Subject to payment of break costs (if any) and to the delivery of a Liquidity Test which shows that the Group has sufficient funds to meet all liabilities when due and payable and which are reasonably expected to fall due for payment on or before the date falling 12 months after the SFA Final Maturity Date, an SFA Borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the SFA without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or repayment of $1 million (with integral multiples of $1 million), on not less than five business days' (or such shorter period as the Majority Lenders may agree) prior notice to the facility agent. The Company shall not cancel any part of Tranche B unless Tranche A has been fully repaid.

(ix) Interest and fees

The rate of interest payable on the loans under the SFA is the rate per annum equal to the aggregate of margin plus LIBOR (in the case of loans in both US dollars and pounds sterling).

- Margin is calculated as follows: Tranche A and Tranche B less than or equal to the Initial RRBV Loans at LIBOR (with zero floor) plus 475bps and Tranche A and Tranche B above the Initial RRBV Loans at LIBOR (with zero floor) plus 525bps and (with the balance to be added to the PIK Amount on the last day of each interest period (or six monthly if less)) 375bps PIK. LIBOR does not apply to letters of credit and on certain letters of credit (being Performance LCs, as defined in the SFA), only 50 per cent. of the applicable margin will apply.

- PIK Amount was zero on the date that the SFA became effective. The PIK Amount then increases as follows: PIK Amount Interest (at a rate of 9 per cent. per annum) accrues on the PIK Amount and is capitalised and added to the PIK Amount on each 30 June and 31 December.

"**Initial RRBV Loans**" are fixed at $890,700,000 for the life of the SFA.

The SFA Borrowers are required to pay a commitment fee on available but unutilised commitments under the Tranche A and Tranche B, at a rate of 2.625 per cent. of a lender's available respective commitment.

(x) Representations and warranties

The SFA includes certain customary representations and warranties, subject to certain exceptions and appropriate materiality qualifications, including representations with respect to:

- status;
- powers and authority;
- legal validity;
- non conflict with constitutional documents, laws or certain documents;
- ranking;
- no insolvency;
- no default;

- accuracy of most recent financial statements delivered;
- compliance with tax laws;
- maintenance of necessary insurances; and
- material adverse change.

(xi) Negative covenants

The SFA includes certain restrictive covenants, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each SFA Borrower and SFA Guarantor (and where expressly provided, certain other key companies that are neither borrowers nor guarantors) to, among other things:

- create security;
- dispose of petroleum assets;
- merge or consolidate with other companies or make acquisitions;
- make a substantial change to the general nature of its business;
- incur indebtedness or provide guarantees;
- allow its rights under certain project documents to be terminated, suspended or limited;
- make loans or extend credit to third parties; and
- make distributions unless it is a Permitted Distribution or a distribution (other than by the Company) to an Existing Obligor.

A distribution is a "**Permitted Distribution**" when each of the following conditions are satisfied:

(A) the Leverage Ratio has been no greater than 2.0:1.0 for the four immediately preceding consecutive quarters;

(B) the Company is not in breach of the Leverage Ratio on the day of, and taking into account, the distribution being made or paid;

(C) the Company has delivered a Liquidity Test taking into account the proposed Capitalised Interest demonstrating, to the satisfaction of the Majority Lenders (as defined below), that the Group has sufficient funds available to meet all liabilities when due including all amounts on the SFA Final Maturity Date with a surplus to the extent that debt service in each six month period is covered 1.20:1.00;

(D) Aggregate Commitments under the SFA are less than $500 million;

(E) no event of default is continuing under the SFA;

(F) on the date on which the distribution is made or paid, a principal amount of the High Yield Notes and the Retail Notes has been redeemed in cash by the Company in an amount equal to the all Capitalised Interest (and any further interest due and payable howsoever described has been paid in full); and

(G) at least 10 business days before the date on which the distribution is made or paid, the Company confirms to the SFA Lenders that all the above conditions are, or will be, satisfied on the date on which the distribution is made or paid.

Other restrictions on activities of the Group include:

- no acquisitions by a member of the Group without the consent of SFA Lenders whose commitments aggregate at least 66⅔ per cent. of the Aggregate Commitments (the "**Majority Lenders**"), other than in the ordinary course of trading or where an updated Liquidity Test is delivered to the satisfaction of the Majority Lenders and the Joint Technical Banks shall be given access to the appropriate information to be able to risk and comment on such Liquidity Test;
- no disposals by a member of the group of a petroleum asset otherwise than with Majority Lenders consent;
- £1 billion basket for financial indebtedness under bonds, provided that proceeds from further bond issuances shall be applied to prepay the SFA;
- (other than repayment of capitalised interest when the Bond Interest Payment Conditions are satisfied) no repayment of principal under the High Yield Notes or the Retail Notes and no bond exchange offers or other forms of bond refinancing are permitted while any amount is outstanding under the SFA; and
- no exploration and appraisal expenditure to be incurred by a member of the Group other than expenditure on appraisal wells in relation to existing producing assets for the purpose of improving the performance of that asset.

(xii) Affirmative covenants

The SFA requires each SFA Borrower and SFA Guarantor (and in certain cases, certain other key companies that are neither borrowers nor guarantors) to observe certain affirmative covenants, subject to certain exceptions and including, but not limited to, covenants relating to:

- maintenance of corporate existence and relevant authorisations;
- compliance with laws, including environmental laws and regulations;
- payment of taxes;
- maintenance of insurance;
- ensuring that its obligations under certain finance documents rank at least *pari passu* with its other unsecured obligations;
- maintenance of ownership of material subsidiaries;
- provision of financial (including annual audited and semi-annual unaudited consolidated financial statements of the Company), reserves and other information to lenders; and
- compliance with the agreed hedging policy.

(xiii) Financial covenants

As amended pursuant to the October 2017 Waiver Letter, the SFA requires the Group to ensure that:

- in respect of the Scheduled Test Dates set out in the left hand column of the table, the ratio of consolidated net financial indebtedness to EBITDA (the "**Leverage Ratio**") is less than the respective ratios set out in the right hand column of the table:

Date	Ratio
31 December 2017	4.00:1.0
31 March 2018	4.00:1.0
30 June 2018	3.50:1.0
30 September 2018	2.00:1.0
31 December 2018	1:75:1.0
31 March 2019	1.50:1.0
30 June 2019	1.50:1.0
30 September 2019	1.50:1.0
31 December 2019	1.50:1.0
31 March 2020	1.50:1.0
30 June 2020	1.50:1.0
30 September 2020	1.50:1.0
31 December 2020	1.50:1.0
31 March 2021	1.50:1.0
30 June 2021	1.50:1.0

  (where consolidated net financial indebtedness means the aggregate of all financial indebtedness (with the PIK Amount excluded from the definition of indebtedness) of the Group under the SFA at the relevant time less the aggregate of cash and cash equivalent investments of the Group)

- in respect of the Test Reference Dates, the ratio of EBITDA to forecast finance charges (the "**Finance Charges Cover Ratio**") for the following 12 months on:

  (A) 31 January 2018 (in respect of the prior Scheduled Test Date), is not less than 5.00:1.0;

  (B) 30 April 2018 and 31 July 2018 (in respect of the respective prior Scheduled Test Date), is not less than 5.50:1.0;

  (C) 31 October 2018 and 31 January 2019 (in respect of the respective prior Scheduled Test Date), is not less than 7.00:1.00; and

  (D) on each Test Reference Date on and from 30 April 2019 (in respect of the respective prior Scheduled Test Date), is not less than 7.50:1.00;

- on a weekly basis when the Company delivers a short term cashflow forecast for a 13 week period, such forecast demonstrates that the Group's anticipated cash (excluding restricted cash) as at the end of each week in the 13 week period to which that forecast relates is greater than zero; and

- on each Test Reference Date it is demonstrated to the satisfaction of the Majority Lenders that the Group has sufficient funds available to meet all liabilities of the Group when due and payable for the period commencing on such date and ending on the date falling 12 months after the Final Maturity Date (the "**Liquidity Test**"). The Liquidity Test assumptions include a price deck of the historic average forward curve oil price of the past 15 consecutive business days (minus a 10 per cent. discount). The test covers the life of the loan plus one year, and includes 75 per cent. of the amount due on the SFA Final Maturity Date (to be increased to 100 per cent. from 1 January 2020) provided that no event of default will arise if the Liquidity Test demonstrates that such amount can be repaid from cash flow after debt service in one year after the SFA Final Maturity Date.

"**Scheduled Test Date**" is each 31 March, 30 June, 30 September and 31 December.

"**Test Reference Date**" is each 31 January, 30 April, 31 July and 31 October.

These financial terms are defined in the SFA and may not correspond to similarly titled metrics in the Group's consolidated financial statements or this document.

(xiv) Events of default
The SFA sets out certain events of default, the occurrence of which would allow the senior lenders (if the Majority Lenders so direct) to cancel their commitments or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or declare that full cash cover in respect of each letter of credit is immediately due and payable. The events of default include, among other events and subject in certain cases to grace periods, thresholds and other qualifications:

- non-payment of amounts due and payable under a finance document;
- breach of financial covenants or other obligations;
- inaccuracy of a representation in any material respect when made or deemed to be repeated;
- certain other cross defaults in respect of indebtedness equal to or in excess of $10 million (or equivalent in other currencies);
- insolvency or insolvency proceedings;
- enforcement of security securing debt or attachment of assets;
- cessation of business;
- invalidity or unlawfulness of the finance documents or certain project documents;
- any SFA Borrower or SFA Guarantor ceasing to be wholly owned by us;
- nationalisation or expropriation (or announcement of intent in respect thereof) of all or any part of any petroleum asset or any oil and gas or revenues derived therefrom in a manner which would result in a material adverse change;
- any litigation, arbitration or administrative proceeding is commenced before any court, arbitral body or agency which is likely to be adversely determined and, if adversely determined would reasonably be likely in respect of any SFA Borrower or SFA Guarantor to have a material adverse effect; and
- material adverse change.

(xv) Governing law
The SFA is governed by English law.

(b) *Tanjong Baram Project Finance Loan*

(i) Overview
EP Developments Malaysia (as Borrower) entered into a limited recourse $35,000,000 term loan facility with DBS Bank LTD, Labuan Branch (as facility agent, security agent, account bank, hedging bank and mandated lead arranger), dated 11 June 2015 (the "**2015 TB Facility Agreement**"). The 2015 TB Facility Agreement was subsequently refinanced by an up to $34,630,000 (total commitments as amended by the amendment no. 2) loan facility provided by Castleton Commodities Merchant Asia Co. Pte. Ltd ("**CCI**") (as facility agent, security agent and mandated lead arranger) pursuant to a facility agreement dated 25 October 2017, as amended by the amendment agreement no.1 dated 24 November 2017, amendment agreement no.2 dated 22 December 2017 and amendment agreement no.3 dated 31 January 2018 (the "**2017 TB Facility Agreement**").

(ii) Security

To secure the obligations of EP Developments Malaysia under the 2017 TB Facility Agreement: (i) EP Developments Malaysia has granted a general assignment over its interests in and to earnings, an assignment of its insurances, a charge over its accounts and a fixed and floating charge over its assets and undertakings; and (ii) EnQuest Global Limited, as sole shareholder of EP Developments Malaysia, has granted a first security interest in respect of all its shares in EP Developments Malaysia.

(iii) Reduction and repayment

The final maturity date under the 2017 TB Facility Agreement is 30 June 2023. There is no fixed repayment date and instead there are quarterly cash sweeps of any outstanding balance standing to the credit of the Borrower Earnings Account which exceeds $2,500,000 after making various priority payments and reserves specified in the payment cascade of the 2017 TB Facility Agreement.

(iv) Interest

Interest is calculated as LIBOR plus a margin of 8 per cent. per annum.

(c) *Transocean deferral*

EnQuest Heather has entered into a supply contract with Transocean which became effective on 30 September 2014 (as amended from time to time, including by Amendment No. 1 dated 24 August 2015, Amendment No. 2 dated 28 September 2016, Amendment No. 3 dated 15 February 2018 and Amendment No. 4 dated 13 June 2018) under which Transocean provides drilling services for the Kraken Field development.

A deferral arrangement was entered into with Transocean on 28 September 2016, deferring up to $60,000,000 of payments to Transocean over two years beginning 1 July 2016 with repayments to be made by EnQuest Heather (including interest) over a 12 month period from 1 May 2018 to 30 April 2019. The repayments commenced on 1 May 2018 as planned on a total deferred amount of approximately $50,000,000, with repayments expected to be completed in February 2019.

In consideration for such arrangement EnQuest Heather and EnQuest ENS Limited granted second ranking floating charges in favour of Transocean as security for EnQuest Heather's obligations under the deferral arrangement. An intercreditor deed was also entered into with Transocean and BNP Paribas as Facility Agent and Security Trustee under the SFA, governing the ranking of the security. Under the terms of such intercreditor deed, the Company is not restricted from raising new financing or refinancing the SFA. The security granted by EnQuest ENS Limited was subsequently released.

(d) *Kraken Structured Finance Loan – OZ*

(i) Overview

EnQuest Heather will transfer a 15% interest in the Kraken field (the "**SPV Kraken Interest**") to its indirect wholly-owned subsidiary EnQuest Advance in order to raise a loan. Completion of the transfer is subject to obtaining necessary consents. The proceeds of the sale will be applied to reduce the total Tranche A commitments and the Aggregate Commitments under the SFA.

EnQuest Advance is a special purpose vehicle which EnQuest incorporated together with its intermediate holding company EnQuest Advance Holdings Limited for the purposes of this transaction. EnQuest Advance will not accede to the SFA and the necessary consent of the SFA Lenders has been obtained. EnQuest Advance will fund the purchase price by obtaining a $175,000,000 facility from Sculptor Investments IV S.a.r.l ("**OZ**"). The facility agreement was signed on 4 September 2018 with Global Loan Agency Services Limited ("**GLASL**") as facility agent, GLAS Trust Corporation Limited ("**GLAS**") as security agent and OZ as the backstop lender (the "**OZ Facility Agreement**"). The availability of the facility under the OZ Facility Agreement is subject to satisfaction of customary conditions precedent.

EnQuest Advance will pay the proceeds of the OZ loan to EnQuest Heather after deducting fees and expenses payable to OZ, GLASL and GLAS and retaining a certain amount of the drawing to fund its initial working capital requirements. EnQuest Heather will apply the whole amount received by it from EnQuest Advance from the proceeds of the OZ loan for the prepayment of the SFA. The outstanding balance of the purchase price will be funded by an intercompany loan from EnQuest Heather to EnQuest Advance.

(ii) Security and Guarantees

Under the Transocean deferral arrangement (summarised in paragraph (c) of this Part 18.4), Transocean is entitled to obtain a floating charge over the SPV Kraken Interest. By way of a letter agreement dated 31 August 2018, Transocean waived its right to the floating charge over the SPV Kraken Interest.

To secure the obligations of EnQuest Advance under the OZ Facility Agreement the following security and guarantees have been (or in respect of the guarantees, shall be granted, in each case in favour of OZ:

(i) by EnQuest Advance, a first ranking fixed and floating charge over its present and future assets and undertakings;

(ii) by EnQuest Advance Holdings Limited, as sole shareholder of EnQuest Advance a first ranking share charge in respect of all its shares in EnQuest Advance;

(the security referred to in paragraphs (i) and (ii) are together "**First Ranking Security**"); and

(iii) by all the existing guarantors under the SFA (the "**Guarantors**"), subordinated guarantees of the obligations of EnQuest Advance (the "**OZ Subordinated Guarantees**").

In addition to the above, EnQuest Advance should use reasonable endeavours to procure that all the existing members of the Group (other than EnQuest Norge A.S.) who have granted security for the SFA grant second ranking security over their respective assets that are secured in favour of the SFA Lenders (the "**OZ Second Ranking Security**").

As a condition to the SFA Lenders consenting to EnQuest Advance's entry into the OZ Facility Agreement, EnQuest Advance shall grant a second ranking security over all its present and future assets and undertakings and EnQuest Advance Holdings Limited shall grant a second ranking security over all its shares in EnQuest Advance in favour of the SFA Lenders (together with the First Ranking Security, the "**SPV Kraken Security**").

In order to regulate the ranking of the various security interest and guarantees, the following documents shall be entered into between, amongst others, GLASL as facility agent and GLAS as security agent under the OZ Facility Agreement and BNPP as Facility Agent and Security Trustee under the SFA:

(x) an intercreditor agreement in respect of the SPV Kraken Security;

(y) a facility guarantee subordination agreement in respect of the OZ Subordinated Guarantees; and

(z) if the OZ Second Ranking Security is granted, then further intercreditor agreements governing the ranking of the OZ Second Ranking Security will be entered into with BNPP as Facility Agent and Security Trustee under the SFA and BPEOC as agent and security trustee under the STWD respectively.

(iii) Reduction and repayment

The final maturity date under the OZ Facility Agreement is 5 years from the date of the utilisation of the facility. The loan is to be repaid from the revenues from the sale of the Kraken crude oil to which EnQuest Advance is entitled by way of monthly cash sweeps up to pre-agreed monthly amounts.

(iv) Interest

Interest is calculated as LIBOR plus a margin of 5.75 per cent. per annum. The interest could be raised to 6.30 per cent. per annum, if the OZ Second Ranking Security is not granted within 6 months after financial close.

