EnQuest PLC

Up to $982,413,617 7% PIK Toggle Senior Notes with a scheduled maturity in 2022

Guaranteed on a senior subordinated basis by certain of its subsidiaries

EnQuest PLC, incorporated as a public limited company under the laws of England and Wales (the "**Company**"), has issued $677,482,000 aggregate principal amount of its 7 per cent. PIK Toggle Senior Notes with a scheduled maturity in 2022 (the "**Notes**" or the "**New High Yield Notes**") and will further issue up to a principal amount of $304,931,617 of additional notes (the "**Additional Notes**"). The Company will pay interest on the Notes semi-annually in arrear. If the Cash Payment Condition (as defined herein) is not satisfied in respect of an interest payment date, interest will not be paid in cash on that interest payment date and will be capitalised and satisfied by the issue of Additional Notes. The Notes are scheduled to mature on 15 April 2022. The Company has the option (at its absolute discretion) to extend, at any time, the maturity date to 15 April 2023. In addition, the maturity of the Notes will be automatically extended to 15 October 2023 if the RCF (as defined herein) is not repaid or refinanced in full prior to 15 October 2020. The Company will inform the Luxembourg Stock Exchange and the holders of the Notes as to whether it will pay the interest due on the Notes in the form of Additional Notes or in the form of a combination of cash and Additional Notes by publication of a notice on the website of the Luxembourg Stock Exchange. Such notice will contain the information about the amount of the Additional Notes issued and the total amount of Notes outstanding.

At any time on or after 15 April 2017, the Company may redeem all or part of the Notes by paying the redemption prices set forth in this prospectus (the "**Prospectus**"). Prior to 15 April 2017, the Company will be entitled, at its option, to redeem all or a portion of the Notes by paying 100% of the principal amount of such Notes, plus accrued and unpaid interest, if any, plus a "make-whole" premium. In addition, prior to 15 April 2017, the Company may redeem, at its option, up to 35 per cent. of the Notes with the net proceeds from certain equity offerings. If the Company undergoes certain events defined as constituting a change of control, each holder may require the Company to repurchase all or a portion of its Notes at 101% of their principal amount, plus accrued and paid interest, if any. In the event of certain developments affecting taxation, the Company may redeem all, but not less than all, of the Notes.

The Notes are senior debt of the Company and rank *pari passu* in right of payment with all the Company's existing and future senior obligations. The Notes initially are fully and unconditionally guaranteed on a senior subordinated basis (the "**Note Guarantees**") by certain of the Company's subsidiaries (the "**Guarantors**"). The Notes are structurally subordinated to all existing and future obligations and other liabilities (including trade payables) of the Company's subsidiaries that are not Guarantors. For a more detailed description of the Notes, see "Description of the Notes" beginning on page 29. Collectively, the net assets of the Guarantors represent 99.0% of the total net assets of the Group.

This prospectus includes information on the terms of the Notes and Note Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended. This prospectus is issued in compliance with the Rules and Regulations of the Luxembourg Stock Exchange and has been approved by the Luxembourg Stock Exchange. Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange, which is not a regulated market for the purposes of Directive 93/22/EEC (the "**Investment Services Directive**"). The Notes were delivered in book-entry form through Euroclear and Clearstream and credited to investors' accounts for value as of 21 November 2016. The Company cannot assure you that any active trading market will develop for the Notes. See "*There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*" in the "Risk Factors" section of this prospectus. This prospectus may be used only for the purpose for which it is published.

Investing in the Notes involves a high degree of risk. See the "Risk factors" section of this prospectus.

The Company issued the Notes on 21 November 2016 in exchange for the Company's previously outstanding US$650 million 7 per cent. senior notes due 15 April 2022 (the "**High Yield Notes**") pursuant to a scheme of arrangement.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the

Securities Act. The Notes and the Notes Guarantees were issued in reliance on the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) thereof.

In making your investment decision, you should rely only on the information contained in this prospectus. The Company has not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. The Company has issued the Notes only to holders located in places where this is permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus. The Company's business or financial condition and other information in this prospectus may change after that date.

The date of this prospectus is 25 November 2016.

Table of contents

Important Information about this Prospectus

THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

This prospectus is a confidential document that the Company is providing only to prospective purchasers of the Notes. You should read this prospectus before making a decision whether to purchase any Notes. You must not:

- use this prospectus for any other purpose;
- make copies of any part of this prospectus or give a copy of it to any other person; or
- disclose any information in this prospectus to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

The Company has prepared this prospectus based on information the Company has or has obtained from sources it believes to be reliable. Summaries of documents contained in this prospectus may not be complete. The Company will make copies of actual documents available to you upon request. The Company is not providing you with any legal, investment, business, tax or other advice in this prospectus. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to hold the Notes. The statements contained in this document are made as at the date of this document, unless another time is specified in relation to them, and delivery of this document shall not give rise to any implication that there has not been any change in the information set out in this document since that date.

Nothing contained in this document shall constitute a warranty or guarantee of any kind, express or implied, and nothing contained in this document shall constitute any admission of any fact or liability on the part of the Company or any affiliate of the Company with respect to any asset to which it or they may be entitled or any claim against it or them.

This prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this prospectus may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this prospectus, and you must obtain all applicable consents and approvals; the Company and its agents and advisers shall not have any responsibility for any of the foregoing legal requirements.

This communication is directed only at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations, etc**") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "**relevant persons**"). This prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Company has issued the Notes, and the Guarantors have issued the Note Guarantees, in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. Holders of the Notes were deemed to have made certain acknowledgments, representations and warranties as detailed under "*Notice to investors*". The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act, such as under the exemptions contained in Rule 144 or Rule 904 of Regulation S thereof, and applicable securities laws of any other jurisdiction. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. The Company is not making an offer to issue the Notes in any jurisdiction where the offer and issue of the Notes is prohibited. The Company is not making any representation to you that the Notes are a legal investment for you.

Each holder of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and the Company is not have any responsibility therefor.

The Company accepts responsibility for the information contained in this prospectus. The Company has made all reasonable inquiries and confirms to the best of its knowledge, information and belief that the information contained in this prospectus with regard to it and its subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this prospectus are honestly held and that the Company is not aware of any other facts, the omission of which would make this prospectus or any statement contained herein misleading in any material respect.

The information set out in relation to sections of this prospectus describing clearing and settlement arrangements, including in the "*Description of Notes*" and "*Book-entry, delivery and form*" sections of this prospectus is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. While the Company accepts responsibility for accurately summarizing the information concerning Euroclear or Clearstream, Luxembourg, the Company accepts no further responsibility in respect of such information.

Notice to U.S. Investors

The issue of the Notes was made in the United States in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof. In receiving the Notes pursuant to the Scheme, Noteholders were deemed to have made certain acknowledgments, representations and agreements. See the "Notice to investors" section of this prospectus.

The Notes described in this prospectus have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Forward-looking statements

Nothing in this prospectus shall be deemed to be a forecast, projection or estimate of the future financial performance of the Company and/or any member of the Group except where otherwise specifically stated.

This prospectus 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 in the "Restructuring" and the "Risk Factors" section of this prospectus regarding the Company's or the Group's strategy, plans, objectives, goals and other future events or prospects are forward-looking statements. You 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 you 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 prospectus and/or information incorporated by reference into this prospectus. In addition, 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 prospectus, those results or developments may not be indicative of the 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 or the Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this prospectus include but are not limited to the risks described in the "Risk Factors" section.

Each forward-looking statement speaks only as of the date of this prospectus and is not intended to give any assurances as to future results. Furthermore, forward-looking statements contained in this prospectus 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. The Company will comply with its obligations to publish updated information as required by applicable law and/or by any regulatory authority, but assumes no further obligation to publish additional information. The delivery of this prospectus shall under no circumstances imply that there has been no change in the Company's or the Group's affairs or that the information set forth in this prospectus is correct as of any date subsequent to the date hereof.

Presentation of financial and other information

Market, economic and industry data

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

Financial information

Unless otherwise indicated, financial information presented in this prospectus relating to the Group as at and for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and as at and for the six months ended 30 June 2016 (and comparative information for the six months ended 30 June 2015), is presented in US Dollars, has been prepared in accordance with IFRS and has been extracted without material adjustment from the published annual financial reports for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and the unaudited interim consolidated financial statements for the six months ended 30 June 2016, respectively.

The Group's historical consolidated financial statements include:

(a) the 2013 Financial Statements;

(b) the 2014 Financial Statements;

(c) the 2015 Financial Statements; and

(d) the 2016 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 prospectus may vary slightly from the actual arithmetic totals of such data.

Non-IFRS measures

This prospectus contains measures that are not recognised under IFRS, 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. Although EBITDA is not a measure of operating profit, operating performance or liquidity in accordance with IFRS, 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, or as an indicator of the Group's operating performance or of its cash flows from operating activities as determined in accordance with IFRS.

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 2013, 2014 and 2015 and the six month periods ended 30 June 2015 and 30 June 2016.

In US$ thousands	**Year ended 31 December**			**Six months ended 30 June**	
	2013	2014	2015	2015	2016
EBITDA	621.3	581.0	464.8	22.7	242.9
Depletion and depreciation	(224.0)	(245.1)	(305.9)	(123.3)	(130.5)
FX gains/(losses)	(20.5)	27.2	15.0	(4.3)	37.3
Intangible impairment and write off	(2.0)	(0.6)	—	—	—
Profit from operations before tax and finance income/ (costs)	374.8	362.5	173.9	99.1	149.7

Presentation of reserves

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

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

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

Currency and exchange rate information

In this prospectus, unless otherwise indicated, references to "Sterling", "pence" or "£" are to the lawful currency of the UK, references to "Euros", "Euro" or "€" are to the single currency of those relevant adopting member states of the EU, references to "SEK" are to the lawful currency of Sweden, references to "NOK" are to the lawful currency of Norway and references to "US Dollars" or "US$" are to the lawful currency of the United States.

Unless otherwise specified, this prospectus contains certain translations of US Dollars into amounts in Sterling for convenience of the reader based on the exchange rate of £1.00:$1.2197, being the relevant exchange rate at 4:30 p.m. London time on 12 October 2016. These exchange rates were obtained from Bloomberg.

Technical terms and defined terms

Certain technical terms used in this prospectus are explained in Part 1 (Glossary of technical terms) of the "Glossary and Definitions" section of this prospectus. Certain definitions used in this prospectus are defined and explained in Part 2 (Definitions and interpretation).

Risk Factors

In addition to the other information contained in this prospectus, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties of which the Company is not aware or that it currently believes are immaterial may also adversely affect its business, prospects, financial condition and results of operations. If any of the possible events described below were to occur, the Company's business, prospects, financial condition and results of operations could be materially and adversely affected. If that happens, the Company may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment. This prospectus also contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this prospectus.

Risks relating to the Group's financing arrangements

The Group is highly indebted and its leverage and debt service obligations, its credit standing as well as general market conditions could adversely affect its business, financial condition, results of operations and its ability to procure additional financing or satisfy its debt obligations

The Group is highly leveraged. As of 31 July 2016, the Group's total debt, excluding unamortised arrangement fees, was US$1,857.9 million, including US$956.3 million under the RCF, US$871.7 million under the Amended Retail Notes and the Notes and US$30.1 million under the Tanjong Baram Facility. Since 30 June 2016, the Group has drawn down a further approximately US$46 million under the RCF. The maximum remaining facilities available to the Group under the RCF as at 21 November 2016 are US$176.3 million.

The degree to which the Group is leveraged and is required to pay interest under these financing arrangements, its credit standing as well as market conditions and confidence in the industry in which the Group operates, could have important consequences to its business, including:

- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions (including changes in the oil price);
- requiring the dedication of a substantial portion of the Group's cash flow from operations to make interest and principal payments on its debt, thereby reducing the availability of such cash flow for other purposes;
- limiting the Group's ability to obtain additional financing to fund working capital, capital investments, acquisitions, debt service requirements, business ventures, or other general corporate purposes;
- limiting the Group's ability to post security to sufficiently cover its decommissioning liabilities, as is periodically required in relation to certain of its existing field facilities;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the industry in which it does business; and
- adversely affecting the Group's competitive position due to its debt burden being higher than that of its competitors.

The Group's high level of indebtedness has had a significant negative impact on its liquidity and cash flow position in recent years, particularly in the low oil price environment. Due to a combination of the Group's high level of indebtedness and the impact of the fall in oil prices on the Group's EBITDA, the Group had to negotiate temporary amendments to certain of its financial covenants in the RCF in January 2015 in order to ensure that these covenants would not be breached, raising the net debt/EBITDA covenant to five times and reducing the ratio of EBITDA to financing charges to a minimum of three times, both until mid-2017. In May 2015, following approval by the holders of the Retail Notes, the financial covenants in the Retail Notes were amended for consistency with the amendments to the RCF. The Group has also needed to obtain waivers from the RCF Lenders in respect of the liquidity covenant in the RCF since January 2015. On 21 November 2016, the Company completed the Restructuring, which included, *inter alios*, the amendment of the Group's Retail Notes, the cancellation of the Group's High Yield Notes and the issuance of the Notes. For a more detailed description of the components of the restructuring, see the "Restructuring" section of this prospectus.

As a result of the Note Changes effected as part of the Restructuring, the Group's cash interest expense under the Notes and the Amended Retail Notes is capitalised unless the oil price is equal to or above an average of US$65.00 per barrel for the six-month period ending one month prior to the interest payment date (and certain other conditions are met). The Company may extend, at any time, the scheduled maturity dates for the repayment of the Notes and Amended Retail Notes for one year at its discretion and automatically extend the maturity dates for one and a half years if the Company has not repaid or refinanced the RCF by 15 October 2020. The RCF Amendments extended the maturity date for repayment of the RCF. In addition, the RCF Amendments and the Notes Changes amended the Group's financial covenants to provide additional flexibility under the RCF, removed existing financial covenants from the Retail Notes, amend certain financial indebtedness baskets in the Notes and included a restriction on certain payments to shareholders (and their affiliates) if the Company has not redeemed in cash at par an aggregate principal amount of the Notes or Amended Retail Notes (as applicable) in an amount equal to any capitalised interest, together with any accrued and unpaid interest thereon.

However, the Restructuring has not reduced the overall amount or level of the Group's indebtedness and the Group remains highly leveraged, and to the extent that any of the Group's indebtedness allows payment of PIK Interest, the Group's indebtedness will increase. In particular, the Notes Changes are likely to have the effect of increasing the Group's overall indebtedness, as any interest that is capitalised in respect of the Notes or the Amended Retail Notes (for example, because the oil price has not reached an average of US$65.00 per barrel during the period of six months ending one month prior to the interest payment date) will be added to the principal amount of the Notes or Amended Retail Notes that ultimately must be repaid by the Group and interest will continue to accrue on the increased aggregate principal amount of the Notes or Amended Retail Notes (as the case may be). If the price of oil remains at current depressed levels, the Group may not, in the longer term, generate sufficient cash flow to satisfy payment of principal on the Notes and Amended Retail Notes when ultimately due (with the originally scheduled maturity date for each being 15 April 2022) and to repay the principal on the RCF when it falls due (with the final maturity date being 1 October 2021). Although the Directors expect that the Group will seek to refinance its significant indebtedness when it falls due, there can be no assurance that the Group will be able to do so on favourable terms or at all. In addition, if the Group's credit standing were to deteriorate, it would be more difficult for the Group to obtain adequate refinancing and/or such refinancing might be more costly than the Group's existing financing.

Further, if certain events occur, including breach of financial covenants, the Group's borrowings (and any hedging arrangements entered into in respect of them) may be repayable prior to the date on which they are originally scheduled for repayment. If the Group is required to repay borrowings early or is unable to comply with its financial covenants, it may not have sufficient financial resources to do so and could be forced to sell assets when it would not otherwise choose to do so in order to make the payments. It could also be subject to pre-payment and other penalties which would further aggravate the situation. If the Group is not able to access sufficient financing when required, its creditors could also force the sale of an asset through foreclosure or through the Company being put into administration.

Any one, or a combination, of the foregoing events and factors could have a material adverse effect on the Group's business, prospects, financial condition and results of operations and the Group's ability to satisfy its debt obligations.

The Group is subject to restrictive debt covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities

Certain of the Group's existing financing arrangements, including the RCF, the Amended Retail Notes and the Notes restrict the Group's ability 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;
- in the case of the Notes, allow subsidiaries to pay dividends or make other payments to the Company and other subsidiaries;
- make certain acquisitions and investments or loans;
- sell, lease or transfer certain assets, including shares of any of the Company's restricted subsidiaries, or incur expenditure on exploration and appraisal activities;
- in the case of the Notes and the RCF, guarantee certain types of the Group's other indebtedness;
- expand into unrelated businesses;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

All these limitations are subject to significant exceptions and qualifications. The Group's compliance with these and other covenants could reduce its flexibility in conducting its operations, particularly by:

- affecting the Group's ability to react to changes in market conditions, whether by increasing its vulnerability in relation to unfavourable economic conditions or by preventing it from profiting from an improvement in those conditions;
- affecting the Group's ability to pursue business opportunities and activities that may be in its interest;

- limiting the Group's ability to obtain certain additional financing in order to meet the Group's working capital requirements, make investments, or acquisitions or exploration and appraisal activities and carry out refinancings; and

- forcing the Group to dedicate a significant portion of its cash flows to payment of the sums due for such loans, thus reducing the Group's ability to utilise its cash flows for other purposes.

In addition, the Group is subject to affirmative financial covenants contained in the RCF, including the requirement to maintain no more than a specified ratio of consolidated net financial indebtedness to EBITDA and no less than a specified ratio of consolidated EBITDA to finance charges. The Group's ability to meet financial ratios and other tests can be affected by events beyond its control. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the RCF and, should any or all utilisations under the RCF be accelerated, the Notes and the Amended Retail Notes. Upon the occurrence of any event of default under the RCF, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding, together with accrued interest, immediately due and payable. Furthermore, the RCF prohibits the Group from withdrawing funds from bank accounts that consist of amounts that the Group has received in connection with certain assets or any disposal of such assets or of any subsidiary that holds, whether directly or indirectly, any such asset.

In addition, any default under the RCF, the Notes or the Amended Retail Notes could lead to an event of default and acceleration under other of the Group's indebtedness that contain cross-default or cross-acceleration provisions, including the Tanjong Baram Facility.

Risks relating to the oil and gas industry

Volatility and further 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. Oil prices declined significantly beginning in the second half of 2014 and, although they have stabilised somewhat, remain volatile and significantly below the levels that prevailed in 2013 and the first half of 2014. There can be no assurance that oil prices will not remain at currently suppressed levels or decrease further. 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 on-going global credit and liquidity concerns.

Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil. During 2015, prices for ICE Brent crude oil decreased from a daily peak of US$67.77 per barrel in May 2015 to a daily low of US$36.11 per barrel in December 2015. The monthly average price for Brent crude oil in 2015 was US$52 per barrel, a decrease of 47.5 per cent. from the monthly average price of US$99 per barrel in 2014. Price volatility was even more prominent in other recent years: in 2014 the daily maximum and minimum Brent prices were approximately US$115.06 per barrel and US$57.33 per barrel while in 2013 they were approximately US$118.90 per barrel and US$97.69 per barrel. 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.

The decrease in oil prices that commenced in the second half of 2014 impacted the Group's revenue and other financial results considerably in 2014 and 2015. The Group has engaged in a degree of hedging to mitigate against fluctuations in oil prices, with realised gains from commodity derivatives contracts offsetting the decline in the Group's revenue by US$261.2 million in 2015. During the six months ended 30 June 2016, the Group entered into a "chooser option" in respect of the first half of 2017: the counterparty can choose to sell £47.5 million to the Company at an exchange rate of US$1.4:£1.0 or purchase 1,320,000 barrels of oil at US$58 per barrel. Based on current oil prices and exchange rates, the Group expects the counterparty would currently choose to exchange currency and the chooser option has therefore been presented with other foreign currency contracts. Since 30 June 2016, the Group entered hedging arrangements over 1 millions of barrels of 2017 production (83 kbbls per month) at a fixed price of US$51.50 per barrel. The Group has also sold 500,000 bbls per month for the first half of 2017 (3 millions of barrels total) at a fixed price of US$49 per barrel and has bought a call (nil cost) for the same notional quantity, with a strike price of US$57.25. Should the price rise above US$57.25 per barrel, the Group will receive the difference to offset the loss it would make on the US$49 per barrel swaps. In addition, the Group has hedged 500,000 bbls for the first half of 2017 at US$54.50 per barrel. 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 further declines in oil prices in the future. If prices for the oil the Group produces fall further or remain at suppressed levels, 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 prospectus 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 prospectus 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 prospectus 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 highly 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 prospectus 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.

If any of these events occur, 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 any drilling appraisal, exploration and development activities

The Group's success depends in part on its bringing both re-developments and new developments of oil fields to production on budget and on schedule. Oil development activities are capital intensive and subject to financing limitations and successful outcomes cannot be assured. For example, first oil at Alma/Galia was pushed back from an initial target of the second half of 2014 to the fourth quarter of 2015 primarily due to delays on the EnQuest Producer FPSO. The Group undertakes development activities, which may be subjected to unexpected problems and delays, and incurs 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 and the Group targets maturing fields that typically have fewer reserves than could be expected in new discoveries. Although the Group's current assets have a reserve life of 18 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.

As the Group's strategy depends in part on acquiring relatively mature assets, the Group frequently holds assets with declining production that, prior to the Group's ownership, have not been drilled, developed or maintained for significant periods of time. The Group seeks to use improved recovery methods to increase the production of oil at these fields, including the injection of water into formations to provide pressure support and sweep oil towards production wells and the injection of gas into production wells to facilitate lifting of oil and water. If the Group's recovery methods do not allow for the extraction of oil in the manner or to the extent that it anticipates, its future results of operations and financial condition could be materially adversely affected.