(e) *Prepayment Facility – Mercuria*

(i) Overview

EnQuest Heather entered into a structured prepayment facility dated 25 October 2017 (the "**2017 Mercuria Prepayment Facility**") with Mercuria Energy Trading SA ("**Mercuria**") whereby EnQuest Heather, in its capacity as borrower, obtained an up to $80 million loan from Mercuria as lender. EnQuest Heather, in its capacity as seller, and Mercuria, in its capacity as buyer, also entered into a term physical off-take and marketing agreement for certain volumes of crude oil dated 25 October 2017 (the "**Mercuria Off-take Agreement**"), which also includes an embedded producer collar hedging programme.

(ii) Facility agreement – 2017 Mercuria Prepayment Facility

Proceeds from the 2017 Mercuria Prepayment Facility are to be used for EnQuest Heather's general corporate purposes. Drawdown occurred on financial close and the final repayment date is 18 months thereafter. Subject to the net settlement provision in the Mercuria Off-take Agreement, EnQuest Heather makes a monthly repayment until the final repayment date.

Interest is calculated as LIBOR plus a margin of 7 per cent. per annum.

The representations, mandatory prepayment provisions, undertakings and events of default are customary for a facility of this nature.

(iii) Offtake arrangement

Under the Mercuria Off-Take Agreement, EnQuest Heather delivers and Mercuria purchases specified crude oil quantities in consideration for the average Brent price over each month subject to a floor of $45 per barrel and a cap of approximately $64 per barrel.

The payment obligations of EnQuest Heather under the 2017 Mercuria Prepayment Facility and those of Mercuria under the Mercuria Offtake Agreement are netted off.

(iv) Security and Guarantee

The financial indebtedness of EnQuest Heather under the 2017 Mercuria Prepayment Facility, and the Mercuria Off-take Agreement is unsecured and is guaranteed by the Company.

(f) *SVT Working Capital Facility*

(i) Overview

EnQuest NNS Limited has entered into a revolving loan facility with BNP Paribas in, among others, its capacity as lender for an aggregate amount of £42 million dated 1 December 2017 (the "**SVT WCF**") in connection with its assumption of the role of operator of SVT by EnQuest NNS Limited.

The operating agreement for SVT (under which EnQuest NNS Limited is operator) currently operates on an invoicing basis (whereby the operator must pay out amounts and then subsequently invoice the joint venture parties for their percentage interest share of costs) as opposed to a cash calling basis (whereby an operator can call amounts in advance from the joint venture parties).

The proceeds of the SVT WCF are to be used for project expenditure in respect of SVT and the loan is to be repaid on the last day of each interest period. The representations, mandatory prepayment provisions, undertakings and events of default are customary for a facility of this nature. Interest is calculated at the rate per annum equal to the aggregate of the margin of 1 per cent. per annum, LIBOR and mandatory costs (if any).

BP International Limited (the "**BP SVT Guarantor**") has separately provided a guarantee of £42 million in relation to the SVT WCF, such guarantee given directly to BNP Paribas.

The remuneration due to the BP SVT Guarantor for providing the BP Guarantee is equal to 90 per cent. of the difference between the sum of all SVT/NLGP/NPS operator fees received by SPV less the interest paid and any other fees paid by SPV to the bank on the overdraft balance (to the extent not recovered from relevant joint venture partners/users). This remuneration will be payable by SPV to the BP SVT Guarantor on a monthly basis. To the extent that the fees paid to the operator under the operating agreement for SVT are insufficient to cover the fees payable to the bank, the shortfall shall be met by the BP SVT Guarantor and recoverable through a separate waterfall mechanism.

The SVT Guarantor has agreed to continue to provide its guarantee of such a working capital facility for EnQuest NNS Limited until the earlier to occur of:

(A) the date on which production from Magnus permanently ceases; and

(B) if the operating agreements for both SVT and the NPS are amended to allow for cash calling, the effective date of such amendment.

(ii) Novation to EnQuest Heather

As part of the Magnus Transaction, EnQuest Heather will assume all the rights and obligations of EnQuest NNS Limited under, among the other agreements, the SVT WCF on the same terms and the guarantee by the BP SVT Guarantor will be amended to guarantee the facility as so novated.

(g) *Retail Notes*

The following description of the Retail Notes is based on their terms and conditions in effect as at the date of this document.

(i) Overview

On 15 February 2013, the Company issued (i) an initial tranche of £145,000,000 5.50 per cent. Notes due 15 February 2022 (the "**Initial Tranche of Retail Notes**") under its £500,000,000 euro medium term note programme and (ii) a further tranche of £10,000,000 5.50 per cent. Notes due 15 February 2022 (the "**Further Tranche of Retail Notes**") on 2 December 2013 which were consolidated with and formed a single series with the Initial Tranche of Retail Notes (together, the "**Original Retail Notes**"). Pursuant to a scheme of arrangement under part 26 of the Companies Act 1986, which was sanctioned by the High Court of Justice of England and Wales on 16 November 2016 the terms of the Original Retail Notes were amended and such amended Original Retail Notes have become the 7.00 per cent. Extendable PIK Toggle Notes originally due 15 February 2015, as extended to 15 April 2022 (the "**Retail Notes**").

Under the Retail Notes, if the Cash Condition is not satisfied in respect of any Interest Payment Date, the interest owed on that Interest Payment Date is not paid in cash but instead it is capitalised and satisfied through the issue of additional Retail Notes having the same terms and conditions as the Retail Notes then outstanding (the "**Additional Retail Notes**"). On 15 February 2017, the Company issued £5,424,998 of Additional Retail Notes, on 15 August 2017, the Company issued £5,614,875 of Additional Retail Notes and on 15 February 2018, the Company issued £5,811,396 of Additional Retail Notes. The current amount outstanding of the Retail Notes is £171,851,269.

The Retail Notes are guaranteed on a subordinated basis by EnQuest Britain Limited, EnQuest ENS Limited, EnQuest Global Limited, EnQuest Heather Leasing Limited, EnQuest Heather Limited, EnQuest NWO Limited and EQ Petroleum Sabah Ltd (together, the "**Guarantors**").

The Retail Notes are constituted under a trust deed dated 24 January 2013, as amended, novated, supplemented and/or restated from time to time, (the "**Retail Notes Trust Deed**") between, among others, the Company and U.S. Bank Trustees Limited, in its capacity as trustee for the holders of the Retail Notes (the "**Retail Notes Trustee**").

The Retail Notes have the following characteristics:

- *Interest*: a fixed rate of 7.0 per cent. per annum payable semi-annually in arrears on 15 February and 15 August in each year. If the Cash Payment Condition is not satisfied in respect of any Interest Payment Date, the payment of interest can be satisfied through the issue of Additional Retail Notes (as defined above);

- *Cash Payment Condition*: "Cash Payment Condition" will be satisfied in respect of an Interest Payment Date if the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the date which is one calendar month prior to the relevant Interest Payment Date is equal to or above US$65.00;

- *Form*: registered form;

- *Currency*: pounds sterling;

- *Maturity*: 15 April 2022, save that the Company may, at its absolute discretion, at any time extend the Original Maturity Date to 15 April 2023. In addition, the maturity of the Retail Notes will be automatically extended to 15 October 2023 if the SFA is not repaid or refinanced in full prior to 15 October 2020;

- *Ranking of Retail Notes*: *pari passu* without preference or priority among themselves and in right of payment with all existing and future obligations of the Company that are not contractually subordinated in right of payment thereto;

- *Ranking of the Retail Notes Guarantees*: subordinated in right of payment to all existing and future senior obligations of the Guarantors, including under the SFA;

- *Negative pledge*: so long as any Retail Notes remain outstanding, neither the Company nor any of its subsidiaries will create or have outstanding any security interest upon the whole or any part of its present or future undertakings, assets or revenues to secure any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, or other securities which for the time being are, quoted, listed or dealt in or traded on any stock exchange or over the counter or other securities market, without at the same time or prior thereto according the same security to the holders of the Retail Notes;

- *Events of default*: customary events of default, including those relating to (a) non-payment of interest or principal, (b) breach of other obligations under the Retail Notes or the Retail Notes Trust Deed, (c) cross acceleration, (d) enforcement proceedings, (e) security enforcement, (f) insolvency, (g) winding up, (h) lack of authorisations and consents, (i) illegality and (j) cross default of the High Yield Notes. The provisions include certain minimum thresholds and grace periods. In addition, in certain cases, a certification in writing that a particular event is materially prejudicial to the interests of the holders of the Retail Notes is required from the Retail Notes Trustee before the Retail Notes can be accelerated;

- *Final redemption*: unless previously redeemed, purchased and cancelled, the Retail Notes are due to be redeemed on 15 April 2022 at their nominal amount, subject to the Company's right to extend the maturity of the Retail Notes and the automatic extension of Maturity described above;

- *Optional redemption*: the Company has the right to redeem the Retail Notes at any time at the make-whole amount. The Retail Noteholders have the right to redeem the Retail Notes prior to their final maturity upon a change of control, as specified in the terms and conditions of the Retail Notes. The Company may also (prior to the expected maturity date) redeem the Retail Notes as a result of changes in taxation such that the Company would be required to pay additional amounts to the holders of the Retail Notes; In addition, the Retail Notes may be redeemed prior to their Maturity Date in certain circumstances at the Company's discretion at the make-whole amount or at par;

- *Taxation*: all payments in respect of Retail Notes are made without withholding or deduction for, or on account of, any present or future taxes imposed by the United Kingdom unless and save to the extent that the withholding or deduction of such taxes is required by law. In that event, the Company will be obliged to pay additional amounts or, in the case of Additional Retail Notes, issue further Additional Retail Notes in respect of any such withholding or deduction, subject to certain exceptions;

- *Covenants*: the Retail Notes Trust Deed as originally executed contains customary covenants for the type of issuance, which are subject to caveats and limitations, including covenants to notify the Retail Notes Trustee in the event of an event of default and to deliver to the Retail Notes Trustee the Company's audited financial statements;
- *Financial covenants*: the Retail Notes do not contain any financial covenants;
- *Restricted Payments*: the Retail Notes contain a restriction on certain payments to Shareholders and their affiliates if the Company has not redeemed the Retail Notes in an amount equal to any capitalised interest, together with accrued but unpaid interest.
- *Governing law*: English law.

(h) *Retail Note Guarantees*

On 5 November 2014, the Company the Retail Notes Trustee and certain subsidiaries of the Company, namely EnQuest NWO Limited, EnQuest Heather, EnQuest Britain Limited, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Global Limited and EQ Petroleum Sabah Limited (each a "**Guarantor**") entered into the First Supplemental Trust Deed pursuant to which each Guarantor gave a guarantee in respect of the Retail Notes (the "**Retail Note Guarantee**") on a subordinated basis. The Retail Note Guarantees rank *pari passu* with the High Yield Notes Guarantees and are subordinated in right of payment to outstanding claims of certain senior creditors of the Guarantors. On 5 November 2014, the Retail Notes Trustee acceded to the Guarantee Subordination Agreement dated 9 April 2014 (as amended by the Amendment Agreement to the Guarantee Subordinate Agreement dated 5 November 2014).

Pursuant to the First Supplemental Trust Deed and the Guarantee Subordination Agreement, the Retail Note Guarantees are:

- each a direct, unconditional and irrevocable, joint and several guarantee by the relevant Guarantor to the Retail Notes Trustee (for itself and on behalf of the holders of the Retail Notes) of payment of principal and interest payable under the terms and conditions of the Retail Notes and all other monetary obligations of the Company to the holders of the Retail Notes or the Trustee under the Retail Notes Trust Deed in respect of the Retail Notes and any additional amounts payable pursuant to Condition 8 (Taxation) of the Retail Notes;
- subordinated in right of payment to all existing and future senior obligations of the Guarantors, including under the SFA;
- *pari passu* in right of payment with all existing and future senior subordinated obligations of the Guarantors, including the guarantees in respect of the Issuer's US$677,482,000 PIK Toggle Senior Notes with a scheduled maturity in 2022 (the "**High Yield Notes**" and the Guarantors' guarantees in respect thereof, the "**High Yield Notes Guarantees**");
- senior in right of payment to all future obligations of the Guarantors that are expressly contractually subordinated to the Guarantors' Retail Note Guarantees and High Yield Note Guarantees; and
- effectively subordinated to all existing and future secured obligations of the Guarantors (including under the SFA), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Retail Note Guarantees on an equal and rateable or senior basis.

(i) *Subordination Agreement*

In the following summary of the subordination agreement dated 9 April 2014 between, among others, the Company and BNP Paribas (as senior facility agent and security trustee) as amended, novated, supplemented, extended and/or restated from time to time (the "**Guarantee Subordination Agreement**"):

- "**Debt Documents**" refers to (among others) each of the Senior Finance Documents and the Notes Documents;

- each member of the Group (excluding any Notes Issuer) that is a borrower or guarantor under the Debt Documents is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**";

- "**Group**" refers to all of the Company's subsidiaries for the time being but, for the avoidance of doubt, not the Company itself;

- "**Liabilities**" refers to (among others) all present and future liabilities and obligations at any time of a Debtor to a creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any capacity, together with any of the following matters relating to or arising in respect of those liabilities and obligations:

  - any refinancing, novation, deferral or extension;

  - any claim for breach of representation, warranty or undertaking or an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within the definition of "Liabilities";

  - any claim for damages or restitution; and

  - any claim as a result of any recovery of any Debtor of a payment to a creditor on the grounds or preference or otherwise,

  and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings;

- "**Notes Creditors**" refers to the creditors of the SFA, certain banks that act as counterparties to hedging agreements and the High Yield Notes Trustee on its own behalf and on behalf of the holders of the High Yield Notes.

- "**Notes Documents**" refers to each of the Guarantee Subordination Agreement, the Retail Notes, the Retail Note Guarantees, the Retail Notes Trust Deed, the High Yield Notes, the High Yield Note Guarantees and the High Yield Note Indenture;

- "**Notes Issuer**" refers to the Company (in its capacity as issuer of the Retail Notes and the High Yield Notes) and any of its wholly-owned subsidiaries which may in the future issue bonds or notes and on-lend the proceeds of such issuance to the Company; and

- "**Senior Finance Documents**" refers to (among others) the Guarantee Subordination Agreement, the SFA, certain hedging agreements and other documents evidencing the Senior Liabilities (as defined below).

(i) Ranking and Priority

The Guarantee Subordination Agreement provides that the Liabilities owed by the Debtors to the Senior Creditors under the Senior Finance Documents (the "**Senior Liabilities**") and the Liabilities owed by the Guarantors to the Notes Creditors under the Notes Documents (the "**Notes Guarantee Liabilities**") will rank in right and priority of payment in the following order:

- *first*, the Senior Liabilities *pari passu* and without any preference between them; and

- *second*, the Notes Guarantee Liabilities, *pari passu* and without preference between them.

The parties to the Guarantee Subordination Agreement have agreed that the Liabilities owed by any Notes Issuer to the Notes Creditors under the Notes Documents, certain amounts owed to the Retail Notes Trustee or the High Yield Notes Trustee under the Notes Documents and certain security enforcement and preservation costs relating to the High Yield Notes or the Retail Notes (if any) are senior obligations (and are therefore not Notes

Guarantee Liabilities) and the Guarantee Subordination Agreement does not purport to rank, postpone and/or subordinate any of them in relation to any other liability.

(ii) Permitted Payments

Until the Senior Discharge Date (as defined below), the Guarantee Subordination Agreement only permits Debtors to pay any amounts due to the Notes Creditors with respect to the Notes Guarantee Liabilities if:

- no Stop Notice (as defined below) is outstanding and no Senior Payment Default (as defined below) has occurred and is continuing; and
- the requisite consent of the SFA Lenders has been obtained; or
- the payment is of:
  - costs, commissions, taxes, fees payable to administrative service providers in connection with any consent process (provided that no portion of such fees may be payable to, or received by, the Retail Noteholders or the High Yield Noteholders) and expenses incurred in respect of (or reasonably incidental to) the Notes Documents (or any of them);
  - additional amounts payable as a result of the tax gross-up provisions relating to the Notes Guarantee Liabilities and amounts in respect of currency indemnities in the Notes Documents;
  - any amount not exceeding US$2,250,000 (or its equivalent in other currencies) in aggregate in any twelve-month period; or
  - the principal amount of the liabilities in respect of the Retail Notes or the High Yield Notes on or after the final maturity date thereof (provided that such maturity date is the date so stated in the Retail Notes Trust Deed or High Yield Note Indenture (respectively) in its original form).

The "**Senior Discharge Date**" means the date on which all Senior Liabilities have been fully and finally discharged to the satisfaction of the relevant Representative (as defined below) and the Senior Creditors are under no further obligations to provide financial accommodation to any Debtor under any Senior Finance Document.

A "**Senior Payment Default**" refers to a default arising by reason of a failure by a Notes Issuer to pay on the due date any amount payable by them in connection with any of the Senior Finance Documents other than an amount not exceeding US$1,000,000 (or its equivalent in any currency).

The agent representative (the "**Representative**") of the creditors under the SFA (in accordance with the underlying facility documentation) may serve a notice (a "**Stop Notice**") to the Retail Notes Trustee or (as the case may be) the High Yield Note Trustee specifying that an event of default (other than a Senior Payment Default) under the SFA is outstanding and suspend the payment of any Notes Guarantee Liabilities (subject to the exception described above) until the earliest of:

- the date on which such relevant event of default is waived, remedied or cured in accordance with the relevant document, is no longer continuing or otherwise ceases to exist;
- the date falling 179 days after the date of receipt by the Retail Notes Trustee or (as the case may be) the High Yield Notes Trustee of the Stop Notice;
- the date on which the Senior Liabilities owed to the relevant Senior Creditors under the Senior Finance Documents under which such event of default occurred have been fully and finally discharged and the relevant Senior Creditors are under no further obligation to provide financial accommodation to any Debtor under any Senior Finance Document;

- the date on which the Representative that served the Stop Notice cancels such Stop Notice;
- if a Standstill Period (as defined below) is already in effect, the date on which the aforementioned Standstill Period expires; and
- the date on which the Retail Notes Trustee or (as the case may be) the High Yield Notes Trustee takes any enforcement action that is permitted under the Guarantee Subordination Agreement.

Each Stop Notice is to be issued within 60 days of receipt of notice of such default, only one notice may be served within any 360 day period, not more than one such notice may be served in respect of the same event or set of circumstances and no such notice may be served in respect of an event of default which has been notified to the relevant Representative at the time at which an earlier Stop Notice was issued.

Notwithstanding the foregoing, the Notes Issuer is not prevented from making a payment from its own assets if such payment is in respect of any of its obligations under the Retail Notes or the High Yield Notes in respect of which such Stop Notice has been delivered and such payment is not financed by a payment to such Notes Issuer by a member of the Group which is prohibited as described in the section entitled "*Permitted payments*".

(iii) Turnover – by the Notes Creditors
The Guarantee Subordination Agreement provides that if, at any time prior to the Senior Discharge Date, a Notes Creditor (subject to certain limited exceptions, including in respect of the Retail Notes Trustee and the High Yield Notes Trustee) receives or recovers a payment or distribution of, on account of or in relation to any Notes Guarantees Liabilities which is not a permitted payment under the Guarantee Subordination Agreement, it will, in relation to receipts and recoveries from a Notes Guarantor:

- hold the received or recovered amount on trust for the Representative;
- promptly notify the Representative of such receipt or recovery and request that the Representative confirm the amount of Senior Liabilities outstanding under the relevant Senior Finance Document; and
- pay or distribute such amounts to the Representatives for application in accordance with the terms of the Senior Finance Documents.

(iv) Turnover – by the Representatives
The Guarantee Subordination Agreement provides that, if the Representative collects, receives or recovers any amounts in following the taking of any enforcement action by the Retail Notes Trustee (in respect of the Retail Notes) or the High Yield Notes Trustee (in respect of the High Yield Notes) and, after the Senior Discharge Date, the Representative continues to hold any such amounts so collected, received or recovered, the Representative shall promptly pay all such amounts to the relevant trustee for application in accordance with the terms of the Notes Documents (or *pro rata* to the relevant representatives of any debt ranking *pari passu* with the Retail Notes and the High Yield Notes).

(v) General
The Guarantee Subordination Agreement contains provisions dealing with:

- the incurrence of future debt that will allow (i) certain agents with respect to the creditors of senior debt to accede to the Guarantee Subordination Agreement and benefit from, and be subject to, the provisions described above (including, for the avoidance of doubt, as creditors in respect of Senior Liabilities) and (ii) certain trustees with respect to the creditors of debt ranking *pari passu* with the Retail Notes and the High Yield Notes to accede to the Guarantee Subordination Agreement and have the same rights and obligations as the Retail Notes Trustee and the High Yield Notes Trustee;

- when the Retail Notes Trustee, the High Yield Notes Trustee or any other representative of any debt ranking *pari passu* with the Retail Notes and the High Yield Notes (a "**Notes Trustee**") may (i) demand, sue, prove and give receipt for any Guarantors' Notes Guarantees Liabilities; (ii) collect and receive all distributions on, or on account of, any Guarantors' Notes Guarantees Liabilities; and (iii) file claims, take proceedings and do other things to recover any Guarantors' Notes Guarantees Liabilities;

- the circumstances in which any Notes Trustee may (and, in the case of the Retail Notes Trustee, on instruction of the Retail Noteholders given in accordance with the Retail Notes Trust Deed), by giving at least 10 business days' notice to the Representative, at any time when a Stop Notice is outstanding and any enforcement action has been taken by or on behalf of a Senior Creditor, require the transfer to it or all (and not part) of the rights and obligations in respect of the Senior Liabilities (subject to certain conditions);

- when a Notes Trustee will be required, pursuant to any enforcement action taken in relation to the Senior Finance Documents, to release any guarantees given by the Guarantors;

- notwithstanding any other provision of the Guarantee Subordination Agreement, no Notes Trustee shall have any obligation to take any action under the Guarantee Subordination Agreement unless it is indemnified and/or secured to its satisfaction in respect of all costs, expenses and liabilities which it would in its opinion thereby incur (together with any associated VAT); and

- customary protections, entitlements and exemptions from liability for Notes Trustees all as further set out in the Guarantee Subordination Agreement.

(vi) Governing Law
The Guarantee Subordination Agreement is governed by and construed in accordance with English law.

(j) *Letters of credit and surety bonds*

The Group enters into letters of credit and surety bonds principally to provide security for its decommissioning obligations.

The Group has a letter of credit of £5.2 million in respect of the Group's lease at Annan House in Aberdeen, expiring 31 October 2019.

The Group has two surety bonds of £28.00 million and £46.05 million (expiring 31 December 2018) in respect of its decommissioning obligations in Heather and benefitting BG Great Britain Limited and two surety bonds of £14.01 million and £2.47 million (expiring 31 December 2018) in respect of its decommissioning obligations in Alba and benefitting Chevron North Sea Limited; the Group also has surety bonds of $5.0 million and £2.3 million expiring 31 December 2018 and 30 September 2018, respectively and benefitting Chevron North Sea Limited and TAQA Bratani Limited, respectively. The Group does not currently have letters of credit or surety bonds in respect of its other assets. See "*Risk factors—Risks relating to the Group's business—the Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*."

(k) *Hedging arrangements*

The Group maintains certain commodity hedges to manage its exposure to movements in oil and gas prices. In addition, the Group holds a small portfolio of foreign exchange derivatives. In connection with these activities, the Group has entered into International Swaps and Derivatives Association master agreements with several hedging partners. Certain of the Initial Purchasers have entered and may from time to time enter into hedging arrangements with the Group and its affiliates.

(l) *High Yield Notes*

The following description of the High Yield Notes is based on their terms and conditions in effect as at the date of this document.

On 21 November 2016, EnQuest completed the offering of up to $982.4 million 7 per cent. PIK Toggle Senior Notes, with an initial principal of $677.5 million due 2022 in exchange for its previously outstanding $650 million 7 per cent. senior notes due 15 April 2022 pursuant to a scheme of arrangement. EnQuest pays interest on the High Yield Notes semi-annually on 15 April and 15 October of each year. The High Yield Notes will mature on 15 April 2022.

At any time on or after 15 April 2018 but before 15 April 2019, EnQuest may redeem all or part of the High Yield Notes by paying the redemption price equal to 103.500 per cent. of the principal amount of such High Yield Notes, plus accrued and unpaid interest. At any time on or after 15 April 2019 but before 15 April 2020, EnQuest may redeem all or part of the High Yield Notes by paying the redemption price equal to 101.750 per cent. of the principal amount of such High Yield Notes, plus accrued and unpaid interest. At any time on or after 15 April 2020, EnQuest may redeem all or part of the High Yield Notes by paying the redemption price equal to 100.000 per cent. of the principal amount of such High Yield Notes, plus accrued and unpaid interest. If EnQuest undergoes certain events defined as constituting a change of control, each holder may require EnQuest to repurchase all or a portion of its High Yield Notes at 101 per cent. of their principal amount, plus accrued and paid interest, if any. In the event of certain developments affecting taxation, EnQuest may redeem all, but not less than all, of the High Yield Notes.

The High Yield Notes limit, among other things, the ability of the Company and its restricted subsidiaries to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of the Company's restricted subsidiaries to pay dividends or other payments to the Company or any of its other restricted subsidiaries;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company;
- guarantee certain types of other indebtedness of the Company or its restricted subsidiaries without also guaranteeing the High Yield Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

The High Yield Notes are guaranteed on a senior subordinated basis (the "**High Yield Note Guarantees**") by the High Yield Note Guarantors. Each High Yield Note Guarantee is a senior subordinated obligation of the respective High Yield Note Guarantor; subordinated in right of payment to all existing and future senior obligations of that High Yield Note Guarantor, including, where applicable, such High Yield Note Guarantor's obligations under the SFA; *pari passu* in right of payment with all existing and future senior subordinated obligations of that High Yield Note Guarantor; senior in right of payment to all future obligations of that High Yield Note Guarantor that are expressly contractually subordinated to that High Yield Note Guarantee; and effectively subordinated to all existing and future secured obligations of that High Yield Note Guarantor (including under the SFA, where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and rateable or senior basis. The High Yield Note Guarantees will be subject to release under certain circumstances.

The High Yield Notes listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF.

19. Litigation

(a) ***EnQuest***

Save as disclosed in paragraph 12 of part 2, there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company's or the Group's financial position or profitability.

(b) ***Magnus Assets***

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Magnus Assets.

20. 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.

21. Working capital

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

22. No significant change

(a) ***EnQuest***

There has been no significant change in the financial or trading position of the Company or the Group since 30 June 2018, being the date to which the last published unaudited financial statements of the Group were prepared.

(b) ***Magnus Assets***

There has been no significant change in the financial or trading position of the Magnus Assets since 30 June 2018, being the date of the financial information included in the Pro Forma Financial Information in Part 8 ("*Unaudited Pro Forma Financial Information*").

23. Dividends

The Company has not declared or paid any dividends since incorporation in January 2010 and does not currently intend to pay dividends in the near future. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and on such other factors as the Directors of the Company consider appropriate.

24. Miscellaneous

24.1 The Company expects to raise gross proceeds of approximately $138 million (£107 million or equivalent to SEK 1,257 million at exchange rate of SEK 1.00 = GBP 0.0849 on 6 September 2018) (net of expenses) by way of the Rights Issue. The total costs and expenses of, and incidental to, the Rights Issue payable by the Company is estimated to amount to £4.04 million (excluding value-added tax).

24.2 GCA has given and has not withdrawn its written consent to the inclusion in this document in this document of the GCA Technical Report on Magnus set out in Part 7 ("*GCA Technical Report on Magnus*") of this document, and the references thereto and to its name, in the form and context in which are included and has authorised the contents of its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. The GCA Technical Report on Magnus was prepared at the request of the Company. GCA has no interest in the share capital of the Company nor any member of the Group.

24.3 Ernst & Young LLP has given and has not withdrawn its written consent to the inclusion of its accountant's report on the unaudited pro forma financial information set out in Part 8 ("*Unaudited Pro Forma Financial Information*") and the references to its name in the form and context in which they are included and has authorised the contents of its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

24.4 Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

24.5 The New Ordinary Shares are in registered form and will, on completion of the Rights Issue, be capable of being held in uncertificated form. The ISIN for the New Ordinary Shares will be GB00B635TG28, the ISIN for the Nil Paid Rights will be GB00BG08MJ86 and the ISIN for the Fully Paid Rights will be GB00BG08MK91. The ISIN for the Swedish Subscription Rights will be SE0011669787 and the ISIN for the Paid Subscribed Shares will be SE0011669795.

24.6 Save in respect of the Rights Issue, none of the New Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the Mid Cap segment of NASDAQ Stockholm.

24.7 The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Rights Issue on or about 22 October 2018.

24.8 Statutory consolidated accounts of the Company have been delivered to the Registrar of Companies in respect of the financial years ended 31 December 2015, 2016 and 2017. The auditor gave unqualified reports in respect of the financial years ended 31 December 2015, 2016 and 2017. The auditor's reports did not contain a statement under section 498 (2) or (3) of the Companies Act.

25. Documents incorporated by reference

Details of documentation incorporated into this document by reference are set out in Part 13 ("*Documents Incorporated by Reference*").

26. Documents available for inspection

Copies of the following documents will be published on the Company's website at http://www.EnQuest.com and will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) from the date of this document until completion of the Rights Issue at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2AG, United Kingdom and at the registered office of the Company and at the place of the General Meeting for 15 minutes prior to the meeting and during the meeting:

(a) the Articles;

(b) the 2015 Financial Statements, the 2016 Financial Statements and the 2017 Financial Statements;

(c) the 2018 Unaudited Interim Financial Statements;

(d) the report by Ernst & Young LLP on the unaudited pro forma financial information set out in Section B of Part 8 ("*Unaudited Pro Forma Financial Information*");

(e) copies of the letters of consent referred to in paragraphs 24.2 and 24.3 of this Part 11 ("*Additional Information*");

(f) the Magnus SPA and the Magnus Call Option Deed; and

(g) this document.

PART 12

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Introduction

The Company is proposing, subject to certain conditions, to issue in aggregate 508,321,844 New Ordinary Shares through the Rights Issue, raising gross proceeds of approximately £138 million (approximately £107 million equivalent to SEK 1,257 million at an exchange rate of SEK 1.00 = GBP 0.849 on 6 September 2018).

Upon completion of the Rights Issue, the New Ordinary Shares will represent approximately 30.0 per cent. of the Enlarged Issued Share Capital and the Existing Ordinary Shares will represent approximately 70.0 per cent. of the Enlarged Issued Share Capital.

The Rights Issue is an opportunity for Qualifying Shareholders to apply for, in aggregate, 508,321,844 New Ordinary Shares *pro rata* to their current holdings at the Issue Price of 21 pence per New Ordinary Share, payable in full on acceptance by no later than 11.00 a.m. on 19 October 2018. The Issue Price represents a 45.6 per cent. discount to the Closing Price of 38.60 pence per Ordinary Share on 6 September 2018 (being the last Business Day before the announcement of the terms of the Rights Issue) and a 37.0 per cent. discount to the theoretical ex-rights price of 33.3 pence per Ordinary Share calculated by reference to the Closing Price on 6 September 2018. The Swedish Krona Issue Price will be determined by converting the Issue Price into SEK at the prevailing rate as at 6.00 p.m. (London time) on 24 September 2018, such rate to be announced via RNS at 7.00 a.m. on 25 September 2018.

2. Terms and Conditions of the Rights Issue

The Rights Issue is conditional, inter alia, upon:

(a) the passing without (in the good faith opinion of the Joint Bookrunners) material amendment of Resolution 1 at the General Meeting (and not, except with the prior written agreement of the Joint Bookrunners, acting jointly, at any adjournment of such meeting) on 1 October 2018 (or such later date as the Joint Bookrunners may agree);

(b) the Magnus Call Option Deed remaining in full force and effect, not having lapsed or been terminated prior to LSE Admission;

(c) the Company having complied with its obligations under the Underwriting Agreement and under the terms and conditions of the Rights Issue which fall to be performed on or prior to LSE Admission save as otherwise agreed by the Joint Bookrunners, acting jointly; and

(d) LSE Admission becoming effective by not later than 8.00 a.m. on 2 October 2018 (or such later time and/or date as the Company may agree with the Joint Bookrunners, not being later than 8.00 a.m. on 16 October 2018) and application for Stockholm Rights Admission having been made and no notification having been received that Stockholm Rights Admission has been refused or will not become effective on or before 16 October 2018.

Subject to the fulfilment of these conditions, the New Ordinary Shares are being offered for acquisition by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories) on the following basis and otherwise on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letter if they receive one):

3 New Ordinary Shares at 21 pence each for every 7 Existing Ordinary Shares

held and registered in their name at the close of business on the Record Date (and so in proportion for any other number of Existing Ordinary Shares then held).

Qualifying Shareholders who do not, or who are not permitted to, take up any rights (for example because they are Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories) will have their proportionate shareholdings in the Company diluted by approximately 30.0 per cent. Those Qualifying Shareholders who are permitted to, and do, take up all of their rights to the New Ordinary Shares provisionally allotted to them will, subject to the rounding down of fractions (which are then aggregated and sold for the benefit of the Company), have the same proportionate voting and distribution rights as held by them at the Record Date.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings to calculate entitlements under the Rights Issue. Fractions of New Ordinary Shares will not be provisionally allotted to Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number of New Ordinary Shares. Such fractional entitlements will be aggregated and issued into the market for the benefit of the Company. Qualifying Shareholders with fewer than 200 Existing Ordinary Shares at the close of business on the Record Date are not entitled to any New Ordinary Shares.

The attention of Qualifying Shareholders and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or a Provisional Allotment Letter into a jurisdiction other than the United Kingdom or Sweden is drawn to paragraphs 3 and 4 of this Part 12. In particular, subject to the provisions of paragraph 8 of this Part 12, Qualifying Shareholders with registered addresses in the United States or any of the Excluded Territories have not been, and will not be, sent Provisional Allotment Letters or Pre-Printed Issue Account Statements and have not had, and will not have, their CREST stock accounts credited with Nil Paid Rights or the Swedish Subscription Rights.