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, it has not entered into any binding or non-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 will 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 oil industry is highly competitive, 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's competitors include 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 referendum on withdrawal from the EU may have a negative effect on global 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 UK. On 23 June 2016, a majority of voters in the UK voted in favour of the UK withdrawing from the EU in a national referendum. The referendum was advisory, and the UK's actual withdrawal from the EU depends upon the government of the UK triggering Article 50 of the Lisbon Treaty (**"Article 50"**). The terms of any withdrawal would then be subject to a negotiation period that could last two years or more after the government of the UK formally initiates a withdrawal process. Therefore, the timing and manner of the UK's exit from the EU (if such exit proceeds) remain uncertain. Nevertheless, the referendum has created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply as the UK determines which EU-derived laws to replace or replicate in the event of a withdrawal. This may significantly affect the fiscal, monetary and regulatory landscape in the UK. The result of the referendum has also had significant political implications in the UK, with Prime Minister David Cameron resigning and a new prime minister, Theresa May, being appointed on 13 July 2016. On 2 October 2016, Prime Minister May announced that her government would trigger Article 50 by the end of March 2017. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments have had and may continue to have an effect on UK, European and global market conditions and the stability of global financial markets, and it is possible that they may reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. These developments may make it more difficult for the Group to access capital, and it is possible that they could also result in reduced economic activity, which could give rise to a reduction in the demand for oil and a downward pressure on oil prices. If such events come to pass, this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Additionally, since the result of the referendum held on 23 June 2016, there has been some speculation that a second referendum could be held in Scotland to decide whether it should remain part of the UK or become independent. To date, no such referendum has been called. However, should such a referendum be called in the future and result in Scotland leaving the UK, this would give rise to further risks for the Group's business as a majority of the Group's producing assets are located in the UKCS, which might be considered the territorial waters of any future Scottish state. Should Scotland become an independent state in the future, there may be changes in laws, rules and regulations that could result in increased costs for the Group, changes in its operating standards which adversely affect the Group's production and costs, increased taxes or other negative consequences.

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 EU climate change abatement legislation. Due to the requirements of the EU's Emissions Trading Scheme (the "**EU ETS**"), the governments of member states, including the UK, 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, EU 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 EU 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 UK voted in favour of the UK leaving the EU in the referendum held on 23 June 2016, the timing and manner of the UK's exit from the EU (if such exit proceeds), as well as the implications for EU legislation currently applicable in the UK, including the climate change abatement legislation, remain uncertain. Pending its exit from the EU, the UK remains party to the EU ETS. Further, as the UK will still be subject to various commitments in respect of climate change, including the Kyoto protocol, following its exit from the EU, 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 EU, 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 materially 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.

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 six offshore assets in the UKCS and two offshore assets in Malaysia accounted for 75.2 per cent. and 24.8 per cent. of its production in the year ended 31 December 2015, respectively. From 1 January 2015 to 31 December 2015, the Group's net average daily production was 36,567 boepd of which 27,505 boepd were produced from its assets in the UKCS and 9,062 boepd were produced from its assets in Malaysia. As this demonstrates, the Group's operations are limited to a small number of geographic areas and, in particular, the UKCS. 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 vessels 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 Don 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 growth depends on successful development of Kraken and the Group's production at Alma/Galia

The Group expects that a significant proportion of its future production will be from its largest development asset, Kraken, and from production at Alma/Galia. Alma/Galia achieved first oil on 27 October 2015 and Kraken is scheduled to achieve first oil in the first half of 2017. Future production at Kraken and/or Alma/Galia may not be substantially 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 has made significant capital expenditures with regard to the development of Kraken. The gross full cycle capital expenditure for the Kraken development is currently estimated to be approximately US$2.5 billion. 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 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

A significant proportion of the Group's current production in the UKCS passes through some third party owned and controlled infrastructure. In particular, a substantial majority of the Group's UKCS production is sold after processing through the 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 2015 production for all of its UKCS producing assets with the exception of Alba, Alma/ Galia and GKA. 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 pipeline (operated by ExxonMobil) to the Terengganu Crude Oil Terminal 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 third-party infrastructure in general and SVT in particular is subject to tariff charges. These charges can be substantial and the per barrel charge is not subject to the Group's direct control. SVT tariff costs increased from approximately US$4.4 per barrel in 2011 to US$8.9 per barrel in 2014, with a large part of the increase taking effect in 2013, when the tariff rate was US$10.9 per barrel. Since 2013, unit costs at SVT have been reduced substantially. While the Company continues to work with the SVT operator to reduce gross cost levels, there can be no assurances tariffs will not increase.

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 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 January 2013, the Brent pipeline was shut down for three days because of a leak at a pumping station. 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 UK 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 UK 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 EU in the referendum held on 23 June 2016. The timing and manner of the UK's exit from the EU, 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 its strategy in maintaining and growing the Group's reserves. The Directors may consider further acquisition opportunities in maturing hydrocarbon basins both inside and outside of the UKCS, in respect of assets that fit within the Group's overall strategy. Although the Group continues to evaluate further acquisition opportunities, it has not entered into any binding or non-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.

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. Although, in the current low oil price environment, it is not the Group's intention to purchase assets that would affect cash flows negatively, the Directors 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 or non-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 be 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. 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.

The availability of materials, services and equipment is also subject to changes in the oil and gas industry. In respect of the UKCS, there has been speculation that a number of oil and gas producers may accelerate the decommissioning of oil fields as a result of the decline in oil prices during and since 2014. As the number of actively producing oil fields in the UKCS declines, the number of suppliers of materials, services and equipment may decrease and such materials, services and equipment may become more scarce and expensive to procure.

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. 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 UK 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 2015 include a provision of US$506.8 million 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. These estimates include the application of an annual inflation rate of 2 per cent. and an annual discount rate of 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 further 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.

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. As of 31 December 2015, the Group's commodity hedging contracts included bought put options over 8 millions of barrels maturing throughout 2016 with an average strike price of US$68 per barrel, oil swap contracts to sell 2 millions of barrels at an average price of US$66.64 per barrel maturing throughout 2016 and net sold call options in respect of 2 millions of barrels maturing throughout 2016. In addition, during the six months ended 30 June 2016, the Group entered into a "chooser option" in respect of the first half of 2017: the counterparty can choose to sell £47.5 million to the Company at an exchange rate of US$1.4:£1.0 or purchase 1,320,000 barrels of oil at US$58 per barrel. Based on current oil prices and exchange rates, the Group expects the counterparty would currently choose to exchange currency and the chooser option has therefore been presented with other foreign currency contracts. Since 30 June 2016, the Group entered hedging arrangements over 1 millions of barrels of 2017 production (83 kbbls per month) at a fixed price of US$51.50 per barrel. The Group has also sold 500,000 bbls per month for the first half of 2017 (3 millions of barrels total) at a fixed price of US$49 per barrel and has bought a call (nil cost) for the same notional quantity, with a strike price of US$57.25 per barrel. Should the price rise above US$57.25 per barrel, the Group will receive the difference to offset the loss it would make on the US$49 per barrel swaps. In addition, the Group has hedged 500,000 bbls for the first half of 2017 at US$54.50 per barrel.

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. The Company does not yet have hedging arrangements in place beyond 2017, and 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 the 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

The Group's future operating results depend in significant part upon the continued contribution of the Board, key senior management and technical, financial and operations personnel. 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 Board 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.

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. The Group does not carry business interruption insurance. 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 9 of the "EnQuest's Business" section of this prospectus.

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, Sterling and Malaysian ringgits. The Group also incurs capital expenditure costs in both Euro and NOK in connection with the Kraken development.

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 RCF are denominated in Sterling and Euro and the Amended Retail Notes are denominated in 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 Sterling and US Dollars have fluctuated significantly in the past and may do so in the future. As of 21 November 2016, the exchange rate was £1.00/$1.25. Consequently, construction, exploration, development, administration and other costs may be lower in terms of US Dollars or other relevant currencies. However, if 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 non-US Dollar-denominated operating and capital expenditures to be hedged. The Group has entered into a number of foreign exchange currency forward contracts and structures products to hedge the Group's foreign currency risk. The Group had foreign exchange hedge contracts in place totalling over £463.6 million, expiring throughout 2016 and with a negative net fair value of US$9.2 million at 31 December 2015. 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 health, safety, environment and assurance (**"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 UK 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 UK 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 UK 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.

Although a majority of voters in the UK voted in favour of the UK leaving the EU in the referendum held on 23 June 2016, pending the UK's exit from the EU, as a company incorporated under the laws of England and Wales, the Group remains subject to the provisions of EU environment laws. The potential withdrawal from the EU by the UK 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 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 could be a target of 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 UK 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 UK 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 UK 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).

Risks relating to the Notes and the Group's structure

Interest on the Notes may be paid in PIK interest

The Group's cash interest expense under the Notes is capitalised unless the oil price is equal to or above an average of US$65.00 per barrel for the six-month period ending one month prior to the interest payment date (and certain other conditions are met). As a result, this Cash Interest Payment Condition under the Notes is in part based on a market-driven criteria beyond the Group's control and the Company cannot assure you that it will make cash interest payments on the Notes. In addition, if these conditions are not met, Noteholders will not receive interest on the relevant interest payment date in cash but instead additional notes of a principal amount equal to the interest amount due. The payment of PIK interest would also increase the amount of the Company's indebtedness and may exacerbate the risks associated with its high level of indebtedness. Therefore, a Noteholder may be subject to greater risk of loss of interest if the Company is unable to repay all outstanding principal amount of Notes on the maturity date. In addition, since the issuance of PIK Notes increases the outstanding principal amount of the relevant series of Notes, the Company will incur additional future interest expense to the extent of such increase in outstanding principal amount, which, in turn, may materially and adversely affect the Company's liquidity and financial condition. The Cash Interest Payment Condition in the Notes will cease to apply (and thereafter all payments of interest will be made in cash) upon the earlier of the repayment in full of the RCF from cash generated from assets of the Group or the repayment or refinancing in full of the RCF on terms that enable the disapplication of the Cash Interest Payment Condition and future interest on the Notes to be paid in cash, provided that the Company uses reasonable efforts to refinance the Senior Facility (as an alternative to repayment from cash generated from operations) on such terms. However, there can be no assurance that the Cash Interest Payment Condition will be met at some point in the future or at all.

The Company may extend the maturity of the Notes and the maturity of the Notes will automatically extend if the Company has not repaid or refinanced the RCF by 15 October 2020.

The Company may extend, at any time, the scheduled maturity dates for the repayment of the Notes for one year to 15 April 2023 at its discretion and automatically extend the maturity dates of the Notes for one and a half years to 15 October 2023 if the Company has not repaid or refinanced the RCF by 15 October 2020. Whether the Company chooses to extend the maturity of the Notes and its ability to repay or refinance the RCF will depend on a number of factors, some of which are beyond its control. This may result in uncertainty as to when the Notes will become due and when returns on investments in the Notes may be realized, which could adversely impact your investment in the Notes.

The Notes are subject to optional redemption by the Company

The optional redemption features of the Notes are likely to limit their market value. During any period when the Company may elect to redeem the Notes, the market value of those notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

If the Company redeems the Notes when its cost of borrowing is lower than the interest rate on the notes, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Each of the Notes Guarantees will be subordinated to the Company's existing and future senior debt

The Notes Guarantees are the senior subordinated obligations of the Guarantors and:

- subordinated in right of payment to all existing and future senior obligations of the respective Guarantor, including, where applicable, such Guarantor's obligations under the RCF;
- *pari passu* in right of payment with all future senior subordinated obligations of that Guarantor;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the RCF, where applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Notes Guarantees on an equal and ratable or prior basis.

In addition, no Enforcement Action (as defined under the Indenture) with respect to the Notes Guarantees (or any future guarantee of the Notes) may be taken unless (subject to certain limited exceptions): (i) any Enforcement Action has been taken with respect to a Guarantor in relation to the Company's senior debt (provided that the Trustee on its own behalf and on behalf of the holders of the Notes will be limited to taking the same action against that same Guarantor); (ii) certain insolvency, liquidation or other similar enforcement events with respect to a Guarantor have occurred and such actions are taken with respect to such Guarantor (subject to certain limited exceptions) or (iii) there is a continuing event of default under the Notes after a period of 179 days (or earlier in limited circumstances) from the date the agents with respect to the Company's senior debt received written notice of such default.

Upon any distribution to the creditors of a Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Guarantor, the holders of senior debt of such Guarantor will be entitled to be paid in full before any payment may be made with respect to the Guarantor's Note Guarantee. In addition, any amount available for distribution to the Noteholders after senior creditors of such Guarantor, including lenders under the Senior Facility, have been repaid in full would be shared on a pro rata basis with other creditors of such Guarantor who also benefit from a senior subordinated guarantee of such Guarantor. As a result, holders of the Notes may receive less than the holders of senior debt of the Guarantors and may not be able to recover their investment in full.

The Company may not be able to obtain the funds required to repurchase the Notes upon a change of control

The Notes Indenture contains provisions relating to certain events constituting a "change of control" of the Company. Upon the occurrence of a change of control, the Company will be required to offer to repurchase all outstanding Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control were to occur, the Company cannot assure you that it would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions under the Company's other than existing contractual obligations would allow the Company to make such required repurchases. A change of control may result in an event of default under, or acceleration of, the

Company's indebtedness. For example, lenders under the Senior Facility may require the repayment of their respective loans outstanding thereunder upon the occurrence of a change of control. The repurchase of the Notes pursuant to such a change of control offer could also cause a default under the Company's indebtedness, even if the change of control itself does not. The source of funds for any repurchase required will be available cash or cash generated from operating activities or other sources, including borrowings, sales of assets or sales of equity or funds provided by subsidiaries. The ability of the Company to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by the Company's then existing debt instruments as well as applicable law. If the Company requires third party financing to make an offer to repurchase the Notes upon a change of control, the Company cannot assure you that it will be able to obtain such financing.

Any failure by the Company to offer to purchase the Notes upon a change of control would constitute a default under the Notes Indenture, which would, in turn, trigger cross-defaults under the Amended Retail Notes and the Group's other material indebtedness, including the RCF and certain of the Group's hedging arrangements. The change of control provision contained in the Notes Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger, recapitalization or other similar transaction involving the Company that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Notes Indenture.

The definition of "change of control" in the Notes Indenture will include a direct or indirect disposition of all or substantially all the assets of the Company and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Company is required to make an offer to repurchase the Notes.

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 the Company may go down as well as up. The market value of the Notes 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 Notes. 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 Notes 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 the Company 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 Notes.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited

The Notes are new securities for which there is currently no market and any existing market in the Notes may not continue or be as liquid. The Company cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you may be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including the liquidity of the market for the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Group's own financial condition, performance and prospects, as well as third-party recommendations. Historically, the market for non-investment grade securities has from time to time been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes and the. The liquidity of a trading market for the Notes will depend on the number of holders of the Notes, and may be adversely affected by a general decline in the market for similar securities. In addition, the trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. The Company cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained, and any disruption in the trading market for the Notes may have a negative effect on your investment regardless of the Group's prospects and financial performance. If no active trading market develops, you may not be able to resell your Notes at fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF Market, the Company cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, failure to be approved for listing or the delisting of the Notes (whether or not for an alternative admission to listing on another stock exchange), as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

The Notes are held in book-entry form through Euroclear and Clearstream, Luxembourg and ultimate beneficial owners of the Notes will have to rely on the procedures of Euroclear and Clearstream, Luxembourg

Pursuant to the Scheme, all High Yield Notes were exchanged for Notes, which are held through book-entry interests through Euroclear and Clearstream, Luxembourg. Unlike holders of Notes themselves, the ultimate beneficial owners of the book-entry interests in the Notes do have the direct right under the Notes Indenture to act upon solicitations by the Company of consents or requests by the Company for waivers or other actions from holders of the Notes. Instead, the ultimate beneficial owners of book-entry interests in the Notes are permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream, Luxembourg, and their respective participants. Ownership of interests in the Book-Entry Interests and transfers thereof are subject to restrictions on transfer and certification requirements as set forth herein. In addition, transfers of book-entry interests between participants in Euroclear or Participants in Clearstream, Luxembourg, will be effected by Euroclear or Clearstream, Luxembourg, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg, and their respective Participants.

There can be no assurance that procedures implemented for the granting of such proxies are or will be sufficient to enable the ultimate beneficial owners of book-entry interests in the Notes to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an event of default under the Notes, the ultimate beneficial owners of book-entry interests in the Notes are restricted to acting through Euroclear or Clearstream, Luxembourg, until the issuance of certificated notes is requested. The procedures to be implemented by Euroclear or Clearstream, Luxembourg, under such circumstances may not be adequate to ensure the timely exercise of remedies under the Notes Indenture.

You may face currency exchange risks or adverse tax consequences by investing in the Notes denominated in currencies other than your reference currency

The Notes are denominated and payable in US Dollars. If you are a Sterling, Euro or other non-US Dollar investor, an investment in the Notes will entail currency exchange-related risks due to, among other factors, possible significant changes in the value of the US Dollar to Sterling, Euro or other relevant currencies because of economic, political or other factors over which the Group has no control. There may be tax consequences for you as a result of any foreign currency exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes.

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

The ability of an overseas Noteholders to bring an action against the Group may be limited under law. The Company is a public limited company incorporated in England and Wales. An overseas Noteholders 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 Noteholders 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.

Restructuring

1. **Overview of the Restructuring**

On 21 November 2016, the Company completed a restructuring (the "**Restructuring**") comprised of a number of key elements, including the implementation of amendments to the Group's RCF (the "**RCF Amendments**") and Retail Notes (the "**Retail Notes Amendments**"), the renewal of the Surety Bond Facilities and the Placing and Open Offer (which terms are explained further below) (the "**Placing and Open Offer**"). A key component of the Restructuring was the approval of a scheme of arrangement between the Company and the Scheme Creditors (the "**Scheme**"). The Directors believe that the completion of the Restructuring has put the Group in a stronger position to meet current oil market conditions, as they continue to believe that the Group's fundamental business, with its strategy of targeting mature and marginal oil assets and its focus on cost efficiency, is well placed to withstand a prolonged period of low oil prices, and will be even better placed to do so after completion of the Kraken development.

2. **Objectives of the Restructuring**

The primary objectives of the Restructuring were to:

(a) avoid the adverse consequences of an accelerated marketing and sale process of the Group, or parts of the Group, which may have proven value destructive to the operating business, and following completion of which the Directors expect that the Company would have been placed into insolvent liquidation;

(b) ensure a stable and sustainable Group capital structure, so that the Group will possess a strengthened balance sheet and more appropriate debt service and maturity profile in light of the current market environment, including the prevailing depressed oil price;

(c) enable the Group to direct its cash resources towards bringing its Kraken development to first oil as soon as possible, which the Directors believe will considerably strengthen the Group's operations. Kraken is expected to increase the Group's current production substantially and has a productive life over 20 years. It is also expected to benefit from lower units of operating costs, which the Directors expect will reduce the Group's average unit operating costs to the low $20s per barrel once Kraken is fully on stream. This will put the Group in a stronger position to withstand a prolonged period of low oil price and deliver value to all stakeholders invested in the Company;

(d) service the Group's general corporate and working capital requirements; and

(e) improve the ongoing liquidity position of the Group, putting it in a stronger position to withstand a period of low oil prices.

3. **Key features of the Restructuring**

On 11 October 2016, the Company agreed the terms of the Restructuring, which were subsequently effected on 21 November 2016. The key features of the Restructuring were:

(a) the exchange of High Yield Notes on a dollar-for-dollar basis for New High Yield Notes effected through the Scheme on the terms set out in paragraph 6.1 (*New High Yield Notes*) below;

(b) the amendment of the Retail Notes (effected through the Scheme on the terms set out in paragraph 6.2 (*Amended Retail Notes*) below (and together with (a), the **"Notes Changes"**);

(c) the recognition of the Scheme as a foreign main proceeding pursuant to Chapter 15 as described in paragraph 8 (Recognition of the Scheme under Chapter 15) below;

(d) the RCF Amendments, which included:

(i) extending the final maturity date of the RCF by two years to 1 October 2021;

(ii) splitting the RCF commitments into a term loan facility of US$1.125 billion (the "**Term Facility**") and a revolving credit facility of up to US$75 million, available to be utilised either by way of loans or for the issuance of letters of credit, subject to a sub-limit of US$50 million. No lender is permitted to dispose of all or part of its Commitment (as defined in the RCF) in a facility without disposal of an equivalent proportion of its commitment in the other facility to the same person;

(iii) amending the margin on each of the facilities and cancelling the existing accordion feature. Outstanding loans and letters of credit under the facilities that in aggregate exceed the Group's RRBV, which are fixed at US$890 million for the life of the RCF, have super senior status alongside any new super senior hedging and benefit from an interest rate of LIBOR (subject to a minimum of zero) plus 5.25 per cent. per annum in cash and (with the balance to be added to the PIK Amount (as described below) every six months) 3.75 per cent. per annum PIK (the "**PIK Margin**"). Outstanding loans and letters of credit under the facilities up to the RRBV and the PIK Amount (as defined below) have senior status and benefit from an interest rate of LIBOR (subject to a minimum of zero) plus 4.75 per cent. per annum in cash. LIBOR shall not apply to letters of credit and on certain letters of credit (being Performance LCs as defined in the RCF), only 50 per cent. of the applicable margin will apply. The ability to increase the aggregate commitments by way of the accordion was cancelled. The PIK amount (the "**PIK Amount**") became zero on the date the amendments to the RCF become effective. The PIK Amount will then increase as follows:

(A) in respect of any utilisation to which a PIK Margin applies, the PIK Margin shall accrue on that utilisation and shall be capitalised and be added to the PIK Amount on each 30 June and 31 December; and

(B) the PIK Amount interest, being 900 bps (the "**PIK Amount Interest**"), shall accrue on the PIK Amount and shall be capitalised and added to the PIK Amount on each 30 June and 31 December;

(iv) resetting certain of the financial covenants and amending the leverage ratio so that it became a senior secured leverage ratio to allow the Group sufficient headroom;

(v) amending the amortisation profile for the repayment of the facilities as follows:

(A) from the Effective Date up to and including 31 March 2018: US$1,200 million

(B) from 1 April 2018 up to and including 30 September 2018: US$1,060 million;

(C) from 1 October 2018 up to and including 31 March 2019: US$930 million;

(D) from 1 April 2019 up to and including 30 September 2019: US$755 million;

(E) from 1 October 2019 up to and including 31 March 2020: US$655 million;

(F) from 1 April 2020 up to and including 30 September 2020: US$535 million;

(G) from 1 October 2020 up to and including 31 March 2021: US$500 million;

(H) from 1 April 2021 up to and including 30 September 2021: US$435 million; and

(I) on the Final Maturity Date: nil.

(vi) incorporating terms allowing for new super senior hedging; and

(vii) restricting certain activities of the Group, including requiring a two-third majority of lenders to approve certain acquisitions and disposals, applying restrictions on exploration and appraisal expenditure and requiring proceeds from further bond issuances to be used to prepay the facilities.

(e) the Placing and Open Offer of, in aggregate, 356,738,114 New Ordinary Shares at an issue price of 23 pence per new ordinary share to raise gross proceeds of, in aggregate, approximately £82.0 million. Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, a Director, participated in the Placing and Open Offer. Double A Limited participated in the Placing on a dollar-for-dollar basis against the total number of New Ordinary Shares which existing shareholders committed to subscribe for on a pro rata basis, up to a maximum of £33.73 million, subject to clawback to satisfy valid applications by qualifying shareholders in the Open Offer. In addition, Double A Limited took up 31,735,702 New Ordinary Shares in the Open Offer, representing its pro rata share of the amount to be raised in the Open Offer; and

(f) the renewal of the Surety Bond Facilities for one year from December 2016 and a further year from December 2017, in all circumstances save for the insolvency of EnQuest Heather or the Company.