Application will be made to the UK Listing Authority for the New Ordinary Shares (nil paid and fully paid) to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that LSE Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence on the London Stock Exchange at 8.00 a.m. on 2 October 2018, with dealings in the New Ordinary Shares, fully paid, expected to commence at 8.00 a.m. on 31 October 2018. Application will also be made to NASDAQ Stockholm AB for Swedish Subscription Rights and the New Ordinary Shares to be admitted to listing and trading on NASDAQ Stockholm. It is expected that Stockholm Rights Admission will become effective and that dealings in the Swedish Subscription Rights will commence (for normal settlement) on NASDAQ Stockholm at 9.00 a.m. (Stockholm time) on 2 October 2018 and that Stockholm Admission will become effective and that dealings in the New Ordinary Shares will commence (for normal settlement) on NASDAQ Stockholm at 9.00 a.m. (Stockholm time) on 31 October 2018. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated form or uncertificated form (by means of CREST).

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to acquire the New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Ordinary Shares for which payment of the Issue Price has already been made.

The Existing Ordinary Shares are already admitted to CREST. Applications will be made for the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit the Nil Paid Rights, the Fully Paid Rights and the New Ordinary Shares to CREST. It is expected that these conditions will be satisfied on LSE Admission. As soon as practicable after LSE Admission, the Company will confirm this to Euroclear.

None of the New Ordinary Shares is being made available to the public other than pursuant to the Rights Issue.

The Company reserves the right to decide not to proceed with the Rights Issue at any time prior to Admission and commencement of dealings in the Nil Paid Rights on the London Stock Exchange.

Subject to any relevant conditions being satisfied and save as provided in paragraph 8 of this Part 12 ("*Terms and Conditions of the Rights Issue*") is expected that:

(a) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) on 1 October 2018;

(b) Pre-Printed Issue Account Statements in respect of the New Ordinary Shares under the Swedish Rights Issue will be despatched to Qualifying Swedish Directly Registered Shareholders (other than, subject to certain limited exceptions, Qualifying Swedish Directly Registered Shareholders with registered addresses in the United States or any of the Excluded Territories) at their own risk on or about 2 October 2018;

(c) Admission of the New Ordinary Shares, nil paid, to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities will become effective at 8.00 a.m. on 2 October 2018;

(d) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 2 October 2018;

(e) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 2 October 2018, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;

(f) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their rights by 8.00 a.m. on 22 October 2018;

(g) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renouncees) who validly take up their rights by 30 October 2018;

(h) the relevant New Ordinary Shares will be credited to the VP Accounts in the VPC System of relevant Qualifying Swedish Directly Registered Shareholders who validly apply for New Ordinary Shares under the Swedish Rights Issue on 31 October 2018; and

(i) the relevant New Ordinary Shares will be credited to the VP Accounts in the VPC System of the nominees of relevant Qualifying Swedish Nominee Registered Shareholders who validly apply for New Ordinary Shares under the Swedish Rights Issue on 31 October 2018. New Ordinary Shares will be credited to the VP Accounts of the relevant nominees pursuant to applicable procedures of the relevant nominee.

The offer will be made to Qualifying Non CREST Shareholders other than to Shareholders with a registered address, or located in, subject to certain exceptions, the United States or Excluded Territories, by way of the Provisional Allotment Letter (as described in step (a) above) and to Qualifying CREST Shareholders other than to Shareholders with a registered address, or located in, subject to certain exceptions, the United States or Excluded Territories, by way of enablement of the Nil Paid Rights and the Fully Paid Rights (as described in step (e) above) (such Shareholders' stock accounts having been credited as described in step (f) above) and to Qualifying Swedish Shareholders by way of a Pre-Printed Issue Account Statement.

Qualifying Shareholders taking up their rights by completing a Provisional Allotment Letter or Pre-Printed Issue Account Statement or by sending an MTM Instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 6.2 of this Part 12, unless such requirement is waived by the Company and the Joint Bookrunners.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of allotment and issue of New Ordinary Shares.

Since the transfer of Ordinary Shares between CREST and the VPC System may cause reconciliation issues and since the Issue Price in SEK will be fixed by reference to the prevailing exchange rate on 24 September 2018, the Company has instructed the Registrar and Euroclear Sweden not to process transfers of Ordinary Shares: (i) from CREST to the VPC System from 6.00 p.m. (Swedish time) on 23 September 2018 until 6.00 p.m. (Swedish time) on 26 September 2018; and (ii) from the VPC System to CREST from 6.00 p.m. (London time) on 23 September 2018 until 6.00 p.m. (London time) on 26 September 2018. Accordingly, Shareholders will not be able to transfer their Ordinary Shares between the two registers during these times. This will ensure that anyone who bought Ordinary Shares before the announcement of the Rights Issue will be able to participate in the Rights Issue by virtue of being on the relevant register in the correct jurisdiction. In addition, it will not be possible to transfer Nil Paid Rights from CREST to the VPC System, or to transfer Swedish Subscription Rights or Paid Subscribed Shares from the VPC System to CREST.

The Joint Bookrunners have agreed to underwrite fully, severally (in their due proportions), the Rights Issue (save in respect of the New Ordinary Shares which Double A Limited has undertaken to subscribe for pursuant to the Double A Irrevocable Undertaking, which are not being underwritten) in accordance with the terms and subject to the conditions of the Underwriting Agreement.

The Underwriting Agreement is conditional upon certain matters being satisfied or not breached, and it may be terminated by the Joint Bookrunners prior to Admission upon the occurrence of certain specified events (in which case the Rights Issue will not proceed). The Underwriting Agreement is not subject to any rights of termination after Admission (including in respect of any statutory withdrawal rights). The Joint Bookrunners may arrange sub-underwriting for some, all or none of the New Ordinary Shares. Double A Limited may also participate in the Rights Issue as a sub-underwriter, however, the extent of such participation (if any) shall be at the sole discretion of the Joint Bookrunners. A summary of certain terms and conditions of the Underwriting Agreement is contained in paragraph 18.1 of Part 11 (*Additional Information*) of this document.

The Joint Bookrunners and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement or otherwise and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights). Neither of the Joint Bookrunners intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Joint Bookrunners or their affiliates may enter into financing arrangements (including swaps) with investors and in connection with which such the Joint Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares.

All documents, certificates and cheques posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

3. Action to be taken by Shareholders

The action to be taken by Shareholders in respect of the New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are represented by a credit against a CREST account).

If you are a Qualifying Non-CREST Shareholder (unless you have a registered address in the United States or any of the Excluded Territories, subject to certain exceptions), please refer to paragraph 4 of this Part 12.

If you are a Qualifying Swedish Directly Registered Shareholder (unless you have a registered address in the United States or any of the Excluded Territories, subject to certain exceptions), please refer to paragraph 5 of this Part 12.

If you are a Qualifying CREST Shareholder (unless you have a registered address in the United States or any of the Excluded Territories, subject to certain exceptions), please refer to paragraph 6 of this Part 12 and to the CREST Manual for further information on the CREST procedures referred to below.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

If you have any questions relating to the Provisional Allotment Letter, please call Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

4.1 ***General***

Provisional Allotment Letters are expected to be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Non-CREST Shareholders with registered addresses in the United States or any of the Excluded Territories) on 1 October 2018. The Provisional Allotment Letter sets out:

(a) the holding of Ordinary Shares on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

(b) the aggregate number of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder;

(c) the amount payable on acceptance of New Ordinary Shares provisionally allotted to such Qualifying Non-CREST Shareholder at the Issue Price;

(d) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to sell all or part of their entitlement or to convert all or part of their entitlement into uncertificated form; and

(e) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

The latest time and date for acceptance and payment in full will be 11.00 a.m. on 19 October 2018.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 1 October 2018, the expected timetable, as set out at the front of this document, will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. All references in this Part 12 should be read as being subject to such adjustment.

4.2 ***Procedure for acceptance and payment***

(a) *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights should complete the Provisional Allotment Letter in accordance with its instructions. The Provisional Allotment Letter must be returned, together with the cheque or banker's draft in pounds sterling, made payable to "Link Market Services Limited Re – EnQuest PLC Rights Issue A/C" and crossed "A/C payee only", for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 19 October 2018. A prepaid business reply envelope is enclosed with the Provisional Allotment Letter (for use within the UK only). If you post your Provisional Allotment Letter, it is recommended that you allow sufficient time for delivery. Payments via CHAPs, BACS or electronic transfer will not be accepted. Once your Provisional Allotment Letter has been duly completed and payment has been received by the Receiving Agent in accordance with the above, you will have accepted the offer to subscribe for the number of New Ordinary Shares specified on your Provisional Allotment Letter.

(b) *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to paragraph 4.2(e) of this Part 12.

(c) *Qualifying Non-CREST Shareholders who wish to dispose of some or all of their Nil Paid Rights*

Any Qualifying Non-CREST Shareholder who is permitted to, and wishes to, sell all or part of his Nil Paid Rights should contact his or her stockbroker or bank or other appropriate authorised independent financial adviser to arrange the sale of those Nil Paid Rights in the market. The stockbroker, bank or other authorised independent financial adviser will require the Provisional Allotment Letter to arrange such sale and you will need to make arrangements with the stockbroker, bank or other authorised independent financial adviser for the completion of the Provisional Allotment Letter and its despatch to the stockbroker, bank or other authorised independent financial adviser. Further information about such sales by Qualifying Non-CREST Shareholders is set out in paragraph 4.2(a) of this Part 12.

Nil Paid Rights may only be transferred in compliance with applicable securities laws and regulations of all relevant jurisdictions.

(d) *Discretion as to validity of acceptances*

If payment as set out in this paragraph 4.2(d) of this Part 12 is not received in full by 11.00 a.m. on 19 October 2018, the provisional allotment will be deemed to have been declined and will lapse. However, the Company and the Joint Bookrunners may, but shall not be obliged to, treat as valid acceptances in respect of which remittances for the full amount are received prior to 11.00 a.m. on 19 October 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and an undertaking by that person to lodge the relevant Provisional Allotment Letter, duly completed, by a time and date which are satisfactory to the Company and the Joint Bookrunners in their sole discretion.

The Company and the Joint Bookrunners may also (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from or that provides an address for delivery of definitive share certificates for New Ordinary Shares in the United States or an Excluded Territory.

Qualifying Non-CREST Shareholders who make a valid acceptance and payment in accordance with this paragraph are deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this document and the Provisional Allotment Letter and subject to the Articles.

(e) *Payments*

All payments made by Qualifying Non-CREST Shareholders must be made in pounds sterling by cheque or banker's draft made payable to "Link Market Services Limited Re– EnQuest PLC Rights Issue A/C" and crossed "A/C payee only". Third-party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details on the back of the cheque of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Cheques or banker's drafts must be drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sorting code in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt. No interest will be paid on payments. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company and the Joint Bookrunners may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of a Provisional Allotment Letter will constitute a warranty that the cheque will be honoured on first presentation. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been allotted to Non-CREST Qualifying Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholder acceptances being treated as invalid, the Joint Bookrunners may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of those Non-CREST Qualifying Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part 12 in respect of the acquisition of such shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Joint Bookrunners or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such Qualifying Non-CREST Shareholders as a result.

(f) *Money Laundering Regulations*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter. The person lodging the Provisional Allotment Letter with payment (the "applicant"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and agree for the Receiving Agent to make a search using a credit reference agency for the purpose of confirming such identity; where deemed necessary a record of the search will be retained. Submission of a Provisional Allotment Letter will constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of the remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company or the Joint Bookrunners will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. If the acceptance is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, as the Company may in its absolute discretion allow, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations.

The verification of identity requirements will not usually apply if:

(i) the applicant is an organisation required to comply with the EU Money Laundering Directive (2015/849);

(ii) the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(iii) the applicant (not being an applicant who delivers his/her/its application in person) makes

(iv) payment by way of a cheque drawn on an account in the name of such applicant; or

(v) the aggregate price for taking up the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

In other cases, the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

(A) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;

(B) if the Provisional Allotment Letter(s) is/are lodged with payment by an agent which is an organisation of the kind referred to in sub-section (a) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, Hong Kong, Iceland, India, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), the agent should provide with the Provisional Allotment Letter(s) written confirmation that it has that status and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority.

In order to confirm the acceptability of any written assurance referred to in this paragraph (ii), or in any other case, the applicant should contact the Receiving Agent between 9.00 a.m. and 5.30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). The telephone number of the Receiving Agent is Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday including public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.; or

(C) if the Provisional Allotment Letter(s) is/are lodged by hand by the applicant in person, or if the Provisional Allotment Letter(s) in respect of New Ordinary Shares is/are lodged by hand by the applicant in person and the accompanying payment is not the applicant's own cheque, the applicant should ensure that they have evidence of identity bearing their photograph (for example, the applicant's passport) and separate evidence of their address.

(g) *Dealings in Nil Paid Rights*

Dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 2 October 2018. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it or, in the case of any person in whose favour the rights have been renounced, by delivery of such letter to the transferee.

(h) *Dealings in Fully Paid Rights*

After acceptance by a Qualifying Non-CREST Shareholder of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the resultant Fully Paid Rights may be transferred by renunciation of the relevant fully paid Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only), with the Receiving Agent so as to be received not later than 11.00 a.m. on 19 October 2018. To do this, a Qualifying Non-CREST Shareholder will need to have his fully paid Provisional Allotment Letter returned to him after the acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box of the Provisional Allotment Letter.

After 22 October 2018, the New Ordinary Shares will be in registered form and transferable in the usual way.

(i) *Renunciation and splitting of Provisional Allotment Letters*

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights represented by a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and passing the entire Provisional

Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been renounced, it will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 a.m. on 19 October 2018.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights represented by that Provisional Allotment Letter but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 3.00 p.m. on 17 October 2018, to be cancelled and exchanged for the new (split) Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be represented by each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The Provisional Allotment Letter will then be cancelled and exchanged for new (split) Provisional Allotment Letters. The split Provisional Allotment Letter representing the New Ordinary Shares they wish to accept should be delivered together with the cheque or banker's draft in pounds sterling for the appropriate amount, made payable to "Link Market Services Limited Re – EnQuest PLC Rights Issue A/C " and crossed "A/C payee only" by 3.00 p.m. on 19 October 2018, the last date and time for acceptance. Once the holder's split Provisional Allotment Letter duly completed and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on that split Provisional Allotment Letter. The second Provisional Allotment Letter (representing the New Ordinary Shares they do not wish to take up) will be required in order to sell those rights.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without selling or transferring the remainder, should complete the boxes at the bottom on page 1 of the Provisional Allotment Letter and Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque for the appropriate amount made payable to "Link Market Services Limited Re – EnQuest PLC Rights Issue A/C " and crossed "A/C payee only" only and with the Allotment Number which appears on page 1 of the Provisional Allotment Letter, written on the reverse of the cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and cheque or banker's draft must be received by the Receiving Agent by 3.00 p.m. on 19 October 2018, being the last date and time for splitting Nil Paid Rights. Once the holder's Provisional Allotment Letter duly completed and payment have been received by the Receiving Agent in accordance with the above, the holder will have accepted the offer to subscribe for the number of New Ordinary Shares specified on their Provisional Allotment Letter.

The Company (having first consulted with the Joint Bookrunners) reserves the right to refuse to register any renunciation in favour of any person in respect of whom the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

(j) *Registration in names of Qualifying Shareholders*

A Qualifying Shareholder who wishes to have all the New Ordinary Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and (in the case of Qualifying Non-CREST Shareholders) the Provisional Allotment Letter.

(k) *Registration in names of persons other than Qualifying Shareholders originally entitled*

To register the New Ordinary Shares in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or his agent(s) must complete Form Y on page 4 of the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such New Ordinary Shares in uncertificated form, in which case Form X and the

CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) must be completed (see paragraph 4.2(k)) of this Part 12) and send the entire Provisional Allotment Letter, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by not later than 11.00 a.m. on 19 October 2018). Registration cannot be effected unless and until the New Ordinary Shares represented by a Provisional Allotment Letter are fully paid for.

The New Ordinary Shares represented by two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders). To consolidate rights attached to two or more Provisional Allotment Letters, complete Form Y on page 4 of the Provisional Allotment Letter and attach a letter detailing each Provisional Allotment Letter number (as shown on page 1 of the Provisional Allotment Letter), the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated. All the Provisional Allotment Letters to be consolidated must be lodged in one batch together.

(l) *Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is to say, withdrawn from CREST. Subject as provided in the following section or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. Shareholders are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS (as this term is defined in the CREST Manual). In addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If a Shareholder wishes to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, he must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited.

A holder of the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 October 2018. In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed), with the CCSS (to enable the person acquiring the Nil Paid Rights (or, if appropriate, the Fully Paid Rights) in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 October 2018) is 3.00 p.m. on 16 October 2018.

When Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and for the avoidance of doubt any entries in Form Y on page 4 of the Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsors as only their CREST sponsors will be able to take the necessary actions to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

(m) *Issue of New Ordinary Shares in definitive form*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 30 October 2018, at the risk of persons entitled thereto, to Qualifying Non-CREST Shareholders or to persons entitled thereto at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by the Registrar against the register.

5. Action to be taken by Qualifying Swedish Directly Registered Shareholders who have Pre-Printed Issue Account Statements

5.1 *General*

Subject as provided in paragraph 8 of this Part 12 ("*Terms and Conditions of the Rights Issue*") in relation to Overseas Shareholders, Qualifying Swedish Directly Registered Shareholders will receive a Pre-Printed Issue Account Statement with an attached Pre-Printed Payment Notice. The Pre-Printed Issue Account Statement shows, *inter alia*, the number of Existing Ordinary Shares registered in their name on the Record Date in the VPC System. It also shows the maximum number of New Ordinary Shares for which they are entitled to apply under the Swedish Rights Issue. The Pre-Printed Payment Notice shows how much they would need to pay if they wish to take up their maximum entitlement under the Swedish Rights Issue. Qualifying Swedish Directly Registered Shareholders that wish to subscribe for another number of New Ordinary Shares than stated on the Pre-Printed Issue Account statement, please refer to paragraph 5.2(b) of this Part 12 below.

The instructions and other terms set out in the Pre-Printed Issue Account Statement, the Pre-Printed Payment Notice and the Swedish Application Form form part of the terms of the Swedish Rights Issue in relation to Qualifying Swedish Directly Registered Shareholders.

The latest time and date for acceptance of the Swedish Rights Issue and payment in full thereunder will be 5.00 p.m. (Stockholm time) on 16 October 2018. The New Ordinary Shares are expected to be issued on 31 October 2018. After such date the New Ordinary Shares will be in registered form, freely transferable in electronic form in the VPC System.

Settlement notes (Sw. *VP-avier*) regarding the registration and de-registration of the Swedish Subscription Rights, the Paid Subscribed Shares and New Ordinary Shares on VP Accounts will not be distributed, unless specified in this document, in the Pre-Printed Issue Account Statement or in the Swedish Application Form.

5.2 *Application procedures*

Subscription for New Ordinary Shares by Qualifying Swedish Directly Registered Shareholders (other than, subject to certain exceptions, Qualifying Swedish Directly Registered Shareholders with registered addresses in the United States or any of the Excluded Territories) shall be made by cash payment, either by using the Pre-Printed Payment Notice or by submitting a Swedish Application Form, with simultaneous cash payment in accordance with one of the following alternatives:

(a) the Pre-Printed Payment Notice should be used if the Qualifying Swedish Directly Registered Shareholder wishes to take up its maximum entitlement under the Swedish Rights Issue according to the Pre-Printed Issue Account Statement. No additions or changes may be made to the Pre-Printed Payment Notice; or

(b) the Swedish Application Form should be used if the Qualifying Swedish Directly Registered Shareholder wishes to apply for any other number of New Ordinary Shares than those set out on the

Pre-Printed Issue Account Statement, provided that the number of New Ordinary Shares applied for corresponds to the number of the Swedish Subscription Rights held on the VP Account of such Qualifying Swedish Directly Registered Shareholder. When the completed Swedish Application Form is submitted, payment for the New Ordinary Shares so applied for shall be made to the Bank Giro account stated on the application form using the pre-printed id number as reference.

5.3 ***Incorrect sums***

If a payment pursuant to a Pre-Printed Payment Notice or a completed Swedish Application Form is for an incorrect sum, the Company, through the Swedish Issuer Agent, reserves the right:

(a) to reject the application in full and refund the payment to the Qualifying Swedish Directly Registered Shareholder in question (without interest);

(b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying Swedish Directly Registered Shareholder in question (without interest) save than any sum less than SEK 60 will be retained for the benefit of the Company; or

(c) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the Pre-Printed Payment Notice or completed Swedish Application Form, as applicable, refunding any unutilised sum to the Qualifying Swedish Directly Registered Shareholder in question (without interest) save than any sum less than SEK10 will be retained for the benefit of the Company.

5.4 ***Effect of application***

By using a Pre-Printed Payment Notice or completing and delivering a Swedish Application Form, the Qualifying Swedish Directly Registered Shareholder:

(a) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Swedish Rights Issue and to execute, deliver and exercise his/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not prevented by legal or regulatory restrictions from applying for New Ordinary Shares and/or acting on behalf of any such person on a non-discretionary basis;

(b) agrees with the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that all applications under the Swedish Rights Issue and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;

(c) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that in making the application he/she is not relying on any information or representation in relation to the Company other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;

(d) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Joint Bookrunners;

(e) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that he/she is the Qualifying Swedish Directly Registered Shareholder originally entitled to participate in the Swedish Rights Issue;

(f) unless otherwise agreed by the Company in its sole discretion (after agreement with the Joint Bookrunners), represents and warrants to the Company, and each of the Joint Bookrunners and the

Swedish Issuer Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;

(g) requests that the New Ordinary Shares, to which he/she will become entitled pursuant to the Swedish Rights Issue, be issued to him/her on the terms set out in this document, the Pre-Printed Issue Account Statement and, if applicable, the Swedish Application Form, subject to the Memorandum of Association and Articles;

(h) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

(i) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that in making the application, he/she is not relying and has not relied on any of the Joint Bookrunners or any person affiliated with either of the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

Qualifying Swedish Directly Registered Shareholders who do not want to take up or apply for the New Ordinary Shares under the Swedish Rights Issue should not complete or return the Swedish Application Form.

Please note that any Swedish Subscription Rights must either be sold no later than 16 October 2018 or be used for subscription at 5.00 p.m. on 16 October 2018 at the latest in order not to expire without value, subject to any amount payable to holders of lapsed Swedish Subscription Rights pursuant to the procedure in respect of New Ordinary Shares not taken up, see paragraph 7.1 of this Part 12 "(*Procedure in Respect of New Ordinary Shares not taken up*").

5.5 ***If you are a Qualifying Swedish Nominee Registered Shareholder under the Swedish Rights Issue***

(a) *General*

Subject as provided in paragraph 8 of this Part 12 ("*Terms and Conditions of the Rights Issue*") in relation to Overseas Shareholders, Qualifying Swedish Nominee Registered Shareholders wishing to apply for the New Ordinary Shares under the Swedish Rights Issue must follow the instructions from its nominee or nominees.

(b) *Effect of application*

Each Qualifying Swedish Nominee Registered Shareholder applying for New Ordinary Shares under the Swedish Rights Issue:

(i) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunner that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Swedish Rights Issue and to execute, deliver and exercise his/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not prevented by legal or regulatory restrictions from applying for New Ordinary Shares and/or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that all applications under the Swedish Rights Issue and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;

(iii) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that in making the application he/she is not relying on any information or representation in relation to the Company other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;

(iv) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or any of the Joint Bookrunners;

(v) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that he/she is the Qualifying Swedish Nominee Registered Shareholder originally entitled to participate in the Swedish Rights Issue;

(vi) unless otherwise agreed by the Company in its sole discretion (after agreement with the Joint Bookrunners), represents and warrants to the Company, each of the Joint Bookrunners and the Swedish Issuer Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;

(vii) requests that the New Ordinary Shares, to which he/she will become entitled pursuant to the Swedish Rights Issue, be issued to him/her on the terms set out in this document subject to the Memorandum of Association and Articles;

(viii) represents and warrants to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

(ix) confirms to the Company, the Swedish Issuer Agent and each of the Joint Bookrunners that in making the application, he/she is not relying and has not relied on any of the Joint Bookrunners or any person affiliated with either of the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

Qualifying Swedish Nominee Registered Shareholders who do not want to take up or apply for the New Ordinary Shares under the Swedish Rights Issue should take no action.

6. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST

6.1 ***General***

Subject as provided in paragraphs 5 and 8 of this Part 12 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 2 October 2018. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held on the

Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights and Fully Paid Rights each constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights, Provisional Allotment Letters shall, unless the Company and the Joint Bookrunners agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may, with the consent of the Joint Bookrunners, be adjusted as appropriate. References to dates and times in this document should be read as being subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of, their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. CREST sponsored members should consult their CREST sponsor if they wish to take up their entitlements as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with their Nil Paid Rights or Fully Paid Rights.

6.2 ***Procedure for acceptance and payment***

(a) *MTM Instructions*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, in the case of CREST sponsored members, procure that their CREST sponsor sends) an MTM Instruction to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of the Receiving Agent in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph (a) above; and

(iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph (a) above.

(b) *Contents of MTM Instructions*

The MTM Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

- the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 7RA33;
- the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29845ENQ;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date (which must be on or before 11.00 a.m. on 19 October 2018);
- the Nil Paid ISIN Number which is GB00BG08MJ86;
- the Fully Paid ISIN Number which is GB00BG08MK91;
- the Corporate Action Number for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- a contact name and telephone number (in the free format shared note field); and
- a priority of at least 80.

(c) *Valid acceptance*

An MTM Instruction complying with each of the requirements as to authentication and contents set out in paragraph 6.2(a) of this Part 12 will constitute a valid acceptance where either:

- the MTM Instruction settles by not later than 11.00 a.m. on 19 October 2018; or
- at the discretion of the Company and the Joint Bookrunners: (i) the MTM Instruction is received by Euroclear by not later than 11.00 a.m. on 19 October 2018; (ii) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock account of the accepting CREST member specified in the MTM Instruction at 11.00 a.m. on 19 October 2018; and (iii) the relevant MTM Instruction settles by 2.00 p.m. on 19 October 2018 (or such later date as the Company has determined).

An MTM Instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the Network Provider's Communications Host.

(d) *Representations, warranties and undertakings of CREST members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 6 of Part 12 represents, warrants and undertakes to the Company and the Joint Bookrunners that he/she/it has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him/her/it or by his/her/its CREST sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 a.m. on 19 October 2018 and remains capable of settlement at all times after that until 2.00 p.m. on 19 October 2018 (or until such later time and/or date as the Company and the Joint Bookrunners may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 19 October 2018 and at all times thereafter that until 2.00 p.m. on 19 October 2018 (or until such later time and/or date as the Company and the Joint Bookrunners may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt. In addition, such CREST sponsored member taking up entitlements makes the representations and gives the warranties set out in paragraph 6.2(d) of this Part 12.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Joint Bookrunners may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part 12 in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company, the Joint Bookrunners nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(e) *CREST procedures and timings*

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 19 October 2018. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(f) *CREST member's undertaking to pay*

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in this paragraph 6.2 of Part 12: (a) undertakes to pay to the Receiving Agent, or procure the payment to the Receiving Agent of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Receiving Agent may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in pounds sterling in favour of the Receiving Agent's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to the Receiving Agent the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Ordinary Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Articles.

If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been allotted to the CREST member or CREST sponsored member, the Company (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the same and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part 12 in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST sponsored member (whichever is lower) on trust for such CREST member or CREST sponsored member. In these circumstances, neither the Joint Bookrunners nor the Company shall be responsible for, or have any liability for, any loss, expenses or damage arising as a result.

(g) *Discretion as to rejection and validity of acceptances*

The Company and the Joint Bookrunners may agree in their absolute discretion to:

(i) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 6.2 of Part 12. Where an acceptance is made as described in this paragraph 6.2 of Part 12 which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 p.m. on 19 October 2018 (or by such later time and/or date as the Company and the Joint Bookrunners may determine), the Company and/or the Joint Bookrunners shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 6.2 of Part 12, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 6.2 of Part 12;

(ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 6.2;

(iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as the Company and the Joint Bookrunners may determine;

(iv) treat a properly authenticated dematerialised instruction (in this paragraph the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the Uncertificated Securities Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; or

(v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all of part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

6.3 ***Money Laundering Regulations***

If a person holds his Nil Paid Rights in CREST and applies to take up all or part of his entitlement as agent for one or more persons and he is not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons on whose behalf such person is making the application. Such person must therefore contact the Receiving Agent before sending any MTM Instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes an undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company and the Joint Bookrunners, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, then the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement but without prejudice to the right of the Company and/or the Joint Bookrunners to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

6.4 *Dealings in Nil Paid Rights*

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 2 October 2018. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 October 2018.

6.5 *Dealings in Fully Paid Rights*

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 19 October 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 19 October 2018.

After 20 October 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them (including those holding Fully Paid Rights at the close of business on 19 October 2018) in the Company's register of members and will be transferable in the usual way.

6.6 *Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST*

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is to say, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights, from CREST is 4.30 p.m. on 15 October 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 19 October 2018. It is recommended that reference is made to the CREST Manual for details of such procedures.

6.7 *Issue of New Ordinary Shares in CREST*

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 19 October 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from 8.00 a.m. on the next business day (expected to be 22 October 2018).

6.8 *Right to allot/issue in certificated form*

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST or otherwise if it has first obtained the Joint Bookrunners' written consent.

7. Procedure in respect of New Ordinary Shares not taken up and withdrawal rights

7.1 *Procedure in respect of New Ordinary Shares not taken up*

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment shall be deemed to have been declined and will lapse. If an entitlement to New Ordinary Shares (other than the New Ordinary Shares which are the subject of the Double A Irrevocable Undertaking) is not validly taken up by 11.00 a.m. on 19 October 2018 in accordance with the procedure laid down for acceptance and payment, then the Joint Bookrunners will use reasonable endeavours to procure, by not later than 4.30 p.m. on 24 October 2018, subscribers for all (or as many as possible) of those New Ordinary Shares not taken up if a premium over the total of the Issue Price (in pounds sterling) and the expenses of procuring such subscribers (including any related commissions and amounts in respect of VAT) can be obtained.

Notwithstanding the above, the Joint Bookrunners may cease to endeavour to procure any such subscribers if, in the opinion of the Joint Bookrunners, it is unlikely that any such subscribers can be so procured at such a price by such time. If and to the extent that subscribers cannot be procured on the basis outlined above, or if procurement of subscribers would give rise to a breach of law, the relevant New Ordinary Shares will be subscribed for by the Joint Bookrunners as principals pursuant to the Underwriting Agreement or by sub-underwriters procured by the Joint Bookrunners, in each case, at the Issue Price (in pounds sterling).

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Issue Price (in pounds sterling) and the expenses of procuring such acquirers including any applicable brokerage and commissions and amounts in respect of VAT), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments on the basis set out below:

(i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;

(ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST;

(iii) in respect of the Swedish Rights Issue, after the conversion of the premium from GBP to SEK at the prevailing rate as at 6.00 p.m. on 24 September 2018, to the person registered as the holder of those the Swedish Subscription Rights at the time of their lapse; and

(iv) where a Restricted Shareholder received neither a Provisional Allotment Letter or a Pre-Printed Issue Account Statement nor a credit to his, her or its CREST account or VP Account, as the case may be, to that Restricted Shareholder,

save that no payment will be made of amounts of less than £5.00 (five pounds sterling) or SEK 56, as the case may be, which amounts will be aggregated and will ultimately accrue to the benefit of the Company.

Any transactions undertaken pursuant to this paragraph 7.1 of Part 12 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Joint Bookrunners or any other person procuring acquirers shall be responsible or have any liability whatsoever for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such acquisition, the market on which such transaction is carried out, any decision not to endeavour to procure acquirers or the failure to procure acquirers on the basis described above. The Joint Bookrunners will be entitled to retain any brokerage fees, commission or other benefits realised in connection with these arrangements. Cheques for the amounts due will be sent in pounds sterling, by post, at the risk of the person(s) entitled, to their registered addresses (in the case of joint holders, to the registered address of the first named), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism. Amounts due pursuant to this paragraph 7.1 of Part 12 under the Swedish Rights Issue shall be paid to the designated bank account for the VP Account of the relevant person(s) entitled, including the nominees of such person(s) entitled.

There is no procedure for Shareholders to apply for New Ordinary Shares in excess of their entitlement.

7.2 ***Withdrawal rights***

Persons wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document must do so by sending a written notice of withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, in writing or by email to withdraw@linkgroup.co.uk to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (for further details, Shareholders should contact Link Asset Services on Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday including public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes, no later than two business days after the date on which the supplementary prospectus is published. Calls to Link Asset Services from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be randomly monitored for security and training purposes. In respect of the Swedish Rights Issue only, persons wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document must do so by sending a written notice of withdrawal, which must include their name, personal identification number, the number of shares subscribed for, their address, telephone number, bank account number and IBAN, to the Swedish Issuer Agent: SEB Emissioner at E03 SE-106 40 Stockholm, Sweden. Persons who hold their rights through a nominee wishing to exercise statutory withdrawal rights after the issue by the Company of a prospectus supplementing this document must do so by sending a written notice of withdrawal to their nominee.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent or the Swedish Issuer Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the exercise of withdrawal rights will not be permitted after payment in full by the relevant person in respect of their New Ordinary Shares taken up and the allotment of those New Ordinary Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 7.1 of this Part 12 as if the entitlement had not been validly taken up.

8. Overseas Shareholders

This document has been approved by the FCA as a prospectus which may be used to offer securities to the public for the purposes of section 85 of FSMA and of the Prospectus Directive. Arrangements may also be made with the competent authority in certain member states of the EEA that have implemented the Prospectus Directive for the use of this document as an approved prospectus in such jurisdictions to make a public offer in such jurisdictions. Issue or circulation of this document may be prohibited in countries other than those in relation to which notices are given below.