4. **Implementation of the Restructuring**

The Restructuring was implemented as follows:

(a) the Notes Changes were implemented, with the Scheme Creditors passing the Scheme on 14 November 2016;

(b) the Chapter 15 Recognition was given on 17 November 2016 at the Chapter 15 Hearing before the US Bankruptcy Court following the Scheme Sanction Hearing on 16 November 2016;

(c) the RCF Amendments were implemented on a consensual basis between the Company (and its relevant subsidiaries) and the RCF Lenders;

(d) the new equity was raised through the Placing and Open Offer, with admission taking place on 21 November 2016; and

(e) the renewal of the Surety Bond Facilities took place on a bilateral basis between the relevant Group entities and the Surety Bond Providers.

5. **Scheme Overview**

Set out below are high level summaries of the key elements of the Scheme.

5.1 **New High Yield Notes**

Pursuant to the Scheme, the changes to the High Yield Notes and the Retail Notes were effected such that the principal economic and commercial terms applicable to the New High Yield Notes and the Amended Retail Notes are the same.

Pursuant to the Scheme, all High Yield Notes were exchanged on a dollar-for-dollar basis for New High Yield Notes. The New High Yield Notes include the following key terms (see "Description of the Notes" for a more detailed summary).

(a) *Interest*

The New High Yield Notes accrue a fixed coupon of 7 per cent. per annum payable semi-annually in arrear. Interest under the New High Yield Notes will only be payable in cash on an interest payment date if: (a) over the six months immediately preceding the day which is one month prior to the relevant interest payment date under the New High Yield Notes, the average end of day Dated Brent Future (as published by Platts) (or such equivalent price that may replace the dated Brent price from time to time) is equal to or above US$65.00 per barrel; and (b) no payment event of default is continuing under the RCF (which shall include any such event of default arising as a result of the aggregate amount of the loans and letters of credit outstanding under the RCF exceeding the aggregate commitments applicable at such time) (collectively, the **"Cash Interest Payment Condition"**).

If the Cash Interest Payment Condition is not satisfied in respect of an interest payment date, interest will not be paid in cash on that interest payment date and will be capitalised and satisfied by the issue of additional New High Yield Notes to holders of the New High Yield Notes outstanding at such time. The Cash Interest Payment Condition in the New High Yield Notes will cease to apply (and thereafter all payments of interest will be made in cash) upon the earlier of: (a) the repayment in full of the RCF from cash generated from assets of the Group; or (b) the repayment or refinancing in full of the RCF on terms that enable the disapplication of the Cash Interest Payment Condition and future interest on the New High Yield Notes and the Amended Retail Notes to be paid in cash.

Any interest due but not paid on the High Yield Notes prior to the effective date of the Restructuring will be capitalised and added to the principal amount of the New High Yield Notes to be issued pursuant to the Scheme.

(b) *Financial indebtedness baskets and restrictions on certain payments*

The New High Yield Notes also reflect amendments to certain financial indebtedness baskets in the High Yield Notes Indenture and a restriction on certain payments to Shareholders (and their affiliates) if the Company has not redeemed (in cash at par pursuant to a new option redemption right) the New High Yield Notes in an amount equal to any capitalised interest thereon, together with any accrued but unpaid interest. The Placing and Open Offer did not constitute an "Equity Offering" for the purpose of the optional redemption provisions of the New High Yield Notes and did not build up the Restricted Payments (under and as defined in the New High Yield Notes) build up basket or be used to make any Restricted Payments.

(c) *Maturity date*

The New High Yield Notes have an originally scheduled maturity dated of 15 April 2022. The Company has the option (at its absolute discretion) to extend, at any time, the maturity date to 15 April 2023. In addition, the maturity of the New High Yield

Notes will be automatically extended to 15 October 2023 if the RCF is not repaid or refinanced in full prior to 15 October 2020.

(d) *Cross-default*

An event of default under the Amended Retail Notes will give rise to an event of default under the New High Yield Notes.

(e) *Form*

The New High Yield Notes are issued in global registered form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Any New High Yield Notes shall be issued to and held by Lucid Issuer Services Limited on trust for the relevant New High Yield Noteholder for a period of one year from the date that the Scheme becomes effective.

(f) *Waiver and release*

The High Yield Noteholders waived and released any claims they might have had under, and in connection with, the High Yield Notes upon exchange for New High Yield Notes pursuant to the Scheme. The High Yield Notes were then cancelled.

5.2 **Amended Retail Notes**

Pursuant to the Scheme, the Retail Notes were amended to reflect the Retail Notes Amendments as set out below. All other terms and conditions governing the Retail Notes remained unamended and, for the avoidance of doubt, no new securities were issued in respect of the Amended Retail Notes (other than additional Amended Retail Notes if the Cash Interest Payment Condition is not satisfied, as explained below).

(a) *Interest*

Pursuant to the Retail Notes Amendments, the Amended Retail Notes accrue a fixed coupon of 7 per cent. per annum payable semi-annually in arrears. Interest under the Amended Retail Notes will only be payable in cash on an interest payment date if the Cash Interest Payment Condition is satisfied.

As with the High Yield Notes, if the Cash Interest Payment Condition is not satisfied in respect of an interest payment date interest will not be paid in cash on that interest payment date and will be capitalised and satisfied by the issue of additional Amended Retail Notes to holders of the Amended Retail Notes outstanding at such time. The Cash Interest Payment Condition in the Amended Retail Notes will cease to apply (and thereafter all payments of interest will be made in cash) upon the earlier of (a) the repayment in full of the RCF from cash generated from assets of the Group or (b) the repayment or refinancing in full of the RCF on terms that enable the disapplication of the Cash Interest Payment Condition and future interest on the New High Yield Notes and the Amended Retail Notes to be paid in cash.

Interest on the Amended Retail Notes will continue to accrue from the immediately preceding interest payment date of 15 August 2016 and be paid on the next interest payment date of 15 February 2017 in cash (subject to the Cash Interest Payment Condition being satisfied) or capitalised.

(b) *Restrictions on certain payments*

The Amended Retail Notes also contain a restriction on certain payments to Shareholders (or their affiliates) if the Company has not redeemed (in cash at par pursuant to a new optional redemption right) the Amended Retail Notes in an amount equal to any capitalised interest thereon, together with any accrued but unpaid interest.

(c) *Maturity date*

The Amended Retail Notes have an originally scheduled maturity of 15 April 2022 (extended from 15 February 2022). The Company has the option (at its absolute discretion) to extend, at any time, the maturity date to 15 April 2023. In addition, the maturity of the Amended Retail Notes will also be automatically extended to 15 October 2023, if the RCF is not repaid or refinanced in full prior to 15 October 2020.

(d) *Cross-default and financial covenants*

In addition, the Retail Noteholders have the benefit of a new cross default provision such that an event of default under the New High Yield Notes will give rise to an event of default under the Amended Retail Notes. Further, the existing financial covenants under the Retail Notes were removed pursuant to the Retail Notes Amendments.

(e) *Form*

The Amended Retail Notes are held in global registered form, be cleared through Euroclear and Clearstream, Luxembourg and are eligible for settlement in CREST through CDIs representing the Amended Retail Notes. The specified denomination of the Amended Retail Notes is £1.00. For the avoidance of doubt, no new securities were issued in respect of the Amended Retail Notes (other than additional Amended Retail Notes if the Cash Interest Payment Condition is not satisfied).

(f) *Waiver and release*

Retail Noteholders waived and released certain claims they might have had under, and in connection with, the Retail Notes but, for the avoidance of doubt, they were not be required to waive and release any claims in respect of the covenant to pay principal and accrued but unpaid interest arising out of or under the Retail Notes Trust Deed and/or the Retail Notes, once these were amended pursuant to the Scheme.

6. **Treatment of Cash Interest Payment Condition in the event of a refinancing of the RCF**

As an alternative to full repayment of the RCF by its maturity date, the Company may wish to pursue a refinancing option. Where the Company is able to obtain a refinancing on open market terms that enables the Cash Interest Payment Condition in respect of the New High Yield Notes and the Amended Retail Notes to be terminated, and future interest in respect of the New High Yield Notes and the Amended Retails Notes to be paid in cash, then provided that such option is on commercial terms that are acceptable to the Company, the Company shall use all reasonable efforts to pursue that option, as an alternative to a refinancing based upon retention of the Cash Interest Payment Condition until maturity of the New High Yield Notes and the Amended Retail Notes.

7. **Recognition of the Scheme under Chapter 15**

The Company filed a petition in the United States for Chapter 15 Recognition, being an order for recognition of the Scheme under Chapter 15 of the US Code, which provides for the recognition of foreign insolvency proceedings in the United States. An order from the US Bankruptcy Court granting Chapter 15 Recognition was a condition to the implementation of the Restructuring and the Scheme.

Chapter 15 Recognition was necessary to give effect in the United States to the Scheme and, among other things:

(a) ensured that all of the Scheme Creditors affected by the Scheme were treated consistently, regardless of whether they were located in the UK or the United States;

(b) protected the Company and its property from any lawsuits in the United States from those who are bound by the terms of the Scheme; and

(c) minimised the risk of indemnification and other claims that might have existed under the Indenture in respect of the Company's High Yield Notes, which is governed by New York law.

Chapter 15 Recognition was granted at the Chapter 15 Hearing that took place on 17 November 2016.

Description of the Notes

The Company issued the Notes under an indenture (the "**Indenture**") among, the Company, the Guarantors and Deutsche Bank Trust Company Americas as Principal Paying Agent, Trustee, Transfer Agent and Registrar in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The terms of the Notes include those set forth in the Indenture. With limited exceptions, the Indenture will not incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the New High Yield Notes Indenture and the Notes and refers to the Guarantee Subordination Agreement and certain other agreements relating to the Notes. This description does not restate those agreements in their entirety. The Company urges you to read the Indenture, the Notes and the Guarantee Subordination Agreement because they, and not this description, define your rights as holders of the Notes. The Indenture will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu. You can find the definitions of certain terms used in this "Description of the Notes" under the subheading "Certain definitions". Certain defined terms used in this "Description of the Notes" but not defined below under "Certain definitions" or elsewhere in this description have the meanings assigned to them in the New High Yield Notes Indenture. For purposes of this **"Description of the Notes"**, the term **"Company"** refers only to EnQuest PLC and not to any of its subsidiaries, and unless the context requires otherwise, references in this **"Description of the Notes"** to the Notes include the Notes and any additional Notes that are issued.

Brief description of the Notes and the Note Guarantees

The Notes

The Notes are:

- general obligations of the Company;
- *pari passu* in right of payment with all existing and future obligations of the Company that are not expressly contractually subordinated in right of payment to the Notes, including under the Senior Facility and MTN Program Notes;
- senior in right of payment to all future obligations of the Company that are subordinated in right of payment to the Notes;
- effectively subordinated to all existing and future secured obligations of the Company, including obligations under the Senior Facility, to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Notes on an equal and rateable or senior basis;
- structurally subordinated to all existing and future obligations of the Company's Subsidiaries that do not guarantee the Notes, including any obligations of EnQuest Norge AS, EnQuest Energy Limited and EnQuest Production Limited under the Senior Facility; and
- guaranteed on a senior subordinated basis by the Guarantors, subject to limitations under applicable law as set forth below under the caption "Note Guarantees".

The Note Guarantees

- The Notes are guaranteed by the Guarantors. Each Note Guarantee is:
- a senior subordinated obligation of that Guarantor;
- subordinated in right of payment to all existing and future senior obligations of that Guarantor, including such Guarantor's obligations under the Senior Facility;
- *pari passu* in right of payment with all future senior subordinated obligations of that Guarantor;
- senior in right of payment to all future obligations of that Guarantor that are expressly contractually subordinated to that Guarantor's Note Guarantee; and
- effectively subordinated to all existing and future secured obligations of that Guarantor (including under the Senior Facility), 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.

Not all of the Company's Subsidiaries guaranteed the Notes on the Issue Date and the Company will not have any obligation to cause any of its Subsidiaries to guarantee the Notes in the future (except as required under the circumstances described below under the caption "Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries'). In the event of a bankruptcy, liquidation or reorganization of any Subsidiary that is not a Guarantor, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company or a Guarantor

Designation of restricted and unrestricted subsidiaries,' the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries". The Company's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, maturity and interest

The Company issued $677,482,000 in aggregate principal amount of Notes. The Notes were issued in exchange of its 2022 Notes pursuant to the Scheme (as defined herein). The Company may issue up to a principal amount of $304,931,617 of additional Notes (the "**Additional Notes**") under the Indenture from time to time after this offering. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "Certain covenants—Incurrence of indebtedness and issuance of preferred stock".

Any provision to the contrary notwithstanding, prior to the Senior Facility Repayment Date, the Company shall pay interest and any Additional Amounts (i) in cash if the Cash Payment Condition has been satisfied or (ii) in all other cases through the issuance of Additional Notes in a principal amount equal to such interest amount (in increments of $1). If the Company pays interest through the issuance of Additional Notes, then the Company shall deliver to the Trustee: (A) no later than the Record Date for the relevant interest payment date, a written notice stating such interest payment or Additional Amounts will be made in the form of Additional Notes and (B) no later than two Business Days prior to the relevant interest payment date (X) if the Notes in respect of which interest or Additional Amounts are being paid in the form of Additional Notes are in definitive form, an order to authenticate and deliver the required amount of new definitive Additional Notes to be issued on the relevant interest payment date or (Y) if such Notes are in global form, an order to increase the principal amount of such Notes by the relevant amount (or, if necessary, to authenticate a new Global Note executed by the Company in the principal amount of such Additional Notes).

The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, provided, however, that in the event any Additional Notes are not fungible with the relevant series of Notes for U.S. federal income tax purposes, such nonfungible Additional Notes will be issued with a separate common code and ISIN, as applicable, so that they are distinguishable from the relevant series of Notes. The Company will issue Notes only in registered book-entry form without coupons in minimum denominations of $1 and in integral multiples of $1. However, Notes may only be subscribed in minimum amounts of $1,000 and integral multiples of $1 in excess thereof and may only be traded in minimum amounts of $1,000 and in integral multiples of $1. The Notes will mature on 15 April 2022.

Interest on the Notes will accrue at the rate of 7.000 per cent per annum and will be payable semi-annually in arrears on 15 April and 15 October commencing on 15 October 2014. Interest on overdue principal and interest, if any, will accrue at a rate that is 1.0 per cent higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding 1 April and 1 October.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

For trading purposes on the Luxembourg Stock Exchange, the Notes may only be traded in minimum amounts of $1.

Transfer and exchange

Notes will initially be represented by one or more global notes in registered form without interest coupons attached (the **"Global Notes"**). Ownership of interests in the Global Notes (**"Book-Entry Interests"**) will be limited to persons that have accounts with the relevant Clearing System or persons that may hold interests through such participants, including through Euroclear and Clearstream, Luxembourg. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to investors". In addition, transfers of Book-Entry Interests shall be effected through the Clearing System, in accordance with the New High Yield Note Indenture and the Applicable Procedures.

Any Book-Entry Interest that is transferred will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive Notes in registered form (**"Definitive Registered Notes"**) are issued, they will be issued only in denominations of $1,000 and integral multiples of $1 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by the relevant Clearing System from the participant which owns the relevant Book-Entry Interest. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Company in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Notice to investors". Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered

Notes may be transferred or exchanged, in whole or in part, in denominations of $1,000 in principal amount or integral multiples of $1 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder, among other things, to furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at the relevant Clearing System, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder of the Notes, other than any transfer taxes or similar governmental charges payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

1. for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

2. for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

3. for a period of 15 calendar days prior to the record date with respect to any interest payment date; or

4. which the holder of the Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Paying agent and registrar for the Notes

The Company will maintain one or more paying agents (each, a **"Paying Agent"**) for the Notes in the Borough of Manhattan, City of New York (the **"Principal Paying Agent"**) The initial Paying Agent will be Deutsche Bank Trust Company Americas.

The Company will also maintain both a registrar (the **"Registrar"**) and a transfer agent (the **"Transfer Agent"**) in the Borough of Manhattan, City of New York. The initial Registrar and initial Transfer Agent will be Deutsche Bank Trust Company Americas. The Registrar will maintain a register reflecting record ownership of the Global Notes and any Definitive Registered Notes outstanding from time to time, and the Transfer Agent will facilitate transfers of any Definitive Registered Notes on behalf of the Company.

The Company may change any Paying Agent, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and its rules so require, the Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange.

Note Guarantees

The Notes are guaranteed by the Guarantors, which comprise certain of the Company's current Subsidiaries that are borrowers and guarantors under the Senior Facility. The Note Guarantees will be joint and several obligations of the Guarantors. The claims under the Note Guarantees will be subordinated in right of payment to the Guarantors' obligations under the Senior Facility, and may be subordinated in right of payment to the Guarantors' future senior obligations. The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such limitations, see "*Risk factors—Risks relating to the Notes and our structure—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability*".

Note Guarantees release

The Note Guarantee of a Guarantor will be automatically and unconditionally released and discharged without any further action by the Company, the relevant Guarantor or the Trustee, and such Guarantor's obligations under the Note Guarantee, the Indenture, the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreement will terminate and be of no further force and effect:

1. in connection with any sale or other disposition of all or substantially all of the properties or assets of that Guarantor (including by way of merger, amalgamation or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "Repurchase at the option of holders— Asset sales";

2. in connection with any sale or other disposition of the Capital Stock of that Guarantor (whether by direct sale or through a holding company) to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted

Subsidiary of the Company, if the sale or other disposition does not violate the provisions set forth below under "Repurchase at the option of holders—Asset sales" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Company;

3. if the Company designates such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;

4. upon repayment in full of the Notes or upon Legal Defeasance or Covenant Defeasance as described below under the caption "Legal defeasance and covenant defeasance" or upon satisfaction and discharge of the Indenture as described under the caption "Satisfaction and discharge";

5. upon the liquidation or dissolution of such Guarantor; provided that no Default or Event of Default has occurred and is continuing or would be caused thereby;

6. as described under "Amendment, supplement and waiver";

7. upon such Guarantor consolidating or amalgamating with, merging into or transferring all of its properties or assets to the Company or another Guarantor, and as a result of, or in connection with, such transaction such Guarantor dissolving or otherwise ceasing to exist;

8. as described in the fourth paragraph of the covenant described below under "Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries"; or

9. in connection with certain enforcement actions taken by the creditors under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Indenture will provide that any release of a Guarantee may be evidenced, at the Company's option and expense, by the delivery by the Company to the Trustee of an Officer's Certificate of the Company, and the Trustee shall acknowledge and confirm receipt of such Officer's Certificate.

Subordination of the Note Guarantees

On the Issue Date, the Trustee shall enter into the Guarantee Subordination Agreement with the Company, the agents and security trustee under the Senior Facility, as described under "Description of certain financing arrangements—Guarantee subordination agreement". The Note Guarantees will be subordinate in right of payment to outstanding claims under the Senior Debt of the Guarantors. In addition, the payment on each Note Guarantee will be subject to provisions in the Guarantee Subordination Agreement relating to payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections. See "Description of certain financing arrangements—Guarantee subordination agreement".

Additional amounts

All payments made by or on behalf of the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction for, or on account of, such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company or any Guarantor is then incorporated, organized or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Company or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a "**Tax Jurisdiction**") will at any time be required to be made from any payments made by the Company under or with respect to the Notes or any of the Guarantors with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the relevant Guarantor, as applicable, will pay such additional amounts (the **"Additional Amounts"**) as may be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; provided, however, that no Additional Amounts will be payable with respect to:

1. any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder (or between a fiduciary, settler, beneficiary, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, nominee, trust, partnership, limited liability company or corporation) or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the mere holding of such Note, the enforcement of rights under such Note or under a Note Guarantee or the receipt of any payments in respect of such Note or a Note Guarantee;

2. any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

3. any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

4. Taxes imposed on or with respect to a payment made to a holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Notes to another Paying Agent;

5. any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

6. any Taxes, to the extent such Taxes are imposed, withheld or deducted by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Company, addressed to the holder and made at least 60 days before any such withholding or deduction is to be made, to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to satisfy such requirement;

7. any U.S. federal withholding Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the **"Code"**), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code;

8. any Tax that is imposed on or with respect to any payment made to any holder who is a fiduciary or partnership or an entity that is not the sole beneficial owner of such payment, to the extent that a beneficiary or settlor (for tax purposes) with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual holder of the applicable Note; or

9. any combination of items 1 through 8 above.

In addition to the foregoing, the Company and the Guarantors will also pay and indemnify the Trustee, Paying Agents and holders for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto), which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture or any Note Guarantee or any other document referred to therein, except for any such taxes imposed or levied as a result of a transfer after the Issue Date.

If the Company or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Guarantor, as the case may be, will deliver to the Trustee and Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 30 days prior to that payment date, in which case the Company or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officers' Certificate must also set forth any other information reasonably necessary to enable any Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Trustee and Paying Agents shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary.

The Company or the relevant Guarantor will make all withholdings and deductions for, or on account of, Taxes required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Guarantor will furnish to the Trustee (or to a holder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture or any transfer by a holder or beneficial owner of its Notes, and will apply, mutatis mutandis, to any jurisdiction in which any successor Person to the Company or any Guarantor is incorporated, organized or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) or any political subdivision thereof or therein.

OPTIONAL REDEMPTION

Except as otherwise described below, the Notes will not be redeemable at the Company's option prior to maturity. The Company and any Restricted Subsidiary may, however, acquire, or cause to be acquired, the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not violate the terms of the Indenture.

In addition, at any time prior to 15 April 2017 the Company may also redeem, in whole or in part, the Notes at a redemption price equal to 100 per cent of the principal amount of Notes to be redeemed, plus the Applicable Premium in respect of, and accrued and unpaid interest to the redemption date, subject to the rights of the holders on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding two paragraphs and except pursuant to "Redemption for changes in taxes", the Notes will not be redeemable at the Company's option prior to 15 April 2017.

On or after 15 April 2017, the Company may on any one or more occasions redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption, if redeemed during the 12-month period beginning on 15 April of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	**Redemption Price**
2017	105.250 per cent
2018	103.500 per cent
2019	101.750 per cent
2020 and thereafter	100.000 per cent

All redemptions of the Notes will be made upon not less than 10 days' nor more than 60 days' prior notice, except that a redemption notice may be made more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

In addition, at any time and from time to time, the Company may redeem Notes in an aggregate principal amount equal to the total amount of interest paid on the Notes up to the Redemption Date through the issuance of Additional Notes (less the principal amount of all Notes redeemed prior to the Redemption Date pursuant to this paragraph at a Redemption Price equal to 100% of the principal amount of Notes to be redeemed, and accrued and unpaid interest to the Redemption Date, subject to the rights of the Holders on the relevant Record Date to receive interest due on the relevant Interest Payment Date.

REDEMPTION FOR CHANGES IN TAXES

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in **"Selection and notice"**), at a redemption price equal to 100 per cent of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a **"Tax Redemption Date"**) and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on an interest payment date that is on or prior to the Tax Redemption Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company or a Guarantor is or would be required to pay Additional Amounts, and the Company or Guarantor cannot avoid any such payment obligation by taking reasonable measures available to it, and the requirement arises as a result of:

1. any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or

2. any amendment to, or change in, an official position, or the introduction of an official position, regarding the interpretation, administration or application of such laws, regulations, treaties or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment, change or introduction becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date).

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes or Note Guarantees was then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel of recognized standing reasonably acceptable to the Trustee, to the effect that there has been such amendment or change or introduction which would entitle the Company to redeem the Notes under this provision of the Indenture. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officers' Certificate to the effect that the obligation to pay Additional Amounts cannot be avoided by the Company or Guarantor taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officers' Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

MANDATORY REDEMPTION

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase the Notes as described under the captions "Repurchase at the option of holders—Change of control' and "Asset sales".

REPURCHASE AT THE OPTION OF HOLDERS

Change of control

If a Change of Control occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple of $1 in excess thereof) of that holder's Notes pursuant to an offer (the **"Change of Control Offer"**) on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash (the **"Change of Control Payment"**) equal to 101 per cent of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of purchase (the **"Change of Control Payment Date"**), subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Company will mail a notice to each holder (with a copy to the Trustee) or otherwise deliver a notice (with a copy to the Trustee) in accordance with the procedures described under "Selection and notice", describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice.

On the Change of Control Payment Date, the Company will, to the extent lawful:

1. accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

2. deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

3. deliver or cause to be delivered to the Principal Paying Agent the Notes properly accepted.

The Principal Paying Agent will promptly mail or cause to be delivered to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple of $1 in excess thereof. Any Note so accepted for payment will cease to accrue interest on and after the Change of Control Payment Date unless the Company defaults in making the Change of Control Payment. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described herein that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture will not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described above under the caption "Optional redemption", unless and until there is a default in payment of the applicable redemption price.

The occurrence of certain events that would constitute a Change of Control could constitute a default under the Senior Facility and could also allow holders of Retail Notes to exercise a put option in respect of Retail Notes. Future debt of the Company or its Subsidiaries may also contain descriptions of certain change of control events that, if they occurred, would constitute a default under such debt or require such debt to be repurchased. In addition, the exercise by the holders of the Notes of their right to require the Company to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. If a Change of Control Offer is made, there can be no assurance that the Company will have sufficient funds or other resources to pay the Change of Control Payment for all the Notes that might be delivered by holders thereof seeking to accept the Change of Control Offer and to repurchase any other debt that may be required to be repaid following a change of control. See "*Risk factors—Risks relating to the Notes and our structure—We may not be able to obtain the funds required to repurchase the Notes upon a change of control*". A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Restricted Subsidiaries may be uncertain.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders of a majority in aggregate principal amount of the Notes.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Company will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange.

Asset sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

1. the Company (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

2. at least 75 per cent of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed by the transferee of any such assets pursuant to an agreement that releases the Company or such Restricted Subsidiary from further liability or indemnifies the Company or such Restricted Subsidiary against further liabilities;

    (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion;

    (c) any Capital Stock or other assets of the kind referred to in clauses 3 or 4 of the next paragraph of this covenant;

    (d) Indebtedness (other than Subordinated Obligations) of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Company and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;

    (e) consideration consisting of Indebtedness of the Company or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary;

    (f) accounts receivable of a business retained by the Company or any Restricted Subsidiary, as the case may be, following the sale of such business; and

    (g) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sales having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this clause (g) that is at that time outstanding, not to exceed the greater of (x) $250.0 million and (y) 5.0 per cent of Consolidated Total Assets at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or one of its Restricted Subsidiaries may apply such Net Proceeds (at the option of the Company or such Restricted Subsidiary):

1. to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to at least 100 per cent of the principal amount thereof, plus accrued and unpaid interest to the date of purchase (a **"Notes Offer"**);

2. to repay Senior Debt;

3. to invest in Additional Assets;

4. to make a capital expenditure; or

5. to enter into a binding commitment to apply the Net Proceeds pursuant to clause 2, 3 or 4 of this paragraph; provided that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such repayment, investment or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period.

Pending the final application of any Net Proceeds, the Company or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested pursuant to the second paragraph of this covenant will constitute "Excess Proceeds".

When the aggregate amount of Excess Proceeds exceeds $50.0 million, within ten Business Days thereof, the Company will make an offer (an **"Asset Sale Offer"**) to all holders of Notes and may make an offer to all holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100 per cent of the principal amount, plus accrued and unpaid interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company or any of its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Trustee, a Paying Agent or the Registrar will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a pro rata basis (or, in the case of Notes issued in global form as discussed under "Book-entry, delivery and form", based on a method that most nearly approximates a pro rata selection as the Trustee, a Paying Agent or the Registrar deems fair and appropriate) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer, an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control, Asset Sale or Notes Offer provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control, Asset Sale or Notes Offer provisions of the Indenture by virtue of such compliance.

SELECTION AND NOTICE

If less than all of the Notes are to be redeemed at any time, the Trustee, a Paying Agent or the Registrar will select Notes for redemption on a pro rata basis (or, in the case of Notes issued in global form as discussed under "Book-Entry, Delivery and Form", based on a method that most nearly approximates a pro rata selection) unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of $1,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 10 days but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. A notice of redemption shall state whether the redemption is conditioned on any events and, if so, a detailed explanation of such conditions. Subject to the satisfaction of any conditions precedent set forth in a notice of redemption, Notes called for redemption become due on the date fixed for redemption. On or after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Neither the Trustee, any Paying Agent nor the Registrar shall be liable for any such selections made by it in accordance with the provisions described in the three preceding paragraphs.

For Notes which are represented by global certificates held on behalf of DTC, notices may be given by delivery of the relevant notices to DTC in accordance with its applicable procedures for communication to entitled account holders in substitution for any required mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any notice to the holders of the Notes (whether represented by global certificates or held in definitive form) shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Company will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

CERTAIN COVENANTS

Restricted payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

1. declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger, amalgamation or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

2. repurchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger, amalgamation or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

3. make any principal payment on or with respect to, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to the Stated Maturity thereof, any Indebtedness of the Company or any Guarantor that is expressly contractually subordinated in right of payment to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and/or any of its Restricted Subsidiaries), except (i) a payment of principal at the Stated Maturity thereof or (ii) the repurchase, redemption or other acquisition of Indebtedness in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such repurchase, redemption or other acquisition; or

4. make any Restricted Investment;

(all such payments and other actions set forth in clauses 1 through 4 above being collectively referred to as **"Restricted Payments"**), unless, at the time of and after giving effect to such Restricted Payment:

1. no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

2. the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two half-year reference period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption "Incurrence of indebtedness and issuance of preferred stock"; and

3. such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date (including Restricted Payments permitted below by clauses 1, 13 and 14 of the next succeeding paragraph, but excluding all other Restricted Payments permitted by the next succeeding paragraph), is equal to or less than the sum, without duplication, of:

    (a) 50 per cent of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the half-year period commencing immediately prior to the Issue Date to the end of the Company's most recently ended fiscal half-year for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent of such deficit); plus

    (b) 100 per cent of the aggregate net cash proceeds received, the Fair Market Value of marketable securities received and the Fair Market Value of other property received by the Company since the Issue Date as a contribution to its common capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock and the 2016 Equity Issuance) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); plus

    (c) (i) to the extent that any Restricted Investment that was made after the Issue Date is (x) sold, disposed of or otherwise cancelled, liquidated or repaid, 100 per cent of the aggregate amount received in cash and the Fair Market Value of the marketable securities and other property received by the Company or any Restricted Subsidiary, or (y) made in an entity that subsequently becomes a Restricted Subsidiary, 100 per cent of the Fair Market Value of the Restricted Investment of the Company and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; plus

    (ii) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged, amalgamated or consolidated with or into the Company or a Restricted Subsidiary, or all or substantially all of the properties or assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, the Fair Market Value of the property received by the Company or Restricted Subsidiary or the Company's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, amalgamation, consolidation or transfer of properties or assets, to the extent such Investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; plus

(d) 100 per cent of any dividends or distributions received in cash by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

1. the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

2. the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause 3(b) of the preceding paragraph;

3. the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;

4. the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests (other than the Company or any Restricted Subsidiary) on no more than a pro rata basis;

5. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or former officers, directors, employees or consultants pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $20.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over into succeeding calendar years) and provided, further, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds from the sale of Equity Interests of the Company or a Restricted Subsidiary received by the Company or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Company, any of its Restricted Subsidiaries or any of its direct or indirect parent companies, to the extent the cash proceeds from the sale of Equity Interests have not otherwise been applied to the making of Restricted Payments pursuant to clause 3(b) of the preceding paragraph or clause 2 of this paragraph and (B) the cash proceeds of key man life insurance policies;

6. the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any of the Company's (or any of its Restricted Subsidiaries') current or former directors or employees in connection with the exercise or vesting of any equity compensation (including, without limitation, stock options, restricted stock and phantom stock) in order to satisfy the Company's or such Restricted Subsidiary's tax withholding obligation with respect to such exercise or vesting;

7. repurchases of Subordinated Obligations at a purchase price not greater than (i) 101 per cent of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of a Change of Control or (ii) 100 per cent of the principal amount of such Subordinated Obligations and accrued and unpaid interest thereon in the event of an Asset Sale, in each case plus accrued interest, in connection with any change of control offer or asset sale offer required by the terms of such Indebtedness, but only if:

   (a) in the case of a Change of Control, the Company has first complied with and fully satisfied its obligations under the provisions described under "Repurchase at the option of holders—Change of control"; or

   (b) in the case of an Asset Sale, the Company has complied with and fully satisfied its obligations in accordance with the covenant under the heading, "Repurchase at the option of holders—Asset sales";

8. the repurchase, redemption or other acquisition for value of Capital Stock of the Company representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Company or any other transaction permitted by the Indenture;

9. the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of those stock options or warrants;

10. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary of the Company issued on or after the Issue Date in accordance with the Fixed Charge Coverage Ratio test described below under the caption "Incurrence of indebtedness and issuance of preferred stock";

11. payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

12. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, (a) advances or loans to any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement; provided that the total aggregate amount of Restricted Payments made under this subclause does not exceed $1.0 million in any calendar year or (b) advances, grants or loans in relation to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust, whether made directly to any such plan or trust or to the trustees of any such plan or trust, to pay for the purchase or other acquisition for value of Equity Interests of the Company (other than Disqualified Stock); provided that the total aggregate amount of Restricted Payments made under this subclause does not exceed $50.0 million in any calendar year;

13. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the repurchase of Equity Interests of the Company to be held as treasury stock; provided that the total aggregate amount of Restricted Payments made under this clause 13 does not exceed $150.0 million plus the cash proceeds from the sale of such Equity Interests of the Company from treasury stock since the Issue Date; *further provided* that no such Restricted Payments shall be made from the net proceeds of the 2016 Equity Issuance

14. so long as no Default has occurred and is continuing or would be caused thereby, the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the common stock or common equity interests of the Company or any direct or indirect parent company; provided that the aggregate amount of all such dividends or distributions under this clause 14 shall not exceed in any fiscal year the greater of (a) 6.0 per cent per annum of the net cash proceeds received by the Company in any Public Equity Offering or contributed to the equity of the Company (in each case other than the 2016 Equity Issuance) and (b) an amount equal to 5.0 per cent of the Market Capitalization, provided that in the case of this clause 14, after giving pro forma effect to the payment of any such dividend or making of any such distribution, the Consolidated Leverage Ratio of the Company would not exceed 2.0 to 1.0; and provided, further, that in each case, if such Public Equity Offering was of Capital Stock of a parent company, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such parent company;

15. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed $250.0 million since the Issue Date; provided that no such Restricted Payments shall be made from the net proceeds of the 2016 Equity Issuance; and

16. so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments aggregating up to an amount equivalent to 50 per cent of the net cash proceeds received by the Company or any of its Restricted Subsidiaries from all dispositions (including, without limitation, any farm-out or lease) of oil and gas properties subsequent to the Issue Date; provided that, after giving pro forma effect to any such Restricted Payment (and any related transactions), the Consolidated Leverage Ratio of the Company does not exceed 2.0 to 1.0.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount. The Company, in its sole discretion, may classify any Investment or other Restricted Payment as being made in part under one of the provisions of this covenant (or, in the case of any Investment, the clauses of the definition of Permitted Investments) and in part under one or more other such provisions (or, as applicable, clauses). Unsecured Indebtedness shall not be deemed to be subordinate or junior to secured Indebtedness solely by virtue of its nature as unsecured Indebtedness.

Notwithstanding the foregoing, no Restricted Payments (other than (A) Permitted Investments (excluding Investments in any controlling shareholder of the Company or affiliates of such controlling shareholder) and (B) Restricted Payments permitted by clauses 2, 3, 4, 6 and 7 of this section will be permitted to be paid until after the completion of the redemption of Notes described under the caption "Optional redemption".

Incurrence of indebtedness and issuance of preferred stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that (i) the Company may incur Indebtedness (including

Acquired Debt) or issue Disqualified Stock (ii) any Guarantor may incur Indebtedness (including Acquired Debt) or issue preferred stock and (iii) any Restricted Subsidiary of the Company may incur Indebtedness (including Acquired Debt) under Bank Credit Facilities, in each case if the Fixed Charge Coverage Ratio for the Company's most recently ended two full fiscal half-years for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, would have been at least 2.25 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such two half-year reference period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or preferred stock (collectively, **"Permitted Debt"**):

1. the incurrence by (a) the Company and any Restricted Subsidiary of Indebtedness under Bank Credit Facilities and (b) the Company and any Guarantor of Public Indebtedness, in an aggregate principal amount at any one time outstanding under this clause 1 not to exceed the aggregate of $1.2 billion plus, in the case of any refinancing of any Indebtedness permitted under this clause 1 or any portion thereof, the aggregate amount of fees, costs and expenses (including underwriting commissions paid as discounts) incurred in connection with such refinancing; *provided* that Indebtedness incurred under this clause 1 may not be used to repay or refinance the Notes or the Retail Notes (or any Permitted Refinancing Indebtedness in respect of the Notes or the Retail Notes;

2. the incurrence by the Company and any Guarantor of Indebtedness under the MTN Program, not to exceed £150 million in aggregate principal amount at any time outstanding;

3. the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

4. the incurrence by the Company of Indebtedness represented by the Notes to be issued on the date of the Indenture and the incurrence by any Guarantor of a Note Guarantee at any time;

5. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness:

    (a) incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of any FPSO used or useful in the Oil and Gas Business; or

    (b) represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness, in each case, incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of property, plant or equipment or other assets used in the business of the Company or any of its Restricted Subsidiaries (including any reasonably related fees or expenses incurred in connection therewith), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause 5(b), not to exceed the greater of (x) $120 million and (y) 3.5 per cent of Consolidated Total Assets at any time outstanding,

    in each case, whether such Indebtedness is incurred for the charter of, leasing of or direct purchase of or the purchase of the Capital Stock of any Person owning such property, plant or equipment or other assets (including any Indebtedness deemed to be incurred in connection with such purchase) (it being understood that any such Indebtedness may be incurred after the acquisition or purchase or the design, development, construction, transportation, installation, migration or the making of any improvement with respect to any such property, plant or equipment or other assets);

6. the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses 2, 3 (other than (x) Indebtedness under the Trade Credit Deferrals, unless such Permitted Refinancing Indebtedness is incurred with the respective counterparties to such Trade Credit Deferrals on the Issue Date and such Permitted Refinancing Indebtedness relate to the Kraken development) and (y) Indebtedness under the Tanjong Baram Facility), 4, 5 or 15 of this paragraph or this clause 6;

7. the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that:

    (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, such Indebtedness must be ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Company and its Restricted Subsidiaries and (ii) only to the extent legally permitted) expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Guarantor; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause 7;

8. the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of shares of preferred stock; provided, however, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,

will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause 8;

9. the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business, including in connection with any commodities marketing activities or any permitted Oil and Gas Business activities;

10. the Guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being Guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, as applicable, then the Guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness Guaranteed; and *provided, further*, that except as provided in clause 23 no such Guarantee shall be provided in respect of Indebtedness incurred under clause 23 hereof;

11. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

12. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of self-insurance obligations or captive insurance companies or consisting of the financing of insurance premiums in the ordinary course of business;

13. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for indemnification, obligations in respect of amounts or other adjustment of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Subsidiary; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

14. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of (A) letters of credit, bid, performance, appeal, surety and similar bonds, completion guarantees, judgment, advance payment, customs, VAT or similar instruments issued for the account of the Company and any of its Restricted Subsidiaries in the ordinary course of business (in each case, other than an obligation for money borrowed), including Guarantees and obligations of the Company or any of its Restricted Subsidiaries with respect to letters of credit or similar instruments supporting such obligations or in respect of self-insurance and workers compensation obligations or (B) any customary cash management, cash pooling or netting or setting off arrangements with banks or other financial institutions;

15. Indebtedness or preferred stock of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Company or a Restricted Subsidiary or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any Restricted Subsidiary in accordance with the Indenture (including Indebtedness incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by or was merged into the Company or a Restricted Subsidiary or (b) otherwise in connection with, or in contemplation of, such acquisition); provided, however, with respect to this clause 15 that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (x) the Company would have been able to incur \$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness or issuance of such preferred stock pursuant to this clause 15 or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

16. Guarantees by the Company or any of its Restricted Subsidiaries of any Management Advances;

17. Guarantees by the Company or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of

Directors of the Company, so long as the proceeds of the Indebtedness so Guaranteed are used to purchase Equity Interests of the Company (other than Disqualified Stock); provided that the amount of any net cash proceeds from the sale of such Equity Interests of the Company will be excluded from clause 3(B) of the first paragraph of the covenant described above under the caption "Certain covenants—Restricted payments";

18. Guarantees by the Company or any of its Restricted Subsidiaries of pension fund obligations of the Company or any Restricted Subsidiary required by law or regulation;

19. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in connection with one or more standby letters of credit, Guarantees, performance bonds or other reimbursement obligations, in each case, issued in the ordinary course of business and not in connection with the borrowing of money or the obtaining of an advance or credit (other than advances or credit for goods and services in the ordinary course of business and on terms and conditions that are customary in the Oil and Gas Business, and other than the extension of credit represented by such letter of credit, Guarantee or performance bond itself);

20. the incurrence by the Company or any Restricted Subsidiary of Indebtedness through the provision of bonds, Guarantees, letters of credit or similar instruments required by any national or international maritime commission or authority or other governmental or regulatory agencies, including, without limitation, customs authorities; in each case, for vessels owned or chartered by, and in the ordinary course of business of, the Company or any of its Restricted Subsidiaries at any time outstanding not to exceed the amount required by such governmental or regulatory authority;

21. the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in the form of customer deposits and advance payments received in the ordinary course of business from customers for purchases in the ordinary course of business;

22. the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance of Disqualified Stock by the Company or preferred stock by any Restricted Subsidiary in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause 22, not to exceed the greater of (x) $115 million and (y) 3.25 per cent of Consolidated Total Assets determined as of the date of such incurrence or issuance;

23. the incurrence by a Restricted Subsidiary of Indebtedness for the purpose of financing all or part of the purchase price, lease expense, charter expense, rental payments or cost of design, development, construction, transportation, installation, migration or improvement of property, plant or equipment or other assets used in the business of the Company or any Restricted Subsidiary and which is acquired by any such Restricted Subsidiary ("**Relevant Assets**") (including any reasonably related fees or expenses incurred in connection therewith), including any Permitted Refinancing Indebtedness incurred to extend, renew, refund, refinance, replace, exchange, defease or discharge any such Indebtedness incurred pursuant to this clause 23, provided that any creditor in respect of such Indebtedness has recourse solely against (a) the Company under an unsecured guarantee granted by the Company in respect of such Indebtedness and (b) such Restricted Subsidiary, provided further that in the case of (b) such recourse is limited to (i) the Relevant Assets and the proceeds thereof and (ii) in the event such Restricted Subsidiary is a special purpose vehicle established solely for the purpose of owning the Relevant Assets, the shares in such Restricted Subsidiary and the proceeds thereof; and

24. the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance of Disqualified Stock by the Company or preferred stock by any Restricted Subsidiary in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to extend, renew, refund, replace, exchange, defease or discharge any Indebtedness incurred pursuant to this clause 24 not to exceed $300.0 million.

For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this covenant:

1. in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses 1 through 22 above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant; Notwithstanding the foregoing, Indebtedness incurred pursuant to the Senior Facility shall be deemed to be incurred pursuant to paragraph 1 under the caption "Incurrence of indebtedness and issuance of preferred stock" and may not be reclassified;

2. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

3. Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

The amount of any Indebtedness outstanding as of any date will be:

1. in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

2. in respect of Hedging Obligations, either (a) zero if such Hedging Obligation is incurred pursuant to clause 1 of the second paragraph of this covenant or (b) the notional amount of such Hedging Obligation if not incurred pursuant to such clause;

3. the principal amount of the Indebtedness, in the case of any other Indebtedness; and

4. in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

   (a) the Fair Market Value of such assets at the date of determination; and

   (b) the amount of the Indebtedness of the other Person.

Accrual of interest, accrual of dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this "—Incurrence of indebtedness and issuance of preferred stock" covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a different currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; provided, however, that (i) if such Indebtedness denominated in non-U.S. dollar currency is subject to a Currency Exchange Protection Agreement with respect to U.S. dollars, the amount of such Indebtedness expressed in U.S. dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. dollar-equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date. The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. dollar-equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

1. such U.S. dollar-equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence; and

2. the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. dollar-equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness upon any of its property or assets (whether now owned or hereafter acquired), except Permitted Liens, unless the Notes or Note Guarantees, as applicable, are secured by a Lien on such property or assets on an equal and rateable basis with the Indebtedness so secured until such time as such Indebtedness is no longer so secured by that Lien.