It is expected that Qualifying Shareholders in each Member State of the European Economic Area will be able to participate in the Rights Issue. No action has been or will be taken in any jurisdiction (other than the United Kingdom and Sweden) that would permit a public offer of the New Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the New Ordinary Shares may not be offered or sold, directly or indirectly, and this document may not be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. 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 New Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

It is the responsibility of any person (including, without limitation, agents, custodians, nominees or trustees) outside the UK or Sweden wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 8 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

8.1 *General*

This document comprises a combined circular and prospectus relating to the New Ordinary Shares. Under no circumstance does this document generally constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for New Ordinary Shares in the United States or any Excluded Territories. This paragraph 8.1 of Part 12 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom or Sweden, who are citizens or residents of countries other than the UK or Sweden, or who are persons (including, without limitation, agents, custodians, nominees or trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or Sweden or who hold Ordinary Shares for the account or benefit of any such person.

The distribution of this document, the Provisional Allotment Letter, the Pre-Printed Issue Account Statement or the Swedish Application Form and the allocation of Nil Paid Rights and/or the Swedish Subscription Rights and/or offer of Fully Paid Rights and/or the Paid Subscribed Shares and/or New Ordinary Shares to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom and Sweden or to persons who are nominees of, or custodians, trustees or guardians for, persons who are citizens or nationals of, or resident in, countries other than the United Kingdom and Sweden may be restricted by the laws or regulatory requirements of the relevant jurisdictions.

Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to take up their rights under the Rights Issue.

No action has been or will be taken by the Company, the Joint Bookrunners or any other person, to permit a public offering in any jurisdiction where action for that purpose may be required, other than in the United Kingdom and in Sweden.

Receipt of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or Swedish Application Form and/or a credit of Nil Paid Rights and/or of the Swedish Subscription Rights to a stock account in CREST or to a VP Account will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Provisional Allotment Letter and/or the Pre-Printed Issue Account Statement and/or the Swedish Application Form must be treated as sent for information only and should not be copied or redistributed.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters and Pre-Printed Issue Account Statements and Swedish Application Forms have not been, and will not be, sent to, and Nil Paid Rights or the Swedish Subscription Rights will not be credited to CREST accounts or to VP Accounts, of Overseas Shareholders with registered addresses in the United States or any other Excluded Territories except where the Company and the Joint Bookrunners are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Having considered the circumstances, the Directors have formed the view that it is necessary or expedient to restrict the ability of Shareholders in the United States and the Excluded Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

No person receiving a copy of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or a credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or to a VP Account in any territory other than the United Kingdom and Sweden may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or a VP Account unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or to a VP Account could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom or Sweden wishing to apply for New Ordinary Shares under the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, the Joint Bookrunners, nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisers as to the legal, tax business, prospects, financial and related aspects of a purchase of the New Ordinary Shares.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or a credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or a VP Account, in connection with the Rights Issue or otherwise, should not distribute or send either of those documents nor transfer Nil Paid Rights or the Swedish Subscription Rights in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or a credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or to a VP Account is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for New Ordinary Shares in respect of the Rights Issue unless the Company and the Joint Bookrunners determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or transfers Nil Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares, or Fully Paid Rights, into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 12 ("*Terms and Conditions of the Rights Issue*") and specifically the contents of this paragraph 8.1.

The Company and the Joint Bookrunners reserve the right to treat as invalid any exercise or purported exercise of Nil Paid Rights or the Swedish Subscription Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights, the Paid Subscribed Shares or New Ordinary Shares and will not be bound to issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares that appears to the Company, the Joint Bookrunners or their respective agents to have been executed, effected or dispatched from the United States or any Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company, the Joint Bookrunners or their respective agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates or in the case of a credit of New Ordinary Shares in CREST to a stock account in CREST or to a VP Account, to a CREST member or to a VP Account holder whose registered address would be, in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit, or in the case of a VP Account, to an account holder whose registered address would be, in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 5 and 8 above and 9 to 11 below.

Notwithstanding any other provision of this document or the Provisional Allotment Letter or the Pre-Printed Issue Account Statement or the Swedish Application Form, the Company reserves the right (after agreement with the Joint Bookrunners) to permit any person to apply for New Ordinary Shares in respect of the Rights Issue if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for New Ordinary Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or, where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST. Where such Overseas Shareholder is a Qualifying Swedish Directly Registered Shareholder, payment must be made in SEK in accordance with the procedures in paragraph 5 of this Part 12 ("*Terms and Conditions of the Rights Issue*"), or, where the Overseas Shareholder is a Qualifying Swedish Nominee Registered Shareholder, payment shall be made in accordance with the instructions of the relevant nominee.

Due to restrictions under the securities laws of the United States and the Excluded Territories, and subject to certain exceptions, Qualifying Shareholders located in the United States or who have registered addresses in any Excluded Territory will not qualify to participate in the Rights Issue and will not be sent a Provisional Allotment Letter or a Pre-Printed Issue Account Statement or a Swedish Application Form nor will their stock accounts in CREST and their VP Account, as the case may be, be credited with Nil Paid Rights or the Swedish Subscription Rights.

No public offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letter or the Pre-Printed Issue Account Statement or the Swedish Application Form into the United States or any Excluded Territory. Receipt of this document and/or a Provisional Allotment Letter and/or a Pre-Printed Issue Account Statement and/or a Swedish Application Form and/or a credit of Nil Paid Rights and/or the Swedish Subscription Rights to a stock account in CREST or to a VP Account will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Provisional Allotment Letter and/or the Pre-Printed Issue Account Statement and/or the Swedish Application Form must be treated as sent for information only and should not be copied or redistributed.

8.2 ***United States***

None of the New Ordinary Shares, the Nil Paid Rights, the Swedish Subscription Rights, the Fully Paid Rights, the Paid Subscribed Shares, the Provisional Allotment Letters, the Pre-Printed Issue Account Statements and the Swedish Application Forms have been or will be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and they may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US 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 New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares in the United States. The New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights, Swedish Subscription Rights or Paid Subscribed Shares made available outside the United States pursuant to the Rights Issue are being offered and sold in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements of the US Securities Act.

Accordingly, the Company is not extending the Rights Issue into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions set out below, none of this document, the Provisional Allotment Letter, the Pre-Printed Issue Account Statement, the Swedish Application Form nor the crediting of Nil Paid Rights or the Swedish Subscription Rights to a stock account in CREST or to a VP Account constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document, the Provisional Allotment Letter, the Pre-Printed Issue Account Statement nor the Swedish Application Form will be sent to, and neither Nil Paid Rights, the Swedish Subscription Rights nor New Ordinary Shares will be credited to a stock account in CREST or to a VP Account, as the case may be, of any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters, Pre-Printed Issue Account Statements or Swedish Application Forms sent from or postmarked in the United States, or including a United States registered address, will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address outside the United States for registration of the New Ordinary Shares.

The Company and the Joint Bookrunners reserve the right to treat as invalid any Provisional Allotment Letter, Pre-Printed Payment Notice or Swedish Application Form that appears to the Company, the Joint Bookrunners or their respective to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranties set out in the Provisional Allotment Letter, the Pre-Printed Issue Account Statement, the Swedish Application Form or where the Company, the Joint Bookrunners or their respective agents believe acceptance of such Provisional Allotment Letter or execution of such, Pre-Printed Payment Notice or Swedish Application Form may infringe applicable legal or regulatory requirements. In addition, except as set out below, any person taking up their rights under the Rights Issue must make the representations and warranties set out in paragraph 6.2(d) and paragraph 9 of this Part 12, as appropriate. Accordingly, except as set out below, the Company and the Joint Bookrunners reserve the right to treat as invalid (i) any Provisional Allotment Letter which does not make the representations and warranties set out in paragraph 6.2(d) of this Part, (ii) any Pre-Printed Payment Notice or Swedish Application Form which does not make the representations and warranties set out in paragraph 6.2(d) of this Part and (iii) any USE Instruction which does not make the representations and warranties set out in paragraph 6.2(d) of this Part. The attention of persons holding for the account of persons located in the United States is directed to such paragraphs. In addition, the Company and/or the Joint Bookrunners reserve the right to reject any USE instruction sent by or on behalf of any CREST member or any exercise of the Swedish Subscription Rights or any payment in respect of such exercise made by any party with a registered address in the United States or that appears to the Company to have been despatched from the United States or any Excluded Territory, or that was sent in a manner which they or their agents believe may violate any applicable legal or regulatory requirement, or which does not make the representations and warranties set out in paragraph 6.2(d) or paragraph 9 of this Part 12 ("*Terms and Conditions of the Rights Issue*"). Any person in the United States into whose possession this document comes should inform himself about and observe any applicable legal restrictions.

8.3 ***Canada***

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights and the Paid Subscribed Shares, and the Pre-Printed Issue Account Statements, the Swedish Application Form and the Provisional Allotment Letters have not been and will not be registered under the securities legislation of any province or territory of Canada and, therefore, subject to certain exceptions, neither the New Ordinary Shares nor the Nil Paid Rights held in CREST nor the Swedish Subscription Rights held on a VP Account may be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into Canada or to or for the benefit of a Canadian Person. Accordingly, the Rights Issue will not be made within Canada and Provisional Allotment Letters, Pre-Printed Issue Account Statements and Swedish Application Forms will not be sent to, nor will any Nil Paid Rights or any the Swedish Subscription Rights be credited to a stock account in CREST or to a VP Account, as the case may be, of any shareholder with a registered address in Canada.

8.4 ***Australia***

This document (a) does not constitute a prospectus or a product disclosure statement under the *Corporations Act 2001* of the Commonwealth of Australia ("Corporations Act"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; (c) has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("ASIC"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors ("Exempt Investors") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act; and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Nil Paid Rights, the Fully Paid Rights, the Swedish Subscription Rights, the Paid Subscribed Shares and the New Ordinary Shares ("**Offer Securities**") may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Securities may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any Offer Securities may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Securities, each subscriber of Offer Securities represents and warrants to the Company, the Joint Bookrunners and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Securities under this document, any supplement or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Securities for resale in Australia within twelve months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Securities each purchaser of Offer Securities undertakes to the Company and the Joint Bookrunners and their affiliates that such purchaser will not, for a period of twelve months from the date of purchase of the Offer Securities, offer, transfer, assign or otherwise alienate those Offer Securities to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

8.5 ***Japan***

The relevant clearances have not been and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan. Therefore, subject to certain exceptions, neither the Provisional Allotment Letters, the Pre-Printed Issue Account Statements or the Swedish Application Form nor the New Ordinary Shares nor any Nil Paid Rights held in CREST or any the Swedish Subscription Rights held on a VP Account may, directly or indirectly, be offered or sold, taken up, or renounced in or into Japan or its territories or possessions. No Provisional Allotment Letter, Pre-Printed Issue Account Statement or Swedish Application Form will be sent to, nor will any Nil Paid Rights be credited to a stock account in CREST or any the Swedish Subscription Rights be credited to a VP Account of, Qualifying Shareholders whose registered address is in Japan.

The New Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

8.6 ***Republic of South Africa***

The Rights Issue is not an "offer to the public" as defined in Section 95(1)(h) of the South African Companies Act, and this document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act. The Rights Issue constitutes a rights offer as contemplated in Section 96(1)(d) of the South African Companies Act, the UK Listing Authority has granted or agreed to grant a listing for the securities that are the subject of the Rights Issue and the Rights Issue complies with any relevant requirements of the UK Listing Authority at the time the Rights Issue is made. To the extent that any persons who have registered addresses in, or who are residents of or ordinarily resident in, or citizens of, the Republic of South Africa wish to take up any rights under the Rights Issue, such persons may require the approval of the South African Exchange Control Authorities.

In order to comply with South African law, Provisional Allotment Letters sent to Qualifying Shareholders, and Pre-Printed Issue Account Statements and Swedish Application Forms sent to Qualifying Swedish Directly Registered Shareholders with registered addresses in the Republic of South Africa will not be renounceable. Such persons may require the approval of the South African Exchange Control Authorities if they wish to take up their rights under the Rights Issue. Neither Nil Paid Rights nor the Swedish Subscription Rights will not be credited to any stock account in CREST or to any VP Account of any Qualifying CREST Shareholder or any Qualifying Swedish Directly Registered Shareholder, as the case may be, with a registered address in South Africa. Instead, any such Qualifying CREST Shareholder will be sent a non-renounceable Provisional Allotment Letter.

8.7 ***DIFC***

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial advisor.

8.8 ***Switzerland***

The New Ordinary Shares may not be publicly offered in or into Switzerland and will not be listed on the SIX Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations and without regards to the disclosure standards for listing prospectuses under art. 27 et seq. of the SIX Listing Rules or under the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Ordinary Shares or the offering may be publicly distributed into or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the New Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Ordinary Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of New Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Ordinary Shares.

8.9 ***Other overseas territories***

Provisional Allotment Letters will be posted to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those Qualifying Non-CREST Shareholders who have registered addresses in the United States or any of the Excluded Territories) and Nil Paid Rights have been and, where relevant, will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, those Qualifying CREST Shareholders who have registered addresses in the United States or any of the Excluded Territories), and Pre-Printed Issue Account Statements and Swedish Application Forms will be posted to Qualifying Swedish Directly Registered Shareholders (other than, subject to certain exceptions, those Qualifying Swedish Directly Registered Shareholders who have registered addresses in the United States or any of the Excluded Territories) and the Swedish Subscription Rights have been and, where relevant, will be credited to the VP Accounts of Qualifying Swedish Directly Registered Shareholders (other than, subject to certain exceptions, those Qualifying Swedish Directly Registered Shareholders who have registered addresses in the United States or any of the Excluded Territories) as well as to the VP Accounts of the nominees of Qualifying Swedish Nominee Registered Shareholders. No offer of or invitation to take up New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters or the Pre-Printed Issue Account Statements and Swedish Application Forms, as the case may be, into the Excluded Territories. Qualifying Shareholders in jurisdictions other than, (subject to certain exceptions), the Excluded Territories, may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, and, in the case of Qualifying Swedish Directly Registered Shareholders only, the Pre-Printed Issue Account Statement and the Swedish Application Form.

9. Additional representations, warranties and agreements relating to US law made by purchasers outside the United States

Each purchaser to whom the New Ordinary Shares are distributed, offered or sold outside the United States will (on behalf of itself and on behalf of each investment account for which it is acting as fiduciary or agent) be deemed by its subscription for New Ordinary Shares to have represented, warranted and agreed as follows:

(a) it is acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;

(b) it is aware and acknowledges that the New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States absent registration or an exemption from, or in a transaction not subject to, registration under the US Securities Act;

(c) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act;

(d) it is acquiring the New Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the New Ordinary Shares in any manner that would violate the US Securities Act or any other applicable securities laws;

(e) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the New Ordinary Shares to any persons in the United States, nor will it do any of the foregoing;

(f) it is aware and acknowledges that the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that the Company, the Joint Bookrunners and their respective directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing representations and agreements; and

(g) if any of the representations or warranties made or deemed to have been made by its subscription or purchase of the New Ordinary Shares are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Bookrunners, and if it is acquiring any New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make, and does make, such foregoing representations, warranties and agreements on behalf of each such account.

10. LSE Admission, settlement and dealings

(a) The result of the Rights Issue is expected to be announced on or around 22 October 2018. Application will be made to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares (nil and fully paid) to be admitted to trading on its main market for listed securities.

(b) Subject to certain conditions being satisfied, as set out in this paragraph 10 of this Part 12 ("*Terms and Conditions of the Rights Issue*"), it is expected that LSE Admission will become effective and that dealings in the New Ordinary Shares, nil paid and fully paid, will commence at 8.00 a.m. (London time) on 31 October 2018.

11. Stockholm Admission, settlement and dealings

(a) The results of the Rights Issue is expected to be announced on or around 22 October 2018. Application will be made to NASDAQ Stockholm for the New Ordinary Shares to be admitted to trading on the Mid Cap segment of NASDAQ Stockholm.

(b) Subject to certain conditions being satisfied, as set out in paragraph 2 of this Part 12 ("*Terms and Conditions of the Rights Issue*"), it is expected that Stockholm Rights Admission will become effective and that dealings in the Swedish Subscription Rights will commence (for normal settlement) on NASDAQ Stockholm at 9.00 a.m. (Stockholm time) on 2 October 2018 and that Stockholm Admission will become effective and that dealings in the New Ordinary Shares on NASDAQ Stockholm will commence at 9.00 a.m. on 31 October 2018.

12. Taxation

Certain statements regarding United Kingdom, Swedish and United States taxation in respect of the New Ordinary Shares to be issued under the Rights Issue are set out in Part 10 ("*Taxation*"). Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Rights Issue, or who are subject to tax in any jurisdiction other than the United Kingdom, Sweden or the United States, should immediately consult a suitable professional adviser.

13. Further information

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent a Provisional Allotment Letter and, in the case of Qualifying Swedish Directly Registered Shareholders to whom the Company has sent a Pre-Printed Issue Account Statement and the Swedish Application Form, to the terms, conditions and other information printed on the accompanying Provisional Allotment Letter or the Pre-Printed Issue Account Statement and the Swedish Application Form, as the case may be.