Dividend and other payment restrictions affecting subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

make loans or advances to the Company or any of its Restricted Subsidiaries; or

sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

1. agreements governing Existing Indebtedness and Credit Facilities as in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; provided that the amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

2. the Indenture, the Notes (including Additional Notes) and the Note Guarantees;

3. applicable law, rule, regulation or order or the terms of any license, authorization, approval, concession or permit or similar restriction;

4. any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

5. customary non-assignment and similar provisions in contracts, leases and licenses (including, without limitation, licenses of intellectual property) entered into in the ordinary course of business;

6. purchase money obligations for property (including Capital Stock) acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in clause 0 of the preceding paragraph;

7. any agreement for the sale or other disposition of assets, including without limitation an agreement for the sale or other disposition of the Capital Stock or assets of a Restricted Subsidiary, that restricts distributions by the applicable Restricted Subsidiary pending the sale or other disposition;

8. Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

9. Liens permitted to be incurred under the provisions of the covenant described above under the caption "Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

10. provisions limiting the disposition or distribution of assets or property in, or transfer of Capital Stock of, joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets, property or Capital Stock that are the subject of such agreements;

11. agreements governing other Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be incurred in accordance with the covenant described under the caption "Incurrence of indebtedness and issuance of preferred stock", and any amendments, restatements, modifications, renewals, supplements, increases, refundings, replacements or refinancings of those agreements; provided that any such encumbrance or restriction contained in such Indebtedness are not materially more restrictive taken as a whole than customary in comparable financings in such jurisdictions as such Indebtedness is being incurred or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company);

12. supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements, joint venture agreements and similar documents and agreements;

13. customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

14. encumbrances or restrictions contained in Hedging Obligations permitted from time to time under the Indenture;

15. restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under contracts entered into in the ordinary course of business; and

16. any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses 1 through 15, or in this clause 16; provided that the terms and conditions of any such encumbrances or restrictions are not materially more restrictive taken as a whole with respect to such dividend and other payment restrictions than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or will not adversely affect in any material respect the Company's ability to make principal or interest payments on the Notes as they become due (in each case, as determined in good faith by a responsible accounting or financial officer of the Company).

Merger, consolidation or sale of assets

The Company

The Company will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Company is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

1. either:

   (a) the Company is the surviving corporation; or

   (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Norway, Canada, Australia, Japan, any state of the United States or the District of Columbia;

2. the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably acceptable to the Trustee;

3. immediately after such transaction or transactions, no Default or Event of Default exists;

4. the Company or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable two half-year reference period:

   (a) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "Incurrence of indebtedness and issuance of preferred stock' or

   (b) have a Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction;

5. each Guarantor (unless it is the other party to the transactions above, in which case clause 2 shall apply) shall have by supplemental indenture confirmed that its Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes and shall continue to be in effect; and

6. the Company shall have delivered to the Trustee an Officers' Certificate and an opinion of counsel, each stating that such consolidation, amalgamation, merger or disposition and such supplemental indenture (if any) comply with this covenant; provided that in giving an opinion of counsel, counsel may rely on an Officers' Certificate as to any matters of fact.

The surviving entity will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, but, in the case of a lease of all or substantially all of its properties or assets, the Company will not be released from the obligation to pay the principal of and interest and premium, if any, on the Notes.

The Guarantors

A Guarantor (other than any Guarantor whose Note Guarantee is to be released in accordance with the terms of the Note Guarantee and the Indenture as described under "Note Guarantees release") may not sell or otherwise dispose of all or substantially all of its properties or assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor, unless:

1. immediately after giving effect to that transaction, no Default or Event of Default exists; and

2. either:

   (a) such Guarantor is the surviving entity;

   (b) the Person acquiring the property in any such sale or other disposition or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Company or another Guarantor) unconditionally assumes, pursuant to a supplemental indenture substantially in the form specified in the Indenture, all the obligations of such Guarantor under such Indenture, its Note Guarantee, the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreement on the terms set forth therein; or

   (c) the Net Proceeds of such sale or other disposition are applied in accordance with the provisions of the Indenture described under the caption "Repurchase at the option of holders—Asset sales".

Although there is a limited body of case law interpreting the phrase 'substantially all,' there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

Clauses 3 and 4 of the first paragraph of this covenant will not apply to any merger, consolidation or amalgamation of the Company or any Restricted Subsidiary with or into an Affiliate solely for the purpose of reincorporating the Company or such Restricted Subsidiary in another jurisdiction. Nothing in the Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to the Company, (ii) the Company merging with or into a Restricted Subsidiary for the purpose of reincorporating the Company in another jurisdiction, and (iii) any Restricted Subsidiary consolidating or amalgamating with, merging with or into or disposing of all or part of its properties or assets to another Restricted Subsidiary.

Transactions with affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an **"Affiliate Transaction"**) involving aggregate payments or consideration in excess of $20.0 million, unless:

1. the Affiliate Transaction is on terms that are no less favourable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person (as determined in good faith by a responsible accounting or financial officer of the Company); and

2. with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $50.0 million, the Company delivers to the Trustee a resolution of the Board of Directors of the Company set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

1. transactions between or among the Company and/or its Restricted Subsidiaries;

2. Restricted Payments not prohibited by the provisions of the Indenture described above under the caption "Restricted payments" and Permitted Investments;

3. transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

4. any customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consultant agreements, employment agreements, collective bargaining agreements, severance agreements, any other compensation or employee benefit plans or arrangements (including stock option, stock appreciation, stock incentive or stock ownership or similar plans) or legal fees (as determined in good faith by a majority of the disinterested members of the Board of Directors of the Company or, so long as the Company remains listed on the London Stock Exchange, otherwise in compliance with the Company's code of corporate governance) and payments, awards, grants or issuances of securities pursuant thereto;

5. any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;

6. transactions with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, can designate one or more members of the board of, or otherwise controls, such joint venture or similar entity;

7. transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and as described in Explanatory Statement in section 14 ("Related party transaction") in Appendix 16 (Additional information) to the Explanatory Statement, and transactions pursuant to any amendment, modification, supplement or extension thereto; provided that any such amendment, modification, supplement or extension to the terms thereof, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement or arrangement as in effect on the Issue Date;

8. (i) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labour, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Company or the Restricted Subsidiaries, in the reasonable determination of the senior management of the Company, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated Person and (ii) to the extent constituting Affiliate Transactions, transactions with any governmental agency or entity in connection with the Oil and Gas Business;

9. (payments or other transactions pursuant to any tax sharing agreement or arrangement among the Company or any of its Restricted Subsidiaries and any other Person with which the Company or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Company or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation; provided, however, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Company or such Restricted Subsidiaries would owe if such Person was not a member of such consolidated or tax advantageous group; and

10. transactions between the Company or any Restricted Subsidiary and any Person, a director of which is also a director of the Company or any direct or indirect parent of the Company and such director is the sole cause for such Person to be deemed an Affiliate of the Company or any Restricted Subsidiary; provided, however, that such director shall abstain from voting as a director of the Company or such direct or indirect parent company, as the case may be, on any matter involving such other Person.

Limitation on lines of business

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Oil and Gas Business, except to the extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

Limitation on guarantees of indebtedness by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to Guarantee, assume or in any other manner become liable for the payment of any Public Indebtedness of the Company (other than the Notes) or a Guarantor (other than a Guarantee of the Notes), unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary which Note Guarantee will be senior in right of payment to or *pari passu* in right of payment with such Restricted Subsidiary's Guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Note Guarantee may be subordinated in right of payment to the Senior Debt of such additional Guarantor.

The foregoing paragraph will not be applicable to any Guarantees of any Restricted Subsidiary:

1. existing on the date of the Indenture;

2. that existed at the time such Person became a Restricted Subsidiary if the Guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

3. arising due to the granting of a Permitted Lien; or

4. given to a bank or trust company having combined capital and surplus and undivided profits of not less than $250.0 million, whose debt has a rating, at the time such Guarantee was given, of at least "A" or the equivalent thereof by S&P and at least "A2" or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Company's benefit or that of any Restricted Subsidiary.

In addition, notwithstanding anything to the contrary herein:

1. no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Company or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Company or the Restricted Subsidiary; and

2. each such Guarantee will be limited as necessary to recognize certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital

maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law.

Future Guarantees granted pursuant to this provision will be released as set forth under "Note Guarantees release". A Guarantee of a future Guarantor will be deemed to provide by its terms that it shall be automatically and unconditionally released and discharged if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was incurred after the Issue Date and which could not have been incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Trustee shall take all necessary actions, including the granting of releases or waivers under the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be either (1) a Restricted Investment made as of the time of the designation that will reduce the amount available for Restricted Payments under the covenant described above under the caption "Restricted payments" or (2) a Permitted Investment under one or more clauses of the definition of Permitted Investments, as determined in good faith by a responsible accounting or financial officer of the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "Restricted payments". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "Incurrence of indebtedness and issuance of preferred stock", the Company will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "Incurrence of indebtedness and issuance of preferred stock", calculated on a pro forma basis as if such designation had occurred at the beginning of the two half-year reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

1. The Company will make available, upon request, to any holder of Notes or prospective purchaser of Notes in the United States, in connection with any sale thereof, the information specified in Rule 144A(d)(4) under the U.S. Securities Act, unless the Company is subject to Section 13 or 15(d) of the U.S. Exchange Act at or prior to the time of such request. The Company shall at all times comply with section 314(a) of the U.S. Trust Indenture Act, to the extent applicable to it.

2. So long as any Notes are outstanding, the Company shall furnish to the Trustee (which shall distribute the same to a holder of Notes upon such holder's written request):

    (a) within 120 days after the end of each of the Company's fiscal years beginning with the fiscal year ending 31 December 2016, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to this Offering Memorandum: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the two most recent fiscal years (and comparative information for the end of the prior fiscal year), including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information, together with any explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, unless the pro forma information has been previously provided; provided that such pro forma financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations including a discussion of financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, all material affiliate transactions, Indebtedness and material financing arrangements and all material debt instruments; and (e) material risk factors and material recent developments; provided that (for so long as the U.K. Listing Authority and London Stock Exchange require annual reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for annual reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (a) with respect to such item;

(b) within 90 days after the end of the Company's first fiscal half-year in each fiscal year beginning with the half-year ending 30 June 2014, semi-annual reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such six-month period and unaudited condensed statements of income and cash flow for the year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year period for the Company, together with condensed note disclosure; (b) pro forma income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the period as to which such report relates; provided that such pro forma financial information will be provided only to the extent required to be disclosed by the U.K. Listing Authority and London Stock Exchange or, in the event the Company is no longer listed on the London Stock Exchange, to the extent available without unreasonable expense; (c) an operating and financial review of the unaudited financial statements including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current half-year period and the corresponding period of the prior year; and (d) material recent developments; provided that (for so long as the U.K. Listing Authority and London Stock Exchange require interim reports and the Company is subject to such requirements) any item of disclosure that complies in all material respects with the requirements of the U.K. Listing Authority and London Stock Exchange for interim reports with respect to such item will be deemed to satisfy the Company's obligations under this clause (b) with respect to such item; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Company and its Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Company or changes in auditors of the Company or other material event that the Company announces publicly, a report containing a description of such event (but only to the extent that such acquisition, disposition, restructuring, change or event has been required to be publicly announced or disclosed by the U.K. Listing Authority and London Stock Exchange for so long as the Company is subject to such requirements);

provided, however, that any reports set out in this paragraph delivered to the Trustee via e-mail or other electronic means shall be deemed to have been "furnished' to the Trustee in accordance with the terms of this paragraph.

All financial statements, other than any pro forma financial information provided pursuant to clauses (a) and (b) of the second paragraph of this covenant, shall be prepared in accordance with IFRS on a consistent basis for the periods presented. Except as provided for above, no report need include separate financial statements for the Company or Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the semi-annual and annual financial information required pursuant to clauses (a) and (b) of the second paragraph of this covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

The Company will also make available copies of all reports required by clauses (a)-(c) of the second paragraph of this covenant either (i) on the Company's website or (ii) publicly available through substantially comparable means (as determined by an Officer of the Company in good faith) (it being understood that, without limitation, making such reports available on Bloomberg or another private electronic information service will constitute substantially comparable public availability). In addition, in the case of furnishing the information pursuant to clauses (a) and (b) of the second paragraph of this covenant, the Company will promptly thereafter hold a conference call or provide live streaming access to a presentation in which holders of the Notes are given an opportunity to participate hosted by an Officer of the Company to discuss the operations of the Company and its Subsidiaries in respect of the relevant period. The Company will also make available copies of all reports required by clauses (a) and (b) of the second paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, at the specified office of the Principal Paying Agent in New York.

Suspension of covenants when Notes rated investment grade

If on any date following the Issue Date:

1. the Notes have achieved Investment Grade Status; and

2. no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the **"Suspension Period"**), the covenants specifically listed under the following captions in this Offering Memorandum will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries:

1. "Repurchase at the option of holders—Asset sales';
2. "Certain covenants—Restricted payments";
3. "Certain covenants—Incurrence of indebtedness and issuance of preferred stock";
4. "Certain covenants—Dividend and other payment restrictions affecting subsidiaries";
5. "Certain covenants—Designation of restricted and unrestricted subsidiaries";
6. "Certain covenants—Transactions with affiliates";
7. "Certain covenants—Limitation on guarantees of indebtedness by restricted subsidiaries";
8. clause (4) of the first paragraph of the covenant described under "Certain covenants— Merger, consolidation or sale of assets"; and
9. "Certain covenants—Limitation on lines of business".

Such covenants will not, however, be of any effect with regard to the actions of the Company and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; provided that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under the caption "Restricted payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph of the caption "Incurrence of indebtedness and issuance of preferred stock". Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Company shall notify the Trustee and the holders that the two conditions set forth in the first paragraph under this heading have been satisfied, provided that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obligated to notify holders that the two conditions set forth in the first paragraph under this heading have been satisfied.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Maintenance of listing

The Company will use its commercially reasonable efforts to maintain the listing of the Notes on the Euro MTF Market for so long as such Notes are outstanding; provided that if the Company is unable to obtain admission to listing of the Notes on the Luxembourg Stock Exchange or if at any time the Company determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another recognized stock exchange.

EVENTS OF DEFAULT AND REMEDIES

Each of the following is an "Event of Default":

1. default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);
2. default in the payment when due (at final maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes (whether or not prohibited by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement);
3. failure by the Company or any Guarantor to comply with the provisions described under the caption "—Certain covenants—Merger, consolidation or sale of assets";
4. failure by the Company for 30 days after written notice to the Company by the Trustee or the holders of at least 25 per cent in aggregate principal amount of the Notes then outstanding to comply with any of the provisions described under the caption "—Repurchase at the option of holders—Change of control" above;
5. failure by the Company or relevant Guarantor for 60 days after written notice to the Company by the Trustee or the holders of at least 25 per cent in aggregate principal amount of the Notes then outstanding to comply with any of the other agreements in the Indenture (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses 1, 2, 3 or 4), or the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement;
6. default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of

which is Guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created, after the Issue Date, if that default:

(a) is caused by a failure to pay principal of such Indebtedness at final maturity thereof after giving effect to any applicable grace periods provided in such Indebtedness and such failure to make any payment has not been waived or the maturity of such Indebtedness has not been extended (a **"Payment Default"**); or

(b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$100.0 million or more;

7. failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of \$100.0 million (net of any amount with respect to which a reputable and solvent insurance company has acknowledged liability in writing), which judgments are not paid, discharged, stayed or fully bonded for a period of 60 days (or, if later, the date when payment is due pursuant to such judgment);

8. except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of a Significant Subsidiary is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor that is a Significant Subsidiary or any Person acting on behalf of any such Guarantor that is a Significant Subsidiary, denies or disaffirms its obligations under its Note Guarantee;

9. certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; and

10. an event of default occurs under the Retail Notes.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, all then outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25 per cent in aggregate principal amount of the then outstanding Notes may declare all of the then outstanding Notes to be due and payable immediately by notice in writing to the Company and, in case of a notice by holders, also to the Trustee specifying the respective Event of Default and that it is a notice of acceleration.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except (subject to the provisions described under "Amendment, supplement and waiver") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

1. such holder has previously given the Trustee notice that an Event of Default is continuing;

2. holders of at least 25 per cent in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

3. such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

4. the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

5. holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Notwithstanding the foregoing provisions of this section, the Trustee shall give any such notice to the Holders in compliance with section 315(b) of the U.S. Trust Indenture Act.

The holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of interest or Additional Amounts or premium on, or the principal of, the Notes held by a non-consenting holder (which may be waived with the consent of each holder of Notes affected).

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

Additional guarantee subordination agreements

The Indenture will provide that, subject to the covenants contained therein, at the request of the Company, at or prior to any time that the Company or any of the Company's Restricted Subsidiaries Guarantees or otherwise incurs any Senior Debt that is permitted to be incurred pursuant to the covenants described under the heading "Certain covenants—Incurrence of indebtedness and issuance of preferred stock" and "Certain covenants—Liens, "the Company, any relevant Guarantor and the Trustee may (without the consent of the holders of the Notes), either amend and/or restate the Guarantee Subordination Agreement or enter into with the creditors and/or representatives of creditors with respect to such Senior Debt a subordination agreement or deed (each, an "**Additional Guarantee Subordination Agreement**"), in either such case on substantially similar terms to the terms of the Guarantee Subordination Agreement (where applicable) with respect to the subordination in right of payment, payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections (or, in the case of any such terms, terms more favourable to the holders of the Notes).

Such amendment and/or restatement of the Guarantee Subordination Agreement or such entry into an Additional Guarantee Subordination Agreement, as the case may be, will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or the holders of Notes under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or result in the Trustee or the holders of the Notes being in breach, or otherwise in violation, of the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Indenture also provides that, at the direction of the Company and without the consent of the holders of the Notes, the Trustee will, upon the direction of the Company, from time to time enter into one or more amendments to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness of the types covered by the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement in a manner not prohibited by the Indenture and in a manner substantially consistent with the ranking and terms of such Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement; (iii) add Guarantors or other parties (such as representatives of new issuances of Indebtedness) thereto; (iv) make any change necessary or desirable, in the good faith determination of an Officer of the Company, in order to implement any transactions permitted under the caption "Certain covenants—Merger, consolidation or sale of assets"; provided that any such change does not adversely affect the rights of the holders of the Notes in any material respect; or (v) make any other such change thereto that does not adversely affect the rights of the holders of the Notes in any material respect; provided that the Trustee shall not be obligated to enter into any amendment to the extent such amendment imposes any personal obligations on the Trustee or, in the reasonable opinion of the Trustee, adversely affects the Trustee's rights, duties, liabilities or immunities under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

The Company shall not otherwise direct the Trustee to enter into any amendment or restatement of the Guarantee Subordination Agreement or enter into any Additional Guarantee Subordination Agreement without the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted as described below under "Amendment, supplement and waiver". The Guarantee Subordination Agreement or any Additional Guarantee Subordination

Agreement may be discharged at the option of the Company if at the date of such discharge the Indebtedness of the Company or a Restricted Subsidiary in respect of Senior Liabilities (as defined in the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement) has been discharged or refinanced. The Trustee shall take all necessary actions to effectuate the discharge of the Guarantee Subordination Agreement or any relevant Additional Guarantee Subordination Agreement in accordance with these provisions, subject to customary protections and indemnifications.

Each holder of a Note, by accepting such Note, will be deemed to have:

1. appointed and authorized the Trustee to give effect to such provisions;

2. authorized the Trustee to become a party to the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements;

3. agreed to be bound by such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements; and

4. irrevocably appointed the Trustee to act on its behalf to enter into and comply with such provisions and the provisions of the Guarantee Subordination Agreement and any Additional Guarantee Subordination Agreements.

No personal liability of directors, officers, employees and stockholders

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

Legal defeasance and covenant defeasance

The Company may at any time, at its option, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees (**"Legal Defeasance"**) except for:

1. the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

2. the Company's obligations with respect to the Notes concerning registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

3. the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and the Guarantors' obligations in connection therewith; and

4. the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants (including the Company's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture (**"Covenant Defeasance"**) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment or, solely with respect to the Company, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of default and remedies' will no longer constitute an Event of Default with respect to the Notes. If the Company exercises either its Legal Defeasance or Covenant Defeasance option, each Guarantor will be released and relieved of any obligations under its Note Guarantee.

In order to exercise either Legal Defeasance or Covenant Defeasance:

1. the Company must irrevocably deposit with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient to pay the principal of, or interest (including Additional Amounts) and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

2. in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

3. in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

4. such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

5. the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

6. the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

For the avoidance of doubt, all cash and securities deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) to hold in trust pursuant to this section or "Satisfaction and discharge' shall not be subject to subordination pursuant to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement.

Amendment, supplement and waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be amended or supplemented with the consent of the Company and the holders of a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by each of the holders affected thereby (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of the Company and each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

1. reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

2. reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or repurchase of the Notes (other than provisions relating to the covenants described above under the caption "Repurchase at the option of holders");

3. reduce the rate of or change the time for payment of interest, including default interest, on any Note;

4. waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

5. make any Note payable in money other than that stated in the Notes;

6. make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (other than as permitted in clause 7 below);

7. waive a redemption or repurchase payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "Repurchase at the option of holders");

8. modify or release any of the Note Guarantees in any manner adverse to the holders of the Notes, other than in accordance with the terms of the Indenture and the Guarantee Subordination Agreement (or any Additional Guarantee Subordination Agreement);

9. impair the right of any holder of Notes to receive payment of principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes or any Note Guarantee in respect thereof;

10. make any change to the ranking of the Notes or Note Guarantees, in each case in a manner that adversely affects the rights of the holders of the Notes; or

11. make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement for the purposes described under "Additional guarantee subordination agreements" or:

1. to cure any ambiguity, defect or inconsistency;

2. to provide for uncertificated Notes in addition to or in place of certificated Notes;

3. to provide for the assumption of the Company's or a Guarantor's obligations to holders of Notes and Note Guarantees in the case of a transaction described under "Certain covenants—Merger, consolidation or sale of assets";

4. to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

5. to comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the U.S. Trust Indenture Act to the extent applicable.;

6. to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

7. to allow any Guarantor to Guarantee the Notes or to evidence the release of Note Guarantees pursuant to the terms of the Indenture;

8. to the extent necessary to provide for the granting of a security interest for the benefit of any Person; provided that the granting of such security interest is not prohibited under the Indenture;

9. to evidence and provide for the acceptance and appointment of a successor trustee under the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement or to provide for the accession by the Trustee to the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement; or

10. to provide for the payment, on each Interest Payment Date subsequent to the Senior Facility Repayment Date, of interest and Additional Amounts on the Notes in cash.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including opinions of counsel and Officers' Certificates.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Notwithstanding the preceding provisions of this section, the right of any Holder to receive payment of the principal of and interest on the Notes, on or after the respective due dates, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Every amendment or supplement to the Indenture or the Notes will be set forth in an amended or supplemental indenture that complies with the U.S. Trust Indenture Act as then in effect to the extent applicable.

Satisfaction and discharge

The Indenture and the Note Guarantees will be discharged and will cease to be of further effect as to all Notes issued thereunder (except as to surviving rights to transfer or exchange Notes and as otherwise specified in the Indenture), when:

1. either:

    (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Registrar for cancellation; or

    (b) all Notes that have not been delivered to the Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year, and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable

    U.S. Government Obligations or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of any interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Registrar for cancellation for principal, premium, Additional Amounts, if any, and accrued interest to the date of final maturity or redemption;

2. in the case of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

3. the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

4. the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at final maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; provided that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses 1, 2, 3 and 4). (g) The Trustee will comply with the provisions of section 313(b)(2) of the U.S. Trust Indenture Act to the extent applicable.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for admission and trading on the Euro MTF Market. There can be no assurance that the application will be accepted. The listing agent is Deutsche Bank Luxembourg S.A.

Judgment currency

Any payment on account of an amount that is payable in U.S. dollars which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the **"Judgment Currency"**), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or any Guarantor, shall constitute a discharge of the Company or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of U.S. dollars with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of U.S. dollars that could be so purchased is less than the amount of U.S. dollars originally due to such holder or the Trustee, as the case may be, the Company and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Concerning the Trustee

The Company shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest, it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. In case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its rights or powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security or indemnity satisfactory to it against any loss, liability or expense.

The Company and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, fraud, wilful misconduct or bad faith on its part, arising out of or in connection with its duties.

Additional information

Anyone who receives this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture, the Guarantee Subordination Agreement or any Additional Guarantee Subordination Agreement without charge by writing to EnQuest PLC, Cunard House, 15 Regent Street, London, SW1Y 4LR, United Kingdom, care of Stefan Ricketts.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of the Company's annual audited consolidated financial statements and the Company's unaudited consolidated interim financial statements may be obtained, free of charge, during normal business hours at the offices of the Paying Agents in New York and at the offices of the Luxembourg Listing Agent in Luxembourg.

Consent to jurisdiction and service of process

The Indenture will provide that each of the Company and the Guarantors will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such non-exclusive jurisdiction.

Enforceability of judgments

Since substantially all of the assets of the Company and the Guarantors are outside the United States, any judgment obtained in the United States against the Company or any Guarantor may not be collectable within the United States. See 'Service of process and enforcement of civil liabilities".

Prescription

Claims against the Company or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will not be permitted ten years after the applicable due date for payment thereof. Claims against the Company or any Guarantor for the payment of interest on the Notes will not be permitted five years after the applicable due date for payment of interest.

Enforceability of judgments

The Indenture and the Notes are governed by, and will be construed in accordance with, the laws of the state of New York.

Certain definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"2016 Equity Issuance" means the placing and open offer of up to $100.0 million (equivalent) launched pursuant to the prospectus dated October 14, 2016 as part of the Scheme.

"2022 Notes" means the Company's 7% Senior Notes due 2022, in exchange for which the Original Notes are to be issued under the Indenture pursuant to the Scheme.

"Acquired Debt" means, with respect to any specified Person:

(a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Additional Assets" means:

(a) any property or assets used or useful in the Oil and Gas Business;

(b) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or any of its Restricted Subsidiaries; or

(c) Capital Stock constituting a Minority Interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in clause (b) or (c) of this definition is primarily engaged in the Oil and Gas Business.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, **"control"**, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms **"controlling"**, **"controlled by"** and **"under common control with"** have correlative meanings.

"Agents" means the Principal Paying Agent, the Transfer Agent and the Registrar.

"Applicable Premium" means, with respect to any Note at any time, the greater of (1) 1.0% of the principal amount of such Note and (2) the excess of:

(a) the present value at such time of (i) the Redemption Price of the Note on April 15, 2017 (such Redemption Price being set forth in the table under the caption "Optional redemption", plus (ii) all required interest payments due on the Note through April 15, 2017 (excluding accrued but unpaid interest to the Redemption Date) discounted back to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the Treasury Rate as of such time plus 50 basis points; over

(b) the then-outstanding principal amount of the Note.

The Company shall calculate the Applicable Premium and, for the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee, the Registrar or any Paying Agent.

"Applicable Procedures" means, with respect of any transfer or exchange of, or for beneficial interests in, any Global Note, the rules and procedures of the relevant Clearing System that apply to such transfer or exchange.

"Asset Sale" means:

(a) the sale, lease, conveyance or other disposition of any assets or rights (including by way of a Production Payment but excluding an operating lease entered into in the ordinary course of the Oil and Gas Business); *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the captions entitled "Change of control", "Merger, consolidation or sale of assets" and not by "Asset sales".; and

(b) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale by the Company or its Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than \$50.0 million;

(b) a transfer or other disposition of assets or Equity Interests between or among the Company and its Restricted Subsidiaries;

(c) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;

(d) the sale, lease or other disposition of products, services, Hydrocarbons or mineral products inventory or accounts receivable or other assets in the ordinary course of business;

(e) the abandonment, farm-in, farm-out, carry, lease or sublease of any oil and gas properties or the forfeiture or other disposition of such properties, in each case in the ordinary course of business;

(f) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person) related to such assets;

(g) any sale or other disposition of damaged, unserviceable, worn-out or obsolete assets in the ordinary course of business;

(h) the sale or other disposition of cash or Cash Equivalents or other financial assets in the ordinary course of business;

(i) for purposes of the caption "Asset sales" only, the making of a Permitted Investment or a disposition subject to the caption "Restricted payment";

(j) the sale or other disposition (whether or not in the ordinary course of business) of crude oil and natural gas properties; *provided* that at the time of such sale or other disposition such properties do not have associated with them any proved and probable reserves;

(k) any Asset Swap;

(l) granting of Liens not prohibited by the provisions described under the caption "Liens";

(m) the licensing or sublicensing of intellectual property, including licenses for seismic data or other general intangibles and licenses, leases or subleases of other property, in the ordinary course of business and which do not materially interfere with the business of the Company and its Restricted Subsidiaries taken as a whole;

(n) a surrender or waiver of contract rights, oil and gas leases or the settlement, release or surrender of contract, tort or other claims of any kind;

(o) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(p) any sale or other disposition of any oil and gas properties or interests therein to any governmental authority that is (i) a result of a relinquishment to, or a compulsory or involuntary acquisition by, such authority or (ii) made in connection with acquiring, renewing or retaining, as applicable, any other oil and gas properties or interests awarded by such governmental authority; *provided* that any cash or Cash Equivalents received in connection with any such sale or other disposition must be applied in accordance with the caption "Asset sales";

(q) foreclosure, condemnation or any similar action with respect to any property or other assets; and

(r) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto.

"Asset Swap" means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange (including by way of any farm-out, farm-in, lease or sublease or any other contractual transfer of rights) of any assets or properties or interests therein (including, for the avoidance of doubt, shares in companies owning such assets or properties or interests therein) used or useful in the Oil and Gas Business between the Company or any of its Restricted Subsidiaries and another Person; *provided* that the Fair Market Value of the properties or assets or interests therein traded or exchanged by the Company or such Restricted Subsidiary (together with any cash) is reasonably equivalent (as determined in good faith by a responsible accounting or financial officer of the Company) to the Fair Market Value of the properties or assets or interests therein (together with any cash) to be received by the Company or such Restricted Subsidiary, and *provided* further that any net cash received must be applied in accordance with the caption "Asset sales".

"Bank Credit Facilities" means any Credit Facility that does not constitute Public Indebtedness.

"Bankruptcy Law" means (i) the UK Insolvency Act 1986, as amended (together with the rules and regulations made pursuant thereto), (ii) title 11, United States Bankruptcy Code of 1978, as amended and (iii) any other applicable law relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganization or relief of debtors.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d–3 and Rule 13d–5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in section 13(d)(3) of the U.S. Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms **"Beneficial Ownership"**, **"Beneficially Owns"** and **"Beneficially Owned"** have a corresponding meaning.

"Board of Directors" means:

(a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(b) with respect to a partnership, the board of directors of the general partner of the partnership;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or committee of such Person serving a similar function.

"Book-Entry Interest" means a beneficial interest in a Global Note held by or through a Participant.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, Luxembourg or New York or another place of payment under the Indenture are authorized or required by law to close.

"Calculation Date" has the meaning given in the definition of "*Fixed Charge Coverage Ratio*".

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"Capital Stock" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

(a) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union on December 31, 2003, Switzerland, Norway, Canada, Australia or Japan (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland, Norway, Canada, Australia or Japan, as the case may be, having maturities of not more than fifteen months from the date of acquisition, the long-term debt of which is rated at the time of acquisition thereof is at least "A" or the equivalent thereof by S&P, or "A2" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency;

(b) certificates of deposit, time deposits, eurodollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than fifteen months from the date of acquisition thereof issued by any commercial bank, the long-term debt of which is rated at the time of acquisition thereof at least "A-" or the equivalent thereof by S&P, or "A3" or the equivalent thereof by Moody's or the equivalent rating category of another internationally recognized rating agency, and having combined capital and surplus in excess of $250.0 million;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) of this definition entered into with any financial institution meeting the qualifications specified in clause (b) of this definition;

(d) commercial paper rated at the time of acquisition thereof at least "A–2" or the equivalent thereof by S&P or "P–2" or the equivalent thereof by Moody's, or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof;

(e) in the case of any Restricted Subsidiary of the Company located outside the United States, Canada and the European Union, any substantially similar investment to the kinds described in clauses (b) and (c) of this definition obtained in the ordinary course of business and (i) with the highest ranking obtainable in the applicable jurisdiction or (ii) with any bank, trust company or similar entity, which would rank, in terms of combined capital and surplus and undivided profits or the ratings on its long-term debt, among the top five banks in such jurisdiction; and

(f) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (d) of this definition.

"Cash Payment Condition" will be satisfied in respect of an Interest Payment Date (as determined by the Company) if (i) the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the Payment Condition Determination Date is equal to or above $65.00; and (ii) as at the relevant Payment Condition Determination Date, no payment Event of Default (as defined in the Senior Facility) under the Senior Facility has occurred and is continuing, which shall include, for the avoidance of doubt, any such Event of Default (as defined in the Senior Facility) arising as a result of the aggregate amount of the loans and letters of credit outstanding under the Senior Facility exceeding the Aggregate Commitments (as defined in the Senior Facility) applicable at such time.

"Change of Control" means the occurrence of any of the following:

(a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in section 13(d) of the U.S. Exchange Act);

(b) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(c) the consummation of any transaction (including any merger or consolidation), the result of which is that any "person" (as defined in clause (a) of this definition) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares.

"Clearing System" means DTC, Euroclear and/or Clearstream, Luxembourg.

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*, and its successors.

"Companies Act" means the UK Companies Act 2006, as amended.

"Consolidated Cash Flow" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus the following, without duplication:

(a) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with a sale of assets (together with any related provision for taxes and any related non-recurring charges relating to any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity) to the extent deducted in calculating such Consolidated Net Income; plus

(b) taxes based on income or profits of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; plus

(c) the Fixed Charges of such Person and its Restricted Subsidiaries for such period to the extent deducted in calculating such Consolidated Net Income; plus

(d) depreciation, depletion, amortization (including amortization of intangibles and deferred financing fees but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment and other non-cash charges and expenses (including write downs and impairment of property, plant, equipment and intangible and other long lived assets and the impact of purchase accounting on the Company and its Restricted Subsidiaries for such period), of such Person and its Restricted Subsidiaries (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) for such period to the extent deducted in calculating such Consolidated Net Income; plus

(e) any expenses, charges or other costs related to the issuance of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Indebtedness permitted to be incurred under the caption "Incurrence of indebtedness and issuance of preferred stock" (including any refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (ii) any amendment or other modification of any incurrence, in each case to the extent deducted in calculating such Consolidated Net Income; plus

(f) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness); plus

(g) the amount of any minority interest expense consisting of subsidiary income attributable to Minority Interests of third parties in any non-wholly owned Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; plus

(h) if such Person accounts for its oil and natural gas operations using successful efforts or a similar method of accounting, consolidated exploration and abandonment expense and write-offs of the Company and its Restricted Subsidiaries; plus

(i) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income; plus

(j) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; minus

(k) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (a) through (j) of the definition of Consolidated Net Income), other than items that were accrued in the ordinary course of business; and minus

(l) the sum of (i) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (ii) amounts recorded in accordance with IFRS as repayments of principal and interest pursuant to Dollar-Denominated Production Payments,

in each case, on a consolidated basis and determined in accordance with IFRS.

"Consolidated Leverage" means, as of any date of determination, with respect to any specified Person, the total amount of Indebtedness under Credit Facilities of such Person and its Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations and excluding letters of credit) less cash and Cash Equivalents held by such specified Person as of the date of determination.

"Consolidated Leverage Ratio" means, as of any date of determination, with respect to any specified Person, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated Cash Flow of the Person for the two most recent half-year periods ending immediately prior to such date for which internal financial statements are available. For purposes of calculating the Consolidated Cash Flow for such period:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period, and on or prior to the date of determination, or that are to be made on the date of determination, will be given pro forma effect as if they had occurred on the first day of the two half-year reference period;

(b) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the date of determination (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be excluded;

(c) any Person that is a Restricted Subsidiary on the date of determination will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(d) any Person that is not a Restricted Subsidiary on the date of determination will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

For purposes of this definition, whenever pro forma effect is to be given to a transaction, the pro forma calculation shall be determined in good faith by a responsible accounting or financial officer of the Company and may include anticipated expense and cost reduction synergies. In determining the amount of Indebtedness in respect of borrowed money outstanding on any date of determination, pro forma effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness in respect of borrowed money on such date. Any undrawn amounts under revolving credit Indebtedness shall be deemed not to be outstanding.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiaries), determined in accordance with IFRS; *provided* that:

(a) the net income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(b) solely for the purpose of determining the amount available for Restricted Payments under clause (c) of paragraph 3(b) under the caption "Restricted payments" any net income (but not loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to such Person (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date and (iv) any restriction listed under paragraphs 1, 2, 4 or 11 under the caption "Dividend and other payment restrictions affecting subsidiaries" except that such Person's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to such Person or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

(c) the cumulative effect of a change in accounting principles will be excluded;

(d) income resulting from transfers of assets (other than cash) between such Person or any of its Restricted Subsidiaries, on the one hand, and an Unrestricted Subsidiary, on the other hand, will be excluded;

(e) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of such Person or its consolidated Restricted Subsidiaries (including pursuant to any sale or leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by a responsible accounting or financial officer of such Person) and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person will be excluded;

(f) any "ceiling limitation" or other asset impairment writedowns on oil and gas properties will be excluded;

(g) any unrealized non-cash gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(h) any non-cash compensation charge or expense arising from any grant of stock, stock option or other equity-based award will be excluded;

(i) to the extent deducted in the calculation of net income, any non-cash or non-recurring charges associated with any premium or penalty paid, write-off of deferred financing costs or other financial recapitalization charges in connection with redeeming or retiring any Indebtedness prior to its Stated Maturity will be excluded; and

(j) (i) extraordinary, exceptional, unusual or non-recurring gains, losses or charges, (ii) any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events) or (iii) any non-cash charges or reserves in respect of any restructurings, redundancy, integration or severance, or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges, in each case will be excluded.

"Consolidated Total Assets" means the total assets of the Company and its Subsidiaries on a consolidated basis, as shown on the most recent consolidated balance sheet of the Company prepared in accordance with IFRS.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person Guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute

Indebtedness (**"primary obligations"**) of any other Person (the **"primary obligor"**), including any obligation of such Person, whether or not contingent:

(a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(b) to advance or supply funds:

(i) for the purchase or payment of any such primary obligation; or

(ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor;

(c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof; or

(d) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes.

"continuing" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"Corporate Trust Office" means the principal corporate trust office of the Trustee, at which at any particular time its corporate trust business shall be administered, which office at the date of execution of the Indenture is located at Deutsche Bank Trust Company Americas, Trust & Agency Services, 60 Wall Street, MS NYC60-1630, New York, NY, USA, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"Credit Facilities" means, one or more debt facilities, capital markets indentures, instruments or arrangements incurred by the Company, any Restricted Subsidiary or any Finance Subsidiary (including the Senior Facility or commercial paper facilities and overdraft facilities) with banks, funds or other institutions or investors, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables) or letters of credit, notes or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks, funds, institutions or investors and whether provided under the Senior Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any promissory notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (a) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Company as additional borrowers, issuers or guarantors thereunder, (c) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"Currency Exchange Protection Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"Daily Brent Oil Price" means the end of day daily Dated Brent Future published by Platts (or such equivalent price that may replace the dated Brent price from time to time).

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Registered Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with the procedures under the "Transfer and Exchange" and the "Replacement Notes" caption, and substantially in the form included in the Indenture, except that such Note shall not bear the Global Note Legend or the DTC Legend and shall not have the "*Schedule of Principal Amount of Indebtedness Evidenced by this Note*" attached thereto.

"Designated Non-Cash Consideration" means the Fair Market Value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-Cash Consideration" pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the provisions under the caption "Restricted payments". For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"Dollar-Denominated Production Payments" means production payment obligations recorded as liabilities in accordance with IFRS, together with all undertakings and obligations in connection therewith.

"Dollar Equivalent" means with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as published in the Wall Street Journal in the "*Currencies & Commodities*" column under the heading "*Currencies*" on the date two Business Days prior to such determination.

"DTC" means The Depository Trust Company.

"DTC Legend" means the legend set forth in the Indenture.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Euroclear" means Euroclear Bank SA/NV, and its successors as operator of the Euroclear System.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Senior Facility and the Retail Notes) in existence on the date of the Indenture.

"Explanatory Statement" means the document dated October 25, 2016 made available to scheme creditors in connection with the Scheme by the Company.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Company.

"Finance Subsidiary" means a wholly owned subsidiary of the Company that is formed for the purpose of borrowing funds or issuing securities and lending the proceeds to the Company or a Guarantor and that conducts no business other than as may be reasonably incidental to, or related to, the foregoing.

"Fitch" means Fitch, Inc. or any successor to its ratings business.

"Fixed Charge Coverage Ratio" means, with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the

"Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable two full half-year reference period; *provided, however,* that the pro forma calculation of Fixed Charges shall not give effect to (a) any Indebtedness incurred on the Calculation Date (and, for the avoidance of doubt, not reclassified on such Calculation Date) pursuant to the caption "Incurrence of indebtedness and issuance of preferred stock" or (b) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the application of the proceeds of any Indebtedness incurred pursuant the caption "Incurrence of indebtedness and issuance of preferred stock".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used or useful in the Oil and Gas Business), or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, during the two half-year reference period or subsequent to such reference period and on or prior to the Calculation Date or that are to be made on the Calculation Date, will be given pro forma effect (including Pro Forma Cost Savings) as if they had occurred on the first day of the two half-year reference period;

(b) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(c) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two half-year reference period; and

(e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two half-year reference period.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense (net of interest income) of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding any interest attributable to Dollar-Denominated Production Payments) including amortization of discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments), the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations (excluding amortization of fees) in respect of interest rates; plus

(b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(c) any interest on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, to the extent paid in cash by such Person or any of its Restricted Subsidiaries; plus

(d) the product of (i) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any series of preferred stock of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of such Person (other than Disqualified Stock) or to the Person or a Restricted Subsidiary of such Person, times (ii) a fraction, the numerator of which is one and the denominator of which is one minus the then current statutory tax rate of such Person, expressed as a decimal.

"FPSO" means any floating storage and offloading unit, floating storage and production unit, floating production, storage and offloading unit, or similar moveable infrastructure (including vessels used or useful in connection with performing seismic surveys) and any related infrastructure in connection with the foregoing.

"Global Note Legend" means the legend set forth in the Indenture, which is required to be placed on all Global Notes issued under the Indenture.

"Global Notes" means, individually and collectively, each of the global notes, substantially in the form of Schedule 1 to the Indenture, bearing the Global Note Legend and, if applicable, the DTC Legend and to which the "*Schedule of Principal Amount of Indebtedness Evidenced by this Note*" has been attached, which shall be issued in accordance with the "Book-entry, delivery and form" section of this prospectus and deposited with the Euroclear and/or Clearstream, Luxembourg and registered in the name of Euroclear, Clearstream Luxembourg or their nominee.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to maintain financial statement conditions or otherwise), or entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Guarantee" will not include the endorsements for collection or deposit in the ordinary course of business or any obligation to the extent it is payable only in Capital Stock of the guarantor that is not Disqualified Stock. The term **"Guarantee"** used as a verb has a corresponding meaning.

"Guarantee Subordination Agreement" means the subordination agreement dated on April 9, 2014 made between, among others, the Company, the trustee in respect of the 2022 Notes and the facility agent and security trustee under the Senior Facility, as amended, restated or otherwise modified or varied from time to time, to which the Trustee will accede as "Notes Trustee" as of the Issue Date.

"Guarantors" means collectively any Person that Guarantees the Notes pursuant to the Indenture, which as of the date of this prospectus comprises:

(a) EnQuest NWO Limited (Company No. 08497436);

(b) EnQuest Heather Limited (Company No. 02748866);

(c) EnQuest Britain Limited (Company No. 03628497);

(d) EnQuest Heather Leasing Limited (Company No. 07848449);

(e) EnQuest ENS Limited (Company No. 06411750);

(f) EnQuest Global Limited (Company No. 08482753); and

(g) EQ Petroleum Sabah Ltd (formerly known as EQ Malaysia Ltd) (Company No. 07211014);

and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the Indenture.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements, other agreements or arrangements designed to manage interest rates or interest rate risk;

(b) any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates;

(c) any forward contract, commodity futures contract, commodity option agreement, commodity swap agreement, cap, floor, ceiling or collar agreement or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used, produced, processed or sold by that Person or any of its Restricted Subsidiaries at the time; and

(d) other agreements or arrangements designed to protect such Person against fluctuations in interest rates, commodity prices, weather conditions or currency exchange rates, including Currency Exchange Protection Agreements.

"Holder" means the Person in whose name a Note is registered on the Registrar's books.

"Hydrocarbons" means oil, gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof and products refined or processed therefrom.

"IFRS" means International Financial Reporting Standards as adopted by the European Union and in effect on the Issue Date.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(c) in respect of bankers' acceptances (or reimbursement obligations in respect thereof except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of incurrence);

(d) representing Capital Lease Obligations;

(e) representing the balance deferred and unpaid of the purchase price of any property due more than one year after such property is acquired;

(f) representing any Hedging Obligations;

(g) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness of such other Persons; and

(h) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (including, with respect to any Production Payment, any warranties or guarantees of production or payment by such Person with respect to such Production Payment, but excluding other contractual obligations of such Person with respect to such Production Payment);

provided that the foregoing indebtedness (other than letters of credit and Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS. Notwithstanding the foregoing, indebtedness shall be included in the definition of Indebtedness after deducting any receivable due from another Person (other than the Company and its Restricted Subsidiaries) who has an interest in an asset financed with such indebtedness to the Company or any Restricted Subsidiary in respect of such other Person's interest in the relevant asset. Subject to clause (h) of the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

The term "Indebtedness" shall not include:

(a) any lease of property which would be considered an operating lease under IFRS;

(b) for the avoidance of doubt, Contingent Obligations;

(c) any obligation of a Person in respect of a farm-in agreement or similar arrangement whereby such Person agrees to pay all or a share of the drilling, completion or other expenses of an exploratory or development well (which agreement may be subject to a maximum payment obligation, after which expenses are shared in accordance with the working or participation interest therein or in accordance with the agreement of the parties) or perform the drilling, completion or other operation on such well in exchange for an ownership interest in an oil or gas property;

(d) in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business; or

(e) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Notes.