14. Times and dates

The Company shall, in its discretion and after consultation with its financial and legal advisers (and with the agreement of the Joint Bookrunners), be entitled to amend the date that dealings in Nil Paid Rights and/or the Swedish Subscription Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority, and a Regulatory Information Service and, if appropriate, Shareholders, but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two days or fewer prior to the date specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between the Company and the Joint Bookrunners), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Dealing Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

15. Governing law and jurisdiction

The terms and conditions of the Rights Issue as set out in this document and the Provisional Allotment Letter (where appropriate), and in the Pre-Printed Issue Account Statement and the Swedish Application Form (where appropriate) and any non-contractual obligation arising out of or related thereto shall be governed by, and construed in accordance with, English law. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter (where appropriate) and in the Pre-Printed Issue Account Statement and the Swedish Application Form (where appropriate) (including any dispute relating to any non-contractual obligations arising out of or in connection with them). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, and in the case of Qualifying Swedish Directly Registered Shareholders only, the Pre-Printed Issue Account Statement and the Swedish Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 13

DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any information incorporated by reference itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Rules. Except as set forth below, no other portion of the below documents is incorporated by reference into this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

These documents incorporated by reference are available for inspection in accordance with paragraph 26 of Part 11 ("*Additional Information*").

Reference Document	Information Incorporated by reference	Page number in the reference documents
2015 Financial Statements	Independent Auditor's Report on the annual report and accounts to the members of EnQuest PLC	83 to 89
	Group statement of comprehensive income	90
	Group balance sheet	91
	Group statement of changes in equity	92
	Group statement of cash flows	93 to 94
	Notes to the Group financial statements	95 to 131
	Independent Auditor's report to the members of EnQuest PLC	133
	Company balance sheet	133
	Company Statement of Changes in Equity	
	Company Statement of Cash Flows	
	Notes to the financial statements	136 to 144
2016 Financial Statements	Independent Auditor's Report on the Annual Report and accounts to the members of EnQuest PLC	91 to 97
	Group statement of comprehensive income	98
	Group balance sheet	99
	Group statement of changes in equity	100
	Group statement of cash flows	101
	Notes to the Group financial statements	102 to 139
	Company balance sheet	141
	Company Statement of Changes in Equity	142
	Company Statement of Cash Flows	
	Notes to the financial statements	143 to 147
2017 Financial Statements	Independent Auditor's Report to the members of EnQuest PLC	97 to 104
	Group statement of comprehensive income	105
	Group balance sheet	106
	Group statement of changes in equity	107
	Group statement of cash flows	108
	Notes to the Group financial statements	109 to 150
	Company balance sheet	152
	Company Statement of Changes in Equity	153
	Company Statement of Cash Flows	153
	Notes to the financial statements	154 to 158
2018 Unaudited Interim Financial Statements	Half Year Group Statement of Comprehensive Income	14
	Group Balance Sheet	15
	Group Statement of Changes in Equity	16
	Group Cash Flow Statement	17
	Notes to the Group Half Year Condensed Financial Statements	18 to 31
	Independent review report to EnQuest PLC	33

PART 14

TECHNICAL TERMS

"**2C**"	best estimate contingent resources
"**2P**"	proved plus probable reserves;
"**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);
"**bboe**"	billion barrels of oil equivalent;
"**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;
"**boe**"	barrels of oil equivalent. One barrel of oil is the energy equivalent of 5,800 cubic feet of natural gas;
"**boepd**"	barrels of oil equivalent per day;
"**bopd**"	barrels of oil per day;
"**Brent Blend**"	a blend of oil that is used as an international benchmark for the prices of other crude oils;
"**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;
"**E&P**"	exploration and production;
"**ESP**"	electric submersible pump;
"**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;
"**FPSO**"	floating, production and storage and offloading vessel;
"**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;

"**licence**"	a right to search for or to develop and produce hydrocarbons within a specific area, which may be exclusive or non-exclusive. Usually granted by the responsible government authority with conditions, including as to duration;
"**m**" or "**metre**"	metre;
"**mbbl**"	thousand barrels;
"**mboe**"	thousand barrels of oil equivalent;
"**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;
"**MMstb**"	million 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 act 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;
"**produced water**"	the water extracted from the subsurface with oil and gas. It may include water from the reservoir, water that has been injected into the formation, and any chemicals added during the production/treatment process.
"**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 Part 14 ("*Technical Terms*");
"**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 Part 14 ("*Technical Terms*");

“**So**”	oil saturation;
“**SPE PRMS**”	the resource definitions jointly set out by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007 in the “Petroleum Resources Management System”;
“**spud**”	to commence drilling of a well, once the cement cellar and conductor pipe at the well head have been constructed;
“**tonne**” or “**t**”	Oil: 1 tonne = 7.33 barrels of oil condensate: 1 tonne = 9 barrels of condensate;
“**topside**”	the superstructure of a platform;
“**upstreams**”	the exploration and production portions of the oil and gas industry; and
“**workover**”	the process of performing major maintenance or remedial treatment on an existing oil or gas well.

PART 15

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“**2018 Annual General Meeting**”	the annual general meeting of the Company held on 24 May 2018;
“**2015 Financial Statements**”	the audited consolidated financial statements of the Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2015;
“**2016 Financial Statements**”	the audited consolidated financial statements of the Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2016;
“**2017 Financial Statements**”	the audited consolidated financial statements of the Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2017;
“**2017 Mercuria Prepayment Facility**”	as defined and described in paragraph 7.2(e)(i) of Part 11 (“*Prepayment Facility – Mercuria*”)
“**2015 TB Facility Agreement**”	as defined and described in paragraph 18.4(b)(i) of Part 11 (“*Tanjong Baram Project Finance Loan*”);
“**2018 TB Facility Agreement**”	as defined and described in paragraph 18.4(b)(i) of Part 11 (“*Tanjong Baram Project Finance Loan*”);
“**2018 Unaudited Interim Financial Statements**”	the unaudited condensed consolidated financial statements of the Group prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU as at and for the six months ended 30 June 2018;
“**25 per cent. Interests**”	25 per cent. of the interests which BPEOC held in the Magnus Assets immediately prior to completion of the Magnus SPA;
“**75 per cent. Interests**”	the remaining 75 per cent. of the interests which BPEOC held in the Magnus Assets immediately prior to completion of the Magnus SPA;
“**Ad Hoc Noteholder Committee**”	the ad hoc committee of the High Yield Noteholders from time to time;
“**Admission**”	LSE Admission, Stockholm Rights Admission and Stockholm Admission;
“**Admission and Disclosure Standards**”	the requirements contained in the publication “Admission and Disclosure Standards” published by the London Stock Exchange in May 2017 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“**Aggregate Commitments**”	as defined and described in paragraph 18.4(a)(iv) of Part 11 (“*Existing SFA*”);
“**AGM**”	an annual general meeting of the Company;
“**Alma/Galia Farm in Agreement**”	the farm in agreement dated 29 May 2012 between EnQuest Heather and KUFPEC, as further described in paragraph 18.3(i)(a) of Part 11 (“*Additional Information*”);
“**Announcement**”	the announcement made by the Company on 7 September 2018 in relation to the Rights Issue;
“**Articles**”	the articles of association of the Company from time to time;
“**Audit Committee**”	the audit committee of the Company;

“**Board**”	the board of directors of the Company;
“**BofA Merrill Lynch**”	Merrill Lynch International;
“**Bond Interest Payment Condition**”	as defined and described in paragraph 18.4(a)(vii) of Part 11 (“*Existing SFA*”);
“**BPCO**”	B P Exploration Company Limited;
“**BPEOC**”	BP Exploration Operating Company Limited
“**BP SVT Guarantor**”	As defined and described in paragraph 18.4(f) of Part 11 (“*Prepayment Facility – Mecuria*”);
“**Britoil**”	Britoil Limited;
“**Business Day**”	a day on which each of the London Stock Exchange and the Stockholm Stock Exchange is open for the transaction of business;
“**Canada**”	Canada, its provinces and territories and all areas under its jurisdiction and political subdivisions thereof;
“**Capitalised Interest**”	as defined and described in paragraph 18.4(a)(vii) of Part 11 (“*Existing SFA*”);
“**CCI**”	as defined and described in paragraph 18.4(b) of Part 11 (“*Tanjong Baram Project Finance Loan*”);
“**CCSS**”	the CREST Courier and Sorting Service established by Euroclear UK to facilitate, among other things, the deposit and withdrawal of securities;
“**certificated**” or “**in certificated form**”	a share or other security which is not in uncertificated form (that is, not in CREST);
“**Closing Price**”	the closing, middle market quotation of a relevant share on any particular day as published in the Daily Official List;
“**Company**” or “**EnQuest**”	the public limited company named EnQuest PLC with company number 07140891 and with registered office address at 5th Floor Cunard House, 15 Regent Street, London, SW1Y 4LR;
“**Companies Act**” or the “**Act**”	the UK Companies Act 2006 (as amended);
“**CREST**”	the UK based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland is the operator;
“**CREST Manual**”	the rules governing the operation of CREST, consisting of the CREST reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of TERMS (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK & Ireland on 15 July 1996 and as amended since);
“**CREST Regulations**”	the UK Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended and for the time being in force;
“**Daily Official List**”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange;
“**Dana**”	Dana Petroleum Limited;
“**DBSP**”	the EnQuest PLC Deferred Bonus Share Plan;

"**DECC**"	the UK Department of Energy & Climate Change, which became part of the UK Department for Business, Energy & Industrial Strategy in July 2016;
"**Directors**"	the directors of the Company;
"**Double A Irrevocable Undertaking**"	the irrevocable undertaking entered into by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, dated 7 September 2018, as further described in paragraph 8 of Part 1 ("*Letter from the Chairman of EnQuest PLC*");
"**DTRs**"	the FCA's Disclosure Guidance and Transparency Rules;
"**EBITDA**"	as explained under "Non IFRS measures" under "Important Information" above;
"**EMTN Programme**"	the £500,000,000 euro medium term note programme established by the Company on 24 January 2013;
"**Enlarged Issued Share Capital**"	the Existing Issued Share Capital together with the New Ordinary Shares to be issued pursuant to the Rights Issue;
"**EnQuest Advance**"	as defined and described in paragraph 18.4(d) of Part 11 ("*Kraken Structured Finance Loan – OZ*");
"**EnQuest EBT**"	the EnQuest PLC Employees' Benefit Trust;
"**EnQuest EBT Irrevocable Undertaking**"	the irrevocable undertaking entered into by the Trustees in respect of the Unallocated Shares, as further described in paragraph 18.2(b) of Part 11 ("*Additional Information*");
"**EnQuest Forward**"	EnQuest Forward Limited;
"**EnQuest Heather**"	EnQuest Heather Limited;
"**EnQuest Producer FPSO**"	the FPSO for Alma/Galia;
"**EnQuest Thistle**"	EnQuest Thistle Limited;
"**EP Malaysia**"	EQ Petroleum Production Malaysia Limited;
"**EP Developments Malaysia**"	EQ Petroleum Developments Malaysia SDN BHD;
"**ESMA Prospectus Recommendations**"	the ESMA update of the CESR recommendations, being the consistent re- implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (ESMA/2013/319);
"**EU**"	the European Union first established by a treaty made at Maastricht on 7 February 1992;
"**Euroclear UK & Ireland**"	Euroclear UK & Ireland Limited, the operator of CREST;
"**Euro**" or "**€**"	the single currency of the Member States of the European Community that adopt or have adopted the euro as their lawful currency under legislation of the EU or European Monetary Union;
"**Excluded Territories**"	Australia, Canada, Japan, the Republic of South Africa and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach applicable law;
"**Executive Directors**"	the executive directors of the Company from time to time, which at the date of this document are Amjad Bseisu, Jonathan Swinney and Helmut Langanger;
"**Existing Hedging Liabilities**"	all present and future monies, debts and liabilities due, owing or incurred from time to time by an obligor under the SFA to any Hedging Bank under or in respect of any Hedging Agreement;

"**Existing Issued Share Capital**"	Ordinary Shares in issue as at the Latest Practicable Date;
"**Existing Noteholders**"	the High Yield Noteholders and the Retail Noteholders;
"**Existing Notes**"	the High Yield Notes and the Retail Notes;
"**Existing Ordinary Shares**"	the Ordinary Shares in issue at the date of this document;
"**FCA**"	the UK Financial Conduct Authority;
"**Finance Charges Cover Ratio**"	as defined and described in paragraph 18.4(a)(xiii) of Part 11 ("*Existing SFA*");
"**Form of Proxy**"	the enclosed form of proxy for use in connection with the General Meeting;
"**FSMA**"	the UK Financial Services and Markets Act 2000 (as amended);
"**Fully Paid Rights**"	rights to subscribe for the New Ordinary Shares, fully paid;
"**General Meeting**"	the general meeting of the Company to be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2AG on 1 October 2018 at 9.00 a.m.;
"**GCA**"	Gaffney, Cline & Associates Ltd;
"**GCA Technical Report on Magnus**"	the competent person's report relating to the Magnus oil field prepared by GCA in accordance with the Listing Rules and paragraph 133 of the ESMA Prospectus Recommendations;
"**GKA**"	Greater Kittiwake Area;
"**Group**"	the Company and its subsidiaries and subsidiary undertakings from time to time;
"**Hedging Agreement**"	each interest, currency or commodity swap, option, cap, collar, floor or similar arrangements or other hedging arrangements;
"**Hedging Banks**"	the SFA Lenders and their affiliates which have acceded to the SFA as "Hedging Banks", which satisfy certain qualifications under the SFA and which have entered into Hedging Agreements which are secured by the SFA security package;
"**High Yield Note Guarantors**"	the subsidiaries of the Company who have guaranteed the Company's obligations in respect of the High Yield Notes, being EnQuest NWO Limited, EnQuest Heather Limited, EnQuest Britain Limited, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Global Limited and EQ Petroleum Sabah Limited, as further detailed in paragraph 18.1(1) of Part 11 ("*Additional Information*");
"**High Yield Note Indenture**"	the indenture dated 9 April 2014 between among others, the Company as issuer and Deutsche Trustee Company Limited as trustee, governing the High Yield Notes;
"**High Yield Noteholders**"	the holders of the High Yield Notes;
"**High Yield Notes**"	the US$650,000,000 7 per cent. senior notes due 15 April 2022 issued by the Company;
"**HMRC**"	HM Revenue & Customs;
"**HSE&A**"	health, safety, environment and assurance;
"**IFRS as adopted by the EU**" or "**IFRS EU**"	International Financial Reporting Standards as adopted by the European Union;
"**Initial RRBV Loans**"	as defined and described in paragraph 18.4(a)(ix) of Part 11 ("*Existing SFA*");

"**Irrevocable Undertakings**"	the Double A Irrevocable Undertaking together with the EBT Irrevocable Undertaking;
"**Issue Price**"	21 pence per New Ordinary Share;
"**Japan**"	Japan, its territories and possessions and any areas subject to its jurisdiction;
"**Joint Bookrunners**"	BofA Merrill Lynch and J.P. Morgan Cazenove;
"**J.P. Morgan Cazenove**"	J.P. Morgan Securities plc;
"**Kraken FPSO**"	the FPSO for Kraken;
"**KUFPEC**"	KUFPEC UK Limited;
"**Latest Practicable Date**"	5 September 2018, being the latest practicable date prior to the publication of this document;
"**Leverage Ratio**"	as defined and described in paragraph 18.4(a)(xiii) of Part 11 ("*Existing SFA*");
"**Link Asset Services**"	a trading name of Link Market Services Limited;
"**Listing Rules**"	the listing rules of the FCA made under Part VI of the FSMA;
"**Liquidity Test**"	as defined and described in paragraph 18.4(a)(xiii) of Part 11 ("*Existing SFA*");
"**London Stock Exchange**"	London Stock Exchange plc;
"**LSE Admission**"	admission of the New Ordinary Shares (nil paid) to the premium listing segment of the Official List in accordance with the Listing Rules and admission to trading of the New Ordinary Shares (nil paid) on the main market of the London Stock Exchange becoming effective in accordance with the Admission and Disclosure Standards, as the context may require;
"**Lundin**"	Lundin Petroleum AB;
"**Magnus Assets**"	the subject of the Magnus SPA and the Magnus Call Option Deed, comprising (a) UK Production Licence P.193 dated 16 March 1972, Blocks 211/7a All (Magnus Field) and 211/12a All (Magnus South Field); (b) the petroleum receiving, treatment, storage and tanker loading complex located at Sullom Voe, Shetland; (c) the NLGP; and (d) the NPS;
"**Magnus Call Option Deed**"	the call option deed entered into by BPEOC and SPV on 24 January 2017 as described in Part 3 ("*Principal Terms of the Magnus Transaction*");
"**Magnus Option**"	the call option granted by BPEOC to SPV under the Magnus Call Option Deed pursuant to which SPV has the option to require BPEOC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests, as described in Part 3 ("*Principal Terms of the Magnus Transaction*");
"**Magnus SPA**"	the sale and purchase agreement dated 24 January 2017 between SPV and BPEOC, pursuant to which SPV acquired the 25 per cent. Interests;
"**Magnus Transaction**"	the exercise of the Magnus Option by SPV and the acquisition of the 75 per cent. Interests;
"**main market**"	the London Stock Exchange's main market for listed securities;
"**Majority Lenders**"	as defined and described in paragraph 18.4(a)(xi) of Part 11 ("*Existing SFA*");
"**Malaysian OSP**"	the Malaysian Crude Oil Official Selling Price;