"Investment Grade Status" shall occur when the Notes are rated as follows by two of the following three Rating Agencies: "Baa3" or better by Moody's, "BBB–" or better by S&P or "BBB–" or better by Fitch (or, if any such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization", as that term is defined for purposes of section 3(a)(62) of the U.S. Exchange Act, selected by the Company as a replacement agency).

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding endorsements of negotiable instruments and documents in the ordinary course of business, and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as described under the "Restricted payments" caption. The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as described under the "Restricted payments" caption. Except as otherwise provided herein, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"Issue Date" means the date on which the Original Notes were first issued under the Indenture.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof.

"Management Advances" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Issuer or any Restricted Subsidiary:

(a) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(b) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(c) in the ordinary course of business and (in the case of this clause (c)) not exceeding $10.0 million in the aggregate outstanding at any time.

"Market Capitalization" means an amount equal to the greater of (a) (i) the total number of issued and outstanding shares of share capital or common equity interests of the Company on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such share capital or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend and (b) £75.0 million, being the market capitalization at the time of the initial public offering of the Company.

"Maturity" means, with respect to any Indebtedness, the date on which any principal of such Indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption, tender for purchase or otherwise.

"Minority Interest" means the percentage interest represented by any shares of stock of any class of Capital Stock of a Restricted Subsidiary of the Company that are not owned by the Company or a Restricted Subsidiary of the Company.

"Moody's" means Moody's Investors Service, Inc. or any successor to its ratings business.

"MTN Program" means the Company's £500.0 million medium-term note program.

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents received in any Asset Sale), net of the direct costs relating to such Asset Sale, including:

(a) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all Taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

(c) all distributions and other payments required to be made to holders of Minority Interests in Subsidiaries or joint ventures as a result of such Asset Sale; and

(d) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Company or any Restricted Subsidiary after such Asset Sale.

"Non-Recourse Debt" means Indebtedness:

(a) as to which neither the Company nor any of its Restricted Subsidiaries (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender;

(b) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(c) the explicit terms of which provide there is no recourse to the stock or assets of the Company or any of its Restricted Subsidiaries, except as contemplated by clause (z) of the definition of Permitted Liens.

"Note Guarantee" means the Guarantee by each Guarantor of the Company's Obligations under the Indenture and the Notes pursuant to the Indenture.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Offering Memorandum" means the offering memorandum dated as of April 4, 2014, relating to the offering of the 2022 Notes.

"Officer" means, with respect to any Person, a member of the Board of Directors, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, any managing director, any responsible accounting or financial officer, the secretary or the equivalent position of any of the foregoing or any other Person that the Board of Directors of such Person shall designate for such purpose.

"Officers' Certificate" means a certificate signed on behalf of any Person by one or more Officers of such Person.

"Oil and Gas Business" means:

(a) the acquisition, exploration, exploitation, development, production, operation and disposition of interests in oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties or products produced in association with the foregoing;

(b) the gathering, marketing, distributing, treating, refining, processing, storing, selling and transporting of any production from oil, natural gas, natural gas liquids, liquefied natural gas and other Hydrocarbon and mineral properties (whether or not such properties are owned by the Company or its Subsidiaries) and products produced in association therewith;

(c) any other related energy business, including power generation and electrical transmission business, from oil, natural gas and other Hydrocarbons and minerals produced substantially from properties in which the Company or its Restricted Subsidiaries, directly or indirectly, participates;

(d) any business relating to oil and gas field seismic mapping, sales, service provision and technology development; and

(e) any business or activity relating to, arising from, or necessary, appropriate or incidental to the activities described in clauses (a), (b), (c) or (d) of this definition.

"Opinion of Counsel" means a written opinion from legal counsel (in form and substance reasonably acceptable to the Trustee, where such opinion is addressed to, or is for the benefit of, the Trustee). The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Payment Condition Determination Date" means, in respect of any Interest Payment Date, the date which falls one calendar month prior to such Interest Payment Date, except that if such date is not a Business Day, the Payment Condition Determination Date shall be the immediately preceding Business Day.

"Permitted Business Investments" means Investments made in the ordinary course of, and of a nature that is or has become customary in, the Oil and Gas Business, as a means of actively exploiting, exploring for, acquiring, developing, producing, processing, gathering, marketing, distributing, storing or transporting oil, natural gas or other Hydrocarbons and minerals (including with respect to plugging and abandonment) through agreements, transactions, interests or arrangements that permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of the Oil and Gas Business jointly with third parties, including:

(a) direct or indirect ownership of crude oil, natural gas, other restricted Hydrocarbon and minerals properties or any interest therein or gathering, transportation, processing, storage or related systems or ancillary real property interests;

(b) Investments in the form of or pursuant to operating agreements, joint ventures, processing agreements, farm-in agreements, farm-out agreements, development agreements, production sharing agreements, area of mutual interest agreements, contracts for the sale, transportation or exchange of crude oil and natural gas and other Hydrocarbons and minerals, participation agreements, unitization agreements, pooling arrangements, joint bidding agreements, service contracts, partnership agreements (whether general or limited), subscription agreements, stock purchase agreements, stockholder agreements and other similar agreements (including for limited liability companies) or other similar or customary agreements, in each case made or entered into with third parties (including Unrestricted Subsidiaries); and

(c) direct or indirect ownership interests in drilling rigs, FPSOs and common processing facilities and in each case related equipment, including transportation equipment.

"Permitted Investments" means:

(a) any Investment in the Company or in a Restricted Subsidiary of the Company;

(b) any Investment in cash and Cash Equivalents;

(c) any Investment by the Company or any Restricted Subsidiary of the Company in any Person whose primary business is the Oil and Gas Business, if as a result of such Investment:

(i) such Person becomes a Restricted Subsidiary of the Company; or

(ii) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the provisions described under the "Asset sales" caption;

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(f) any Investments received in compromise or resolution of (i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (ii) litigation, arbitration or other disputes with Persons who are not Affiliates;

(g) Investments represented by Hedging Obligations;

(h) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(i) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;

(j) Guarantees of Indebtedness permitted under the caption "Incurrence of indebtedness and issuance of preferred stock";

(k) guarantees by the Company or any of its Restricted Subsidiaries of operating leases (other than Capital Lease Obligations) or of other obligations that do not constitute Indebtedness, in each case entered into by any Restricted Subsidiary in the ordinary course of business;

(l) Investments of a Restricted Subsidiary acquired after the Issue Date or of any entity merged into the Company or merged into or consolidated or amalgamated with a Restricted Subsidiary in accordance with the description under the caption "Merger, consolidations or sale of assets" to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;

(m) Permitted Business Investments;

(n) Investments received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment in default;

(o) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided that* the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise permitted hereunder;

(p) Guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course in the Oil and Gas Business, including obligations under oil and natural gas exploration, development, joint operating, and related agreements and licenses, concessions or operating leases related to the Oil and Gas Business;

(q) Investments in the Notes and any other Indebtedness of the Company or any Restricted Subsidiary;

(r) Management Advances;

(s) payroll, commission, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business, in each case to the extent the same constitutes an Investment;

(t) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(u) receivables or working capital loans or other such similar forms of credit support owing to the Company or any Restricted Subsidiary of the Company and advances to suppliers, contractors or builders, in each case payable or dischargeable in accordance with such trade terms as the Company or such Restricted Subsidiary deems reasonable under the circumstances;

(v) (i) loans or grants customary or advisable in the Oil and Gas Business in respect of community development projects or economic development activities appropriate for the Company's regions of operation and in regions other than the United Kingdom and Norway and consistent with past practice or counterparty requirements and (ii) Investments made with funds received by the Company and its Restricted Subsidiaries from grants or donations from third parties; and

(w) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (w) that are at the time outstanding, not to exceed the greater of (x) \$120.0 million and (y) 3.5% of Consolidated Total Assets; *provided that* if an Investment is made pursuant to this clause (w) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the provisions under the caption "Restricted payments" such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (c) of this definition and not this clause (w).

"Permitted Liens" means, with respect to any Person:

(a) Liens securing Indebtedness incurred under (i) Bank Credit Facilities pursuant to the second paragraph under the caption "Incurrence of indebtedness and issuance of preferred stock", (ii) Credit Facilities pursuant to the first paragraph under the caption "Incurrence of indebtedness and issuance of preferred stock" and (iii) the twenty-fourth paragraph under the caption "Incurrence of indebtedness and issuance of preferred stock"; *provided that* the aggregate amount of such Indebtedness that is secured by a Lien on a junior priority basis may not exceed \$200.0 million at any one time outstanding; *provided further* that no Indebtedness secured by junior priority Liens pursuant to this clause (a) shall be used to repay or refinance the Notes or the Retail Notes or any Permitted Refinancing Indebtedness in respect of the Notes or the Retail Notes;

(b) Liens in favor of the Company or any Restricted Subsidiary;

(c) Liens on property of a Person existing at the time such Person is merged with or into or consolidated or amalgamated with the Company or any Subsidiary of the Company; *provided that* such Liens were in existence prior to the contemplation of such merger, consolidation or amalgamation and do not extend to any assets other than those of the Person merged into or consolidated or amalgamated with the Company or the Subsidiary;

(d) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided that* such Liens were in existence prior to such acquisition, and not incurred in contemplation of, such acquisition;

(e) Liens existing on the Issue Date;

(f) Liens on Capital Stock of and assets of any Restricted Subsidiary that is not a Guarantor that secures Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor;

(g) Liens for taxes, assessments or governmental charges or claims that (i) are not yet due and payable or (ii) that are being contested in good faith by appropriate proceedings;

(h) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, gas and oil pipelines, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(i) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(j) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(k) any attachment, prejudgment or judgment Lien that does not constitute an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(l) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(m) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however*, that:

  (i) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

  (ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (A) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged with such Permitted Refinancing Indebtedness and (B) an amount necessary to pay any fees and expenses, including premiums, related to such extension, renewal, refunding, refinancing, replacement, exchange, defeasance or discharge;

(n) Liens for the purpose of securing (i) all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of any FPSO used or useful in the Oil and Gas Business and any Permitted Refinancing Indebtedness in respect thereof permitted to be incurred under the Indenture, (ii) the payment of all or a part of the purchase price of, or Capital Lease Obligations with respect to, or the repair, improvement or construction cost of, assets or property acquired or repaired, improved or constructed in the ordinary course of business and (iii) Indebtedness incurred under the thirteenth paragraph under the caption "Incurrence of indebtedness and issuance of preferred stock"; *provided* that such Liens are limited to the Relevant Assets and, in the event the Restricted Subsidiary incurring such Indebtedness is a special purpose vehicle established solely for the purpose of owning the Relevant Assets, the shares in such Restricted Subsidiary;

(o) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained or deposited with a depositary institution;

(p) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(q) Liens in respect of Production Payments and Reserve Sales; *provided* such Liens are limited to the property that is the subject of such Production Payment and Reserve Sale;

(r) Liens on pipelines and pipeline facilities that arise by operation of law;

(s) Liens arising under oil and gas leases or subleases, assignments, farm-out agreements, farm-in agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of Hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, partnership agreements, operating agreements, royalties, royalty trusts, working interests, carried working interests, net profit interests, joint interest billing arrangements, joint venture agreements, participation agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, licenses, sublicenses and other agreements which are customary in the Oil and Gas Business; *provided, however,* in all instances that such Liens are limited to the assets that are subject to the relevant agreement, program, order or contract;

(t) any

  (i) interest or title of a lessor or sublessor under any lease, Liens reserved in oil, gas or other Hydrocarbons, mineral leases for bonus, royalty or rental payments and for compliance with the terms of such leases;

  (ii) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to (including ground leases or other prior leases of the demised premises, mortgages, mechanics' liens, tax liens, and easements); or

(iii) subordination of the interest of the lessee or sublessee under such lease to any restrictions or encumbrance referred to in the preceding subclause (ii);

(u) Liens arising under the Indenture in favor of the Trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the Indenture; *provided, however*, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(v) Liens securing Hedging Obligations, which obligations are permitted by paragraph 9 under "Incurrence of indebtedness and issuance of preferred stock";

(w) Liens upon specific items of inventory, receivables or other goods (or the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances or receivables securitizations issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory, receivables or other goods (or the proceeds thereof);

(x) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(y) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord, contractor or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any real property leased by the Company or any Restricted Subsidiary (including those arising from progress or partial payments by a third party relating to such property or assets) and subordination or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(z) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(aa) pledges of goods, the related documents of title or other related documents arising or created in the ordinary course of the Company or any Restricted Subsidiary's business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(bb) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(cc) Liens on any proceeds loan made by the Company or any Restricted Subsidiary in connection with any future incurrence of Indebtedness permitted under the Indenture and securing that Indebtedness;

(dd) Liens created on any asset of the Company or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Company or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(ee) Liens over treasury stock of the Company or a Restricted Subsidiary purchased or otherwise acquired for value by the Company or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(ff) Liens with respect to Indebtedness of the Company or any Subsidiary of the Company (other than Liens incurred on a junior priority basis to secure Indebtedness under clause (a) of this definition) with respect to Indebtedness at any one time outstanding that does not exceed the greater of (x) $45.0 million and (y) 1.25% of Consolidated Total Assets as determined on the date of incurrence of such Indebtedness after giving pro forma effect to such incurrence and the application of the proceeds therefrom;

(gg) the following ordinary course items:

(i) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(ii) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or the like Liens arising by contract or statute in the ordinary course of business;

(iii) pledges or deposits made in the ordinary course of business (A) in connection with leases, tenders, bids, statutory obligations, surety or appeal bonds, government contracts, performance bonds and similar obligations, (B) in connection with workers' compensation, unemployment insurance and other social security legislation (including, in each case, Liens to secure letters of credit issued to assure payment of such obligations) or (C) to secure plugging and abandonment obligations;

(iv) Liens arising from Uniform Commercial Code financing statement filings under U.S. state law (or similar filings under applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(v) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings in the ordinary course of business;

(vi) leases, licenses, subleases and sublicenses of assets in the ordinary course of business; and

(vii) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; and

(hh) any extension, renewal, refinancing or replacement, in whole or in part, of any Lien described in clauses (b) through (gg) of this definition (but excluding clauses (n) and (ff) of this definition); *provided that* any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided that*:

(a) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has (i) a final maturity date that is either (A) no earlier than the final maturity date of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (B) after the final maturity date of the Notes, and (ii) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged;

(c) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees, as the case may be, on terms at least as favorable to the Holders of Notes or the Note Guarantees, as the case may be, as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged; and

(d) if the Company or any Guarantor was the obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Company, a Finance Subsidiary or by a Guarantor.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Principal Paying Agent" means Deutsche Bank Trust Company Americas in such capacity, or any successor Principal Paying Agent appointed under the Indenture.

"Production Payments" means, collectively, Dollar-Denominated Production Payments and Volumetric Production Payments.

"Production Payments and Reserve Sales" means the grant or transfer by the Company or a Restricted Subsidiary of the Company to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental, title or other matters customary in the Oil and Gas Business, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Subsidiary of the Company.

"Pro Forma Cost Savings" means, without duplication, with respect to any period, reductions in costs and related adjustments that have been actually realized or are projected in good faith by a responsible accounting or financial officer of the Company to result from reasonably identifiable and factually supportable actions or events, but only if such reductions in costs and related adjustments are so projected by the Company to be realized during the consecutive two half-year reference period commencing after the transaction giving rise to such calculation.

"Public Equity Offering" means, with respect to any Person, a bona fide underwritten primary public offering of the ordinary shares or common equity of such Person, either (a) pursuant to a flotation on the London Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union, or (b) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"Public Indebtedness" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued (x) in a public offering or (y) in a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A (or Rule 144A and Regulation S) whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale or (z) under exemptions for securities issued under Section 3(a)(10) of the U.S. Securities Act (including the Original Notes). For the avoidance of doubt, the term "Public Indebtedness" shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than fifteen Persons (*provided that* multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), or any commercial bank or similar Indebtedness, receivables financing, Capital Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a "securities offering".

"Rating Agencies" means (a) S&P, (b) Moody's, (c) Fitch and (d) if S&P, Moody's, Fitch or any of these shall not make a rating of the Notes available, an internationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's, Fitch or any of these, as the case may be.

"Record Date" for the interest payable on any Interest Payment Date means the April 1 or October 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Redemption Date", when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to the Indenture.

"Redemption Price", when used with respect to any Note to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture.

"Registrar" means Deutsche Bank Trust Company Americas in such capacity, or any successor Registrar appointed under the Indenture.

"Regulation S" means Regulation S under the U.S. Securities Act (including any successor regulation thereto), as it may be amended from time to time.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary. Unless the context requires otherwise, each reference to a Restricted Subsidiary herein is to a Restricted Subsidiary of the Company.

"Retail Notes" means the Company's £155.0 million 7% Extendable PIK Toggle Notes due April 15, 2022 constituted by a trust deed dated January 24, 2013, as amended, restated or otherwise modified or varied from time to time.

"Rule 144A" means Rule 144A under the U.S. Securities Act (including any successor regulation thereto), as it may be amended from time to time.

"S&P" means Standard & Poor's Ratings Services and any successor to its ratings business.

"Scheme" means the scheme of arrangement under Part 26 of the Companies Act between the Company and certain of its creditors, to be implemented as set forth in the Scheme document provided by the Company to such creditors and as more fully described in the Explanatory Statement.

"SEC" means the U.S. Securities and Exchange Commission.

"Senior Debt" means, whether outstanding on the Issue Date or thereafter incurred, all amounts payable by, under or in respect of all other Indebtedness of the Company or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post-filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Debt will not include:

(a) any Indebtedness incurred in violation of the Indenture;

(b) any obligation of (i) the Company to any Restricted Subsidiary or (ii) any Guarantor to the Company or any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, guarantee or obligation of the Company or any Guarantor that is evidenced by an instrument that expressly provides, in the case of the Company, that it is subordinate in right of payment to the Notes, or in the case of any Guarantor, that it is subordinate or *pari passu* in right of payment with the Note Guarantee of such Guarantor; or

(f) any Capital Stock.

"Senior Facility" means the senior secured revolving credit facility agreement dated March 6, 2012, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, the Company, as the borrower, BNP Paribas, as facility agent, and certain lenders party thereto.

"Senior Facility Repayment Date" means the earlier of the date on which:

(a) the Senior Facility is repaid in full from cash generated from operations of the Company and its Subsidiaries; and

(b) the Senior Facility is refinanced on open market terms which are commercially acceptable to the Company and which permit all interest accruing under the Notes to be paid in cash on each subsequent Interest Payment Date,

provided that the Company shall use reasonable efforts to refinance the Senior Facility (as an alternative to repayment from cash generated from operations) on such terms.

"Significant Subsidiary" means, at the date of determination, any Restricted Subsidiary that, together with its Subsidiaries which are Restricted Subsidiaries, (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Company, or (ii) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Company.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subordinated Obligation" means any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement or any Indebtedness of a Guarantor (whether outstanding on the Issue Date or thereafter incurred) which is subordinate or junior in right of payment to the Note Guarantee of such Guarantor pursuant to a written agreement, as the case may be.

"Subsidiary" means, with respect to any specified Person:

(a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(b) any corporation, association or other business entity of which that Person or one or more of the other Subsidiaries of that Person (or any combination thereof), directly or indirectly, has the right to appoint a majority of the directors, managers or trustees, as applicable, or has the operational control of the corporation, association or other business entity and the financial results of such corporation, association or other business entity are consolidated with the financial results of such Person or one or more of the other Subsidiaries of that Person (or any combination thereof); and

(c) any partnership, joint venture, limited liability company or similar entity of which (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Tanjong Baram Facility means the limited-recourse term loan facility constituted under the $35.0 million term loan facility agreement dated June 11, 2015, entered into by, among others, EQ Petroleum Development Malaysia SDN BHD as Borrower and DBS Bank Ltd as Facility Agent, as amended from time to time.

"Tax" means any tax, duty, levy, impost, assessment or other governmental charge of whatever nature (including penalties, interest and any other additions thereto). **"Taxes"** and **"Taxation"** shall be construed to have corresponding meanings.

"Trade Credit Deferrals" means (a) Indebtedness constituted by the $60.0 million of deferral of amounts owed by the Group to a specified trade creditor and secured by floating charges entered into by members of the group (other than the Company) on a second lien basis and (b) a loan for up to $40.0 million on an unsecured basis from a specified trade creditor to fund payment of amounts owed by the Group to that trade creditor.

"Transfer Agent" means Deutsche Bank Trust Company Americas in such capacity, or any successor Transfer Agent appointed under the Indenture.

"Treasury Rate" means, in respect of any Redemption Date, the yield to maturity as of the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Redemption Date to April 15, 2017; *provided, however*, that if the period from the Redemption Date to April 15, 2017 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Company will calculate the Treasury Rate no later than the second (and no earlier than the fourth) Business Day preceding the applicable Redemption Date.

"Trustee" means Deutsche Bank Trust Company Americas in such capacity, the party named as such in the Indenture until a successor replaces it in accordance with the applicable provisions of the Indenture and, thereafter, means the successor serving hereunder.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(a) has no Indebtedness other than Non-Recourse Debt; and

(b) except as permitted by under the caption "Transactions with affiliates", is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company.

All Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries.

"U.S. dollars" or **"$"** means the lawful currency of the United States of America.

"U.S. Government Obligations" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"U.S. Securities Act" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"U.S. Trust Indenture Act" means the United States Trust Indenture Act of 1939, as amended.

"Volumetric Production Payments" means production payment obligations recorded as deferred revenue in accordance with IFRS, together with all related undertakings and obligations.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (x) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amount of such Indebtedness.

Selected Financial Data and Documents Incorporated by Reference

1. **Background**

The consolidated financial statements of the Group as at and for the year ended 31 December 2013, as set out in the 2013 Financial Statements, the consolidated financial statements of the Group as at and for the financial year ended 31 December 2014, as set out in the 2014 Financial Statements, the consolidated financial statements of the Group as at and for the financial year ended 31 December 2015, as set out in the 2015 Financial Statements and the consolidated financial statements of the Group as at and for the six months ended 30 June 2016, as set out in the 2016 Unaudited Interim Financial Statements, are incorporated by reference into this prospectus. See paragraph 2 (Documents incorporated by reference) below. A copy of each of these documents is available for inspection in accordance with the "Listing and general information" section of this prospectus.