"**Member States**"	member states of the EU;
"**Memorandum of Association**"	the memorandum of association of the Company;
"**Magnus Infill Wells**"	the Canute infill well and the T10/T11 infill well;
"**Mercuria**"	as defined and described in paragraph 18.4(e) of Part 11 ("*Prepayment Facility – Mercuria*")
"**Mercuria Off-take Agreement**"	as defined and described in paragraph 18.4(e) of Part 11 ("*Prepayment Facility – Mercuria*")
"**Mercuria Prepayment Facility**"	as defined and described in paragraph 18.4(e)(ii) of Part 11 ("*Prepayment Facility – Mercuria*");
"**Money Laundering Regulations**"	the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
"**NASDAQ Stockholm**"	NASDAQ Stockholm AB's main market;
"**New Ordinary Shares**"	the new Ordinary Shares to be issued by the Company pursuant to the Rights Issue;
"**Nil Paid Rights**"	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
"**NLGP**"	the Northern Leg Gas Pipeline;
"**Nomination Committee**"	the nomination committee of the Company;
"**Non-Executive Chairman**"	the non-executive chairman of the Company;
"**Non-Executive Directors**"	the non-executive directors of the Company from time to time, which at the date of this document are Jock Lennox, Laurie Fitch, Philip Holland, Carl Hughes and John Winterman;
"**NPS**"	the Ninian Pipeline System;
"**October 2017 Waiver Letter**"	as defined and described in paragraph 18.4(a)(vi) (SFA);
"**Official List**"	the Official List maintained by the FCA;
"**OGA**"	the UK Oil and Gas Authority;
"**OPEC**"	the Organization of Petroleum Exporting Countries;
"**Ordinary Shares**"	the ordinary shares of 5 pence each in the capital of the Company;
"**Overseas Shareholders**"	Qualifying Shareholders who have registered addresses outside the UK;
"**Paid Subscribed Shares**"	the right for a subscriber of New Ordinary Shares to be credited New Ordinary Shares following subscription by payment pursuant to the terms and conditions of the Swedish Rights Issue;
"**PD Regulation**"	Commission Regulation (EC) No 809/2004;
"**PEDL**"	Petrofac Energy Developments Limited;
"**Permitted Distribution**"	as defined and described in paragraph 18.4(a)(xi) of Part 11 ("*Existing SFA*")
"**Permitted Novation**"	the transfer of the 25 per cent. Interests and operatorship of the Magnus Assets from SPV to EnQuest Heather, and the transfer of all rights and obligations of SPV under the existing documentation relating to the 25 per cent. Interests, 75 per cent. Interests and under the Thistle Financing Deed from SPV to EnQuest Heather;
"**PETRONAS**"	Petroliam Nasional Behad;

“**PM8/Seligi PSC**”	the production sharing contract between EP Malaysia, PETRONAS Carigali Sdn Bhd, E&P Malaysia Venture Sdn Bhd (as contractors) and PETRONAS dated 10 December 2014, as further described in paragraph 18.3(m)(ii) of Part 11 (“*Additional Information*”);
“**PM8/Seligi**”	the PM8/Seligi PSC assets and the Seligi oil field;
“**PRA**”	the UK Prudential Regulation Authority;
“**Pre-Printed Issue Account Statement**”	the personalised pre-printed issue account statement being sent to Qualifying Swedish Directly Registered Shareholders for use in connection with the Swedish Rights Issue;
“**Pre-Printed Payment Notices**”	the personalised payment notice attached to the Pre-Printed Issue Account Statement being sent to Qualifying Swedish Directly Registered Shareholders for use in connection with the Swedish Rights Issue;
“**Proposed Transactions**”	the Magnus Transaction and the Thistle Transaction;
“**Prospectus Directive**”	EU Prospectus Directive (2003/71/EC), as amended, and includes any relevant implementing measure in each relevant member state;
“**Prospectus Rules**”	the Prospectus Rules of the FCA made under Part VI of the FSMA;
“**Provisional Allotment Letter**”	the personalised Provisional Allotment Letter being sent to Qualifying Non CREST Shareholders (other than certain Overseas Shareholders) for use in connection with the Rights Issue;
“**PRT**”	Petroleum Revenue Tax;
“**PSC**”	a product sharing contract;
“**PSP**”	the EnQuest PLC Performance Share Plan;
“**Qualifying CREST Shareholders**”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form other than Qualifying Swedish Shareholders;
“**Qualifying Non CREST Shareholders**”	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form other than Qualifying Swedish Shareholders;
“**Qualifying Shareholders**”	holders of Existing Ordinary Shares on the register of members of the Company at 6.00 p.m. on the Record Date;
“**Qualifying Swedish Directly Registered Shareholders**”	holders of Existing Ordinary Shares listed on NASDAQ Stockholm in VP Accounts in their own name at the close of business on the Record Date;
“**Qualifying Swedish Nominee Registered Shareholders**”	holders of Existing Ordinary Shares registered in the VPC system held with a bank or other nominee at the close of business on the Record Date;
“**Qualifying Swedish Shareholders**”	Qualifying Swedish Directly Registered Shareholders and Qualifying Swedish Nominee Registered Shareholders;
“**Record Date**”	the close of business on 26 September 2018, or such other record date as is announced by the Company;
“**Regulation S**”	Regulation S under the US Securities Act;
“**Regulatory Information Service**”	a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA;
“**Reimbursement**”	as defined and described in paragraph 8 of Part 1 (“*Letter from the Chairman of EnQuest PLC*”);

"**Remuneration Committee**"	the remuneration committee of the Company;
"**Resolutions**"	the resolutions set out in the Notice of General Meeting;
"**Retail Noteholders**"	the holders of the Retail Notes;
"**Retail Notes**"	the £155,000,000 5.5 per cent. notes due 15 February 2022 issued by the Company under its £500,000,000 euro medium term note programme;
"**Re-Transfer Date**"	the date on which the re-transfer of the Thistle Interests from EnQuest Heather to Britoil, Conoco and BPEOC occurs under the RSPA;
"**Risk Committee**"	the risk committee of the Company;
"**RSC**"	risk service contract;
"**RSP**"	the EnQuest PLC Restricted Share Plan;
"**Scheduled Test Date**"	as defined and described in paragraph 18.4(a)(xiii) of Part 11 ("*Existing SFA*");
"**SCT**"	supplementary corporation taxation in the UK;
"**Senior Managers**"	the persons named as senior managers in paragraph 6 of Part 11 ("*Additional Information*");
"**SFA**"	the senior secured term and revolving credit facility dated 6 March 2012, as amended, restated or otherwise modified or varied from time to time including on 17 November 2017, entered into by, among others, EnQuest, as borrower, BNP Paribas, as facility agent, and certain lenders party thereto, as further described in paragraph 18.4(a) of Part 11 ("*Additional Information*");
"**SFA Final Maturity Date**"	as defined and described in paragraph 18.4(a)(vi) of Part 11 ("*Existing SFA*");
"**SFA Lenders**"	the original lenders under the SFA and any lender which has acceded as a lender thereunder, which in either case has not ceased to be a party to the SFA in accordance with its terms;
"**SFRSC**"	small field risk service contract;
"**Shareholders**"	the holders of Ordinary Shares in the capital of the Company;
"**Share Option Plans**"	together, the DBSP, RSP, PSP and Sharesave Plan;
"**Sharesave Plan**"	EnQuest PLC 2012 Sharesave Scheme;
"**Sponsor**"	J.P. Morgan Cazenove;
"**SPV**"	EnQuest NNS Limited;
"**Statement of Principles**"	the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights;
"**Stockholm Admission**"	admission of the New Ordinary Shares to trading on NASDAQ Stockholm;
"**Stockholm Rights Admission**"	admission of the Swedish Subscription Rights to trading on NASDAQ Stockholm;
"**Sullom Voe Terminal**" or "**SVT**"	the oil terminal located in the Shetland Islands that receives oil from the Brent and Ninian pipeline systems;
"**SVT WCF**"	as defined and described in paragraph 18.4(f) of Part 11 ("*SVT WCF*");
"**Swedish Application Form**"	the personalised application form attached to the Pre-Printed Issue Account Statement being sent to Qualifying Swedish Directly

	Registered Shareholders for use in connection with the Swedish Rights Issue;
"**Swedish Financial Instruments Trading Act**"	the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*);
"**Swedish Krona Issue Price**"	The Issue Price converted into SEK at the prevailing rate as at 6.00 p.m. on 24 September 2018, such rate and price to be announced on 25 September 2018;
"**Swedish Issuer Agent**"	Skandinaviska Enskilda Banken AB (publ);
"**Swedish Listing Rules**"	the NASDAQ Stockholm Rule Book for Issuers;
"**Swedish Rights Issue**"	the offer to Qualifying Swedish Shareholders constituting an invitation to apply for the New Ordinary Shares on the terms and subject to the conditions set out in this document, and in the case of Qualifying Swedish Directly Registered Shareholders, the Pre-Printed Issue Account Statement and the Swedish Application Form;
"**Swedish Securities Act**"	the Swedish Securities Act (Sw. *lagen (2007:528) om värdepappersmarknaden*);
"**the Swedish Subscription Rights**"	the right to subscribe for New Ordinary Shares in the Swedish Rights Issue pursuant to the terms and conditions of the Swedish Rights Issue;
"**Tanjong Baram Project Finance Loan**"	the limited recourse $35,000,000 term loan facility dated 11 June 2015 between EP Developments Malaysia (as borrower) and DBS Bank LTD, Labuan Branch (as facility agent, security agent, account bank, hedging bank and mandated lead arranger);
"**Tanjong Baram SFRSC**"	the SFRSC dated 27 March 2014 between the Group, Uzma and PETRONAS to develop and produce the Tanjong Baram field for a period up to March 2023;
"**Test Reference Date**"	as defined and described in paragraph 18.4(a)(xiii) of Part 11 ("*Existing SFA*");
"**Thistle Financing Deed**"	the financing deed in respect of the decommissioning of the Thistle and Deveron fields (as amended and restated on 30 January 2018) between BPEOC, Britoil and SPV;
"**Thistle Option**"	the option of SPV to receive a further $20 million from BPEOC (in addition to the $30 million already received) in return for SPV agreeing to make payments to BPEOC by reference to 7.5 per cent. of Britoil's decommissioning costs of the Thistle and Deveron fields, subject to a cap of £99 million; as described in Part 4 ("Principal Terms of the Thistle Transaction");
"**Thistle Transaction**"	the exercise of the Thistle Option by SPV;
"**Tranche A**"	as defined and described in paragraph 18.4(a)(i) of Part 11 ("*Existing SFA*");
"**Tranche B**"	as defined and described in paragraph 18.4(a)(i) of Part 11 ("*Existing SFA*");
"**Trustees**"	Link Trustees (Jersey) Limited, acting in their capacity as trustees of the EnQuest EBT;
"**UK Corporate Governance Code**"	"The UK Corporate Governance Code" published in April 2016 by the UK Financial Reporting Council;
"**UKCS**"	United Kingdom Continental Shelf;
"**Unallocated Shares**"	the 51,628,456 unallocated Ordinary Shares held in the EnQuest EBT;

"**uncertificated**" or "**in uncertificated form**"	recorded in the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**Underwriting Agreement**"	the sponsor and underwriting agreement between the Company and the Joint Bookrunners dated 7 September 2018, as described in paragraph 18.1 of Part 11 ("*Additional Information*");
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	the United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia;
"**US Code**"	United States Code, being a consolidation and codification by subject matter of the general and permanent laws of the United States of America;
"**US Securities Act**"	the US Securities Act of 1933, as amended;
"**US$**" or "**$**" or "**USD**" or "**US dollars**"	US dollars, the lawful currency of the United States;
"**Uzma**"	Uzma Energy Venture (Sarawak) Sdn Bhd;
"**VAT**"	value added tax;
"**VP Account**"	an account in the VPC System;
"**VPC System**"	the accounts based system for clearing and settlement of securities maintained by Euroclear Sweden AB; and
"**£**" or "**pounds sterling**" or "**sterling**" or "**GBP**"	pounds sterling, the lawful currency of the United Kingdom.

NOTICE OF GENERAL MEETING

EnQuest PLC

(*Registered in England and Wales with registered number 07140891*)

NOTICE IS HEREBY GIVEN that a general meeting of EnQuest PLC (the "**Company**") will be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2AG on 1 October 2018 at 9.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolutions 4 and 5 as special resolutions:

1. THAT the Magnus Transaction, as defined in and substantially on the terms and subject to the conditions set out in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part be and is hereby approved and the directors of the Company be authorised: (1) to take all such steps as may be necessary or desirable in connection with the Magnus Transaction; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Magnus Transaction (not being modifications, variations, revisions, waivers or amendments which materially change the terms of the Magnus Transaction for the purposes of the UK Listing Authority's Listing Rule 10.5.2R), and to any documents relating thereto, in either such case as they may in their absolute discretion think fit;

2. THAT, the Thistle Transaction, as defined in and substantially on the terms and subject to the conditions set out in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part be and is hereby approved and the directors of the Company be authorised: (1) to take all such steps as may be necessary or desirable in connection with the Thistle Transaction; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Thistle Transaction (not being modifications, variations, revisions, waivers or amendments which materially change the terms of the Thistle Transaction for the purposes of the UK Listing Authority's Listing Rule 10.5.2R), and to any documents relating thereto, in either such case as they may in their absolute discretion think fit;

3. THAT, subject to and conditional upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part) the directors of the Company (the "**Directors**") be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "**Act**"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

    (a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £24,240,102 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and

    (b) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £56,480,204 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

    these authorisations to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 30 September 2019), (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired). These authorisations are in addition and without prejudice to the existing authorities under section 551 of the Act but, upon these authorisations becoming effective, shall be in substitution for any other authorities previously granted under section 551 of the Act.

4. THAT, subject to and conditional upon the passing of resolution 3 above and upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part) the directors of the Company (the "**Directors**") be given power pursuant to sections 570(1) and 573 of the Companies Act 2006 (the "**Act**") to:

(a) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution; and

(b) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

(i) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 3(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(ii) in the case of the authorisation granted under resolution 3(a) (or in the case of any sale of treasury shares), and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £4,236,015,

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 September 2019), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

5. THAT, subject to the passing of resolutions 3 and 4 set out above and upon completion of the Rights Issue (as defined in the combined prospectus and circular to shareholders dated 7 September 2018 of which this notice forms part), and in addition to the power given by that resolution 4, the directors of the Company (the "**Directors**") be given power pursuant to sections 570 (1) and 573 of the Companies Act 2006 (the "**Act**") to:

(a) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorization conferred by paragraph (a) of that resolution 3; and

(b) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be:

(i) limited to the allotment of equity securities for cash and the sale of treasury shares, up to an aggregate nominal amount of £4,236,015; and

(ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine,

and shall expire at the conclusion of the next Annual General Meeting of the Company in 2019 (or, if earlier, on 30 September 2019), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Stefan Ricketts
Company Secretary
7 September 2018

Registered Office:
EnQuest PLC
5th Floor Cunard House
15 Regent Street
London
SW1Y 4LR

NOTES:

1. Members entitled to attend and vote at the General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder which must be identified on the Form of Proxy. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.

2. A Form of Proxy is enclosed for use by members. To be valid it should be completed, signed and delivered to the Company's registrars Link Asset Services or submitted electronically via www.myenquestshares.com (see note 3), not later than 48 hours, excluding any day that is not a business day, before the time appointed for holding the General Meeting or any adjourned meeting or, in the case of a poll taken subsequently to the date of the General Meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll. Shareholders who intend to appoint more than one proxy can obtain additional forms of proxy from Link Asset Services by phone – UK 0871 664 0300, from overseas call +44 (0) 371 664 0300 calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales. Alternatively, the form provided may be photocopied prior to completion. The forms of proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made.

3. You may submit your proxy vote electronically via www.myenquestshares.com. From there you can log in to your Link Share Portal account or register for the Link Share Portal if you have not already done so. To register, select "Register" then enter your surname, Investor Code, postcode and an e-mail address. Create a password and click "Register" to proceed. You will be able to instruct your proxy to vote immediately by selecting "Proxy Voting" from the menu. You can find your Investor Code on the Form of Proxy enclosed with this document.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above and 6 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Registrar (ID RA10) by 9.00 a.m. on 27 September 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Completion and return of a Form of Proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.

8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the Companies Act 2006, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at close

of business on 27 September 2018 or, in the event of any adjournment, at close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

9. As at 6 September 2018 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 1,186,084,304 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 September 2018 are 1,186,084,304.

10. Any corporation which is a member can appoint one or more corporate representatives. Each representative may exercise on behalf of the corporation the same powers as the corporation could exercise if it were an individual member of the Company provided that they do not do so in relation to the same Ordinary Shares.

11. A copy of this notice of meeting, together with any members' statements which have been received by the Company after the dispatch of this notice and the other information required by section 311A of the Companies Act 2006 are all available on the Company's website at www.EnQuest.com.

12. Shareholders, proxies and authorised representatives has the right to ask questions at the meeting. The Company must cause to be answered any such questions concerning any business being dealt with at the meeting, except that a question need not be answered where it would interfere unduly with the preparation for conduct of the meeting, involve the disclosure of confidential information, where the answer has already been given on a website in the form of an answer to a question or where it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of General Meeting (or in any related documents including this combined circular and prospectus and proxy form) to communicate with the Company for any purposes other than those expressly stated.