The audit reports for each of the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 were unqualified.

The consolidated financial statements for the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 and for the six months ended 30 June 2016 (unaudited) were prepared in accordance with IFRS.

2. **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 prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this prospectus. 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 prospectus. Except as set forth below, no other portion of the below documents is incorporated by reference into this prospectus.

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 prospectus 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).

Information incorporated by reference	*Pages of the reference document*
2013 Annual Report	
Independent Auditor's Report on the annual report and accounts to the members of EnQuest PLC	82 to 84
Group statement of comprehensive income	85
Group balance sheet	86
Group statement of changes in equity	87
Group statement of cash flows	88
Notes to the Group financial statements	89 to 121
Independent Auditor's report to the members of EnQuest PLC	123
Company balance sheet	124
Notes to the financial statements	125 to 130
2014 Annual Report	
Independent Auditor's Report on the Annual Report and accounts to the members of EnQuest PLC	79 to 82
Group statement of comprehensive income	83
Group balance sheet	84
Group statement of changes in equity	85
Group statement of cash flows	86
Notes to the Group financial statements	87 to 118
Company balance sheet	120
Notes to the financial statements	121 to 124
2015 Annual Report	
Independent Auditor's Report on the Annual Report and accounts to the members of EnQuest PLC	83 to 89

Unaudited Pro Forma Financial Information

The unaudited pro forma balance sheet set out below has been prepared for the purpose of illustrating the effect of the Placing and Open Offer and the changes to Notes and the Amended Retail Notes on the balance sheet of the Company as at 30 June 2016 as if it had taken place on that date. The unaudited pro forma balance sheet has 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 pro forma balance sheet has been prepared on the basis set out in the notes below and has been prepared in a manner consistent with the accounting policies adopted by the Group for the year ended 31 December 2015.

The unaudited pro forma balance sheet does not constitute financial statements within the meaning of section 434 of the Companies Act.

Unaudited Pro Forma Balance Sheet

(in US$ thousands)	**As at 30 June 2016(1)**	**Placing and Open Offer adjustments(2)**	**Notes restructuring adjustments(3)**	**Pro forma**
Non-current assets				
Property, plant and equipment	2,777,561	—	—	2,777,561
Goodwill	189,317	—	—	189,317
Intangible oil and gas assets	65,740	—	—	65,740
Investments	73	—	—	73
Deferred tax asset	265,060	—	—	265,060
Other financial assets	10,214	—	—	10,214
	3,307,965	**—**	**—**	**3,307,965**
Current assets				
Inventories	72,657	—	—	72,657
Trade and other receivables	318,246	—	—	318,246
Current tax receivable	1,196	—	—	1,196
Cash and cash equivalents	163,290	95,299	—	258,5899
Other receivables	—	—	—	—
Other financial assets	105,301	—	—	105,301
	660,690	95,299	—	755,989
Total assets	**3,968,655**	**95,299**	—	**4,063,954**
Equity and liabilities				
Share capital	113,433	21,756	—	135,189
Share premium	—	78,320	—	78,320
Merger reserve	662,855	—	—	662,855
Cash flow hedge reserve	49,946	—	—	49,946
Share based payment reserve	(8,095)	—	—	(8,095)
Retained earnings	(80,010)	(4,777)	—	(84,787)
Total equity	**738,129**	**95,299**	**—**	**84,787**

(in US$ thousands)	**As at 30 June 2016**[1]	**Placing and Open Offer adjustments**[2]	**Notes restructuring adjustments**[3]	**Pro forma**
Non-current liabilities				
Borrowings	958,969	—	—	958,969
Bonds	849,615	—	11,639	861,254
Obligations under finance leases	10,763	—	—	10,763
Provisions	724,370	—	—	724,370
Other financial liabilities	8,067	—	—	8,067
Deferred tax liabilities	19,717	—	—	19,717
	2,571,501	—	**11,639**	**2,583,410**
Current liabilities				
Borrowings	9,951	—	—	9,951
Bonds	11,639	—	(11,639)	—
Trade and other payables	578,209	—	—	568,628
Obligations under finance leases	—	—	—	—
Other financial liabilities	52,715	—	—	52,715
Current tax payable	6,511	—	—	6,511
	659,015	—	(11,639)	647,386
Total liabilities	**3,230,526**	**—**	—	**3,230,526**
Total Equity and liabilities	**3,968,655**	**95,299**	—	**4,063,954**

Notes:

(1) The consolidated statement of financial position of the Group as at 30 June 2016 has been extracted without material adjustment from the 2016 Unaudited Interim Financial Statements of EnQuest PLC.

(2) Reflects the net estimated proceeds of the Placing and Open Offer:

	$'000
Placing and Open Offer proceeds	*100,076*
Placing and Open Offer estimated expenses	*(4,777)*
Net estimated proceeds of the offer	*95,295*

(3) Reflects bond restructuring

EnQuest have agreed to add the Cash Interest Payment Condition which makes payment of interest on the Notes and the Amended Retail Notes conditional on the prevailing oil price. As the Cash Interest Payment Condition is linked to the oil price, this represents an embedded derivative.

Other than the pro forma effect of the Placing and Open Offer and the changes effected by the New High Yield Notes and the Amended Retail Notes, account has been taken of any trading or other transactions since 30 June 2016.

Management's Discussion and Analysis of Financial Condition and Results

The following review should be read in conjunction with the "EnQuest's Business" section of this prospectus, the financial information set out in the "Selected financial data and Documents Incorporated by reference" section and the other financial information contained elsewhere in this prospectus. Prospective investors should read this entire Prospectus (including information incorporated into this prospectus 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 2013, 31 December 2014 and 31 December 2015.

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 the "Selected financial data and Documents Incorporated by Reference" section of this prospectus.

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 the "Presentation of financial and other information" and "Presentation of Reserves" sections of this prospectus. 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. 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 section entitled "Forward-looking statements" at the front of this prospectus and the "Risk factors" section of this prospectus.

1. **Overview**

The Group is the largest independent UK oil producer in the North Sea (as last measured for the twelve months ended 31 May 2016) and, as of 30 June 2016, had interests in 29 UK production licences, covering 41 blocks or part blocks and was the operator of 26 of these production licences. The Group also has two currently producing assets located in Malaysia. The Group's average daily production on a working interest basis for the six months ended 30 June 2016 was 42,520 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2015 was 36,567 boepd and its 2P reserves were 203 Mmboe as of 31 December 2015. As a result of the increase in the Group's interest in the Kraken development from 60 per cent. to 70.5 per cent., its net 2P reserves increased to 216 Mmboe as of 1 January 2016. The Group's 2P reserves included 200 Mmboe from the Group's UKCS operations and 16 Mmboe from the Group's Malaysian operations. In the six years since EnQuest's inception, it has increased its net 2P reserves to 216 Mmboe as of 1 January 2016, representing a net 167 per cent. increase or a growth of 18 per cent. *per annum*, and converted the equivalent of 68 per cent. of its original 81 Mmboe reserves into produced oil. As of 31 December 2015, the Group's assets had a reserve life of 18 years.

EnQuest's strategic intention is to deliver sustainable growth by focusing on exploiting its existing reserves, commercialising and developing discoveries, pursuing selective acquisitions and converting contingent resources into reserves. In the current low oil price environment, the Company's priorities are to deliver on execution, streamline operations and strengthen its balance sheet. The Group's eight producing assets generated EBITDA of US$464.8 million during 2015 and US$242.9 million during the first half of 2016, in each case including the benefit of the Group's hedging activities.

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

Asset	Field	Working interest
UKCS		
Thistle/Deveron	Thistle	99%
	Deveron	99%
Dons	Don Southwest	60%
	Conrie	60%
	West Don	78.6%
	Ythan	60%
Heather/Broom	Heather	100%
	Broom	63%

Asset	Field	Working interest
GKA	Kittiwake	50%
	Grouse	50%
	Mallard	50%
	Gadwall	50%
	Goosander	50%
Alma/Galia...	Alma	65%
	Galia	65%
Alba	—	8%
Malaysia		
PM8/Seligi	—	—
	PM8	50%
	Seligi	50%
Tanjong Baram	Tanjong Baram	70%

The following table sets forth the net daily average production on working interest basis for each of the Group's producing assets for the years ended 31 December 2013, 2014 and 2015 and the six month periods ended 30 June 2015 and 30 June 2016:

	Net daily average production (boepd)				
	Year ended 31 December			Six months ended 30 June	
Asset	**2013**	**2014**	**2015**	**2015**	**2016**
Thistle/Deveron	7,925	9,025	8,930	7,690	8.966
Dons	11,014	8,835	7,690	6,419	6,601
Heather/Broom	4,339	4,081	4,643	3,615	6,114
GKA	—	1,281[1]	3,981	2,915	3,738
Alma/Galia...	—	—	1,083[2]	—	6,433
Alba	922[3]	1,214	1,178	1,249	1,236
Total UKCS	**24,200**	**24,436**	**27,505**	**21,888**	**33,087**
PM8/Seligi	—	3,459[4]	8,689	7,777	8,152
Tanjong Baram	—	—	373[5]	—	1,281
Total Malaysia...	**—**	**3,459**	**9,062**	**7,777**	**9,433**
Total	**24,200**	**27,895**	**36,567**	**29,665**	**42,520**

Notes:

(1) Production since the completion of the acquisition on 1 March 2014, averaged over the twelve months to 31 December 2014.

(2) Production since first oil on 27 October 2015, averaged over the twelve months to the end of 2015.

(3) Production since the completion of the acquisition on 22 March 2013, averaged over the twelve months to 31 December 2013.

(4) Production since the completion of the acquisitions at 27 June 2014, averaged over the twelve months to 31 December 2014.

(5) Production since completion of the project in June 2015 and first oil on 18 August 2015, averaged over the twelve months to 31 December 2015.

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. In 2015, in the context of low oil prices and as part of its investment prioritisation programme, the Group disposed of its interests in assets in Norway, Egypt and Tunisia and its exploration assets in Malaysia. The Group also relinquished interests in a number of exploration licences in the UK.

The Group's primary development asset is the Kraken development, in which it currently owns a 70.5 per cent. interest. The Kraken development, 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. The Directors expect it to deliver first oil in the first half of 2017. The Group is also the operator of the Scolty/Crathes development, which was the only offshore pure oil field approved by the Oil & Gas Authority in 2015. The Scolty/Crathes development comprises two wells tied back to the Group's GKA hub. Scolty/Crathes delivered first oil on 21 November 2016 and the Directors expect that net peak oil will be approximatey 5,000 boepd.

The Company was founded in 2010 through a combination of PEDL and certain assets of Lundin. 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. The Directors believe that the Company's operational capabilities and experienced technical staff and management have allowed it to grow significantly since 2010. More recently, the Company has reacted to the current low oil price environment by implementing streamlining and cost controlling initiatives across the Company's business, prioritising the achievement of the Company's production and execution targets, disposing of selected assets and strengthening its balance sheet. The Company has pursued these objectives while maintaining a focus on the health, safety and environmental impact of its operations.

2. Significant factors affecting results of operations

2.1 Price of oil

The prevailing price of oil significantly affects the Group's operations and also affects the levels of the Group's reserves and, therefore, depreciation. Substantially all the Group's reserves are constrained by a commercial materiality threshold and therefore are impacted by changes in oil prices. Although Brent oil prices have recently recovered somewhat from the low of US$27.88 per barrel reached on 20 January 2016, they still remain significantly below the levels that prevailed in 2013 and the first half of 2014. Further 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 order to drive business growth. As part of this strategy, the Group entered into commodity hedging contracts in 2014 partially hedging the Group's exposure to fluctuations in oil prices. In response to the continued low oil price environment, the Group entered into additional hedging contracts in 2015, which will expire throughout 2016. During the six months ended 30 June 2016, the Group entered into a "chooser option" in respect of the first half of 2017: the counterparty can choose to sell £47.5 million to EnQuest at an exchange rate of US$1.4:£1.0 or purchase 1,320,000 barrels of oil at US$58 per barrel. Based on current oil prices and exchange rates, the Group expects the counterparty would currently choose to exchange currency and the chooser option has therefore been presented with other foreign currency contracts. Since 30 June 2016, the Group entered hedging arrangements over 1 millions of barrels of 2017 production (83 kbbls per month) at a fixed price of US$51.50 per barrel. The Group has also sold 500,000 bbls per month for the first half of 2017 (3 millions of barrels total) at a fixed price of US$49 per barrel and has bought a call (nil cost) for the same notional quantity, with a strike price of US$57.25 per barrel. Should the price rise above US$57.25 per barrel, the Group will receive the difference to offset the loss it would make on the US$49 per barrel swaps. In addition, the Group has hedged 500,000 bbls for the first half of 2017 at US$54.50 per barrel. See section 8.4 (*Qualitative and quantitative disclosures about market risk—Commodity price risk management*) below.

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. Fixed differentials are negotiated for term sales and differentials on spot sales are negotiated on a cargo-by-cargo basis. 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 decreased by 29.3 per cent. to US$41 per barrel for the six months ended 30 June 2016 from US$58 per barrel for the six months ended 30 June 2015. The average realised price per barrel sold (excluding hedging) decreased by 49.4 per cent. to US$50.9 per barrel for the year ended 31 December 2015 from US$100.6 per barrel for the year ended 31 December 2014 and decreased by 8.3 per cent. to US$100.6 per barrel for the year ended 31 December 2014 from US$109.7 per barrel for the year ended 31 December 2013.

The average quoted price decreased by 30.6 per cent. to US$41.21 per barrel for the six months ended 30 June 2016 from US$59.35 per barrel for the six months ended 30 June 2015. The average quoted price decreased by 46 per cent. to US$53.60 per barrel for the year ended 31 December 2015 from US$99.45 per barrel for the year ended 31 December 2014 and decreased by 9 per cent. to US$99.45 per barrel for the year ended 31 December 2014 from US$108.70 per barrel for the year ended 31 December 2013.

The following table sets forth information on Brent oil prices for the six month periods ended 30 June 2016 and 30 June 2015 and the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December			Six months ended 30 June	
(in US$ per barrel)	**2013**	**2014**	**2015**	**2015**	**2016**
Average price for the period	108.70	99.45	53.60	59.35	41.21
Highest price for the period	118.90	115.06	67.77	67.77	52.51
Lowest price for the period	97.69	57.33	36.11	46.59	27.88

(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 "*Risks relating to the oil and gas industry—The level of the Group's 2P reserves and contingent resources, their quality and production volumes may be lower than estimated or expected*" in the "*Risk factors* section. In addition, 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. Customers are then invoiced for the volume nominated as measured by the fiscal meter or for agreed payment quantities at

SVT for the Group's UKCS production (excluding GKA and Alma/Galia), the Kinneil Oil Terminal for the Group's GKA production and the Terengganu Crude Oil Terminal for the Group's Malaysian production. 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 Dons is exported through the Brent pipeline and oil from 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 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 2016 and 2015 and the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December			**Six months ended 30 June**	
(boepd)	**2013**	**2014**	**2015**	**2015**	**2016**
Total average daily production for the period...	24,200	27,895	36,567	29,665	42,520
Total average daily sales volume for the period..	23,814	26,430	34,142	28,040	34,175

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 by reference to other similar operators, where applicable, reviews by external engineers and the Group's experience. The amount of development costs in turn influences the economic recoverability of resources and, therefore, what proportion of resources are recognised as reserves. See section 2.1(*Price of oil*) above.

Separately, the depletion of oil assets charged to the Group's income statement under operating costs 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.

The Group's success in developing Scolty/Crathes and, in particular, Kraken will significantly affect the Group's results of operations once Kraken production commences, which is expected to be in the first half of 2017. The Group is undertaking extensive capital expenditures in connection with these developments and its future production volumes are substantially dependent on whether it is successful in producing from these assets. See section 6 (*Liquidity—Capital investment*) below. The Company cannot assure you that these developments will be successful. See also "*Risks relating to the Group's business—Much of the Group's future growth depends on successful development of Kraken and the Group's production at Alma/Galia*" in the "*Risk factors"* section.

For the years ended 31 December 2014 and 2015, the impairments to the Group's tangible oil and gas assets were US$679 million and US$1,224 million, respectively. The impairment charges in 2015 related to the Heather/Broom, Thistle/Deveron, Dons, Alma/Galia, Alba and Tanjong Baram assets, and were triggered by the continued decline in oil prices and the resulting reduction in expected future revenues and reserves. The impairments in 2014 related to both Alma/Galia and Dons and were caused by the significant fall of the price of oil in the latter half of 2014 and, in the case of Alma/Galia, a delay in the achievement of first oil and cost increases relating to higher than expected works on the EnQuest Producer FPSO. There were no such impairment charges during 2013.

2.5 **Underlying operating costs**

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.

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 third-party infrastructure costs arise through tariffs charged for the use of SVT, through which the oil from the Thistle, Heather and Northern Producer is transported and marketed. These charges are based on a cost share commercial model. These costs (calculated with reference to production from Thistle, Heather Broom and the Dons fields) increased from approximately US$4.4 per barrel in 2011 to US$9.6 per barrel in 2014, with most of the increase taking effect in 2013, where the tariff rate was US$10.9 per barrel.

The higher rates attributable to years 2013 and 2014 were due to high terminal operating costs against a backdrop of declining throughput. The Group's production was also exposed to a surplus charge for gassy crude processing; this charge has since been abolished. Also, in both 2013 and 2014, there were prior year charges allocated as a result of an actualisation process, which also led to the high cost per barrel.

Costs at SVT are now trending downwards. In 2015, these charges decreased to US$8.46 per barrel. The forecast rate for 2016 is US$5.10 per barrel. This marked decrease is due to a substantial decrease in terminal operating costs, and the Group expects this trend to continue. Although the Company is working with the SVT operator to reduce gross cost levels and agree cost allocation based on usage, it cannot assure you tariffs will not increase. See "*Risks Relating to the Group's business—The Group relies on third-party infrastructure such as Sullom Voe Terminal that it does not control and is subject to tariff charges that it does not control*" in the "*Risk factors"* section.

Oil from certain of the Group's assets is and will be transported and marketed through infrastructure other than SVT. With respect to production from GKA, 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 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. With respect to future production from Kraken, the Group has contracted with Bumi Armada UK Limited for the construction, delivery, operation and maintenance of a FPSO. Bumi Armada UK Limited have secured a vessel for conversion and work is nearing completion at the Keppel yard in Singapore. The Kraken FPSO will be connected to wells via subsea infrastructure and shuttle tankers will transport produced oil to onshore terminals. Production from Tanjong Baram is transported through an 8-kilometre tie-back to the West Lutong A platform operated by PETRONAS under a Production Handling Agreement and production from PM8/Seligi is transported via the Tapis pipeline (operated by ExxonMobil) to the Terengganu Crude Oil Terminal 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.

- February 2016: Increased the Group's stake in Kraken from 60 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;
- July 2014: Acquired interest in Didon field in Tunisia from PA Resources;
- June 2014: Acquired ExxonMobil Exploration and Production Malaysia Inc's interest in Seligi/PM8;
- March 2014: Acquired Centrica North Sea Oil Limited's share of GKA and its 100 per cent. interest in the Kittiwake to Forties oil export pipeline;
- August 2013: Acquired a 50 per cent. interest in Avalon, an exploration asset;
- January 2013: Acquired an 8 per cent. interest in Alba.

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 Sterling, the Group's results are affected by changes in the US Dollar/Sterling exchange rate. The Group also incurs capital expenditure costs in both Euro and NOK in connection with the Kraken development.

For the six months ended 30 June 2016, 79 per cent. of the Group's costs including capital expenditure were denominated in currencies other than the US Dollar, as compared to 84 per cent. for the six months ended 30 June 2015. Costs denominated in currencies other than the US Dollar were 85 per cent., 91 per cent. and 91 per cent. for the years ended 31 December 2015, 2014 and 2013, respectively.

	Year ended 31 December			**Six months ended 30 June**	
(in £/$)	**2013**	**2014**	**2015**	**2015**	**2016**
Average rate for the period	0.640	0.607	0.655	0.657	0.698
Highest rate for the period	0.673	0.645	0.683	0.683	0.757
Lowest rate for the period	0.604	0.583	0.630	0.630	0.675

See section 8.3 (*Quantitative and qualitative disclosures on market risk—Foreign currency risk management*) below.

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. In 2014, as a response to the decrease in oil prices which began in the second half of the year, the Group entered into commodity hedging contracts, partially hedging its exposure to fluctuations in oil prices. The Group further hedged its exposure to oil price fluctuations by entering into additional hedging contracts in 2015, as a response to the continued low oil price environment. As of 31 December 2015, the Group's commodity hedging contracts included bought put options over 8 millions of barrels, maturing throughout 2016, with an average strike price of US$68 per barrel and oil swap contracts to sell 2 millions of barrels at an average price of US$66.64 per barrel maturing throughout 2016. As of 30 June 2016, the Group's commodity hedging contracts included bought put options over 4.3 millions of barrels at an average price of US$68 per barrel maturing throughout 2016 and oil swap contracts to sell 1.3 millions of barrels at an average price of US$67 per barrel maturing throughout 2016. In addition, the Group entered into a "chooser option" hedging contract on 28 June 2016, hedging either 0.2 millions of barrels per month at US$58 per barrel or £7.9 million per month at a fixed rate of US$1.40 for the first half of 2017. The Group's counterparty has the right to choose whether to settle the oil price hedge or the currency hedge each month. In addition, on 28 September 2016, the Group entered hedging arrangements over 1 millions of barrels of 2017 production (83kbbls per month) at a fixed price of US$51.50 per barrel. The Group uses interest rate swaps to hedge interest rate risks relating to the Group's borrowings under the Tanjong Baram Facility. 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). The Group has hedged its exposures to Sterling, NOK and the Euro in line with this policy. See section 8 (*Quantitative and qualitative disclosures on market risk*) below.

The Group categorises its derivative instruments for accounting purposes as follows:

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.

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 2016 and 2015, the Group either wrote off or impaired costs totalling US$0.9 million and US$4.8 million, respectively, in relation to the Group's intangible exploration and evaluation assets following unsuccessful exploration and evaluation activities. For the years ended 31 December 2015, 2014 and 2013, the Group either wrote off or impaired such costs totalling US$9.1 million, US$152.0 million and US$2.0 million, respectively. 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 and its prioritisation of the on-going developments at Kraken and Scolty/Crathes. 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. For example, there was a US$152.0 million impairment charge to exploration and evaluation assets in 2014, primarily relating to the Crawford Porter, Kildrummy and Cairngorm fields as well as certain GKA acreage, which were impaired due to the significant decline in oil prices in the second half of 2014, as a result of which the Group determined commercial production in these fields to be unfeasible. 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. 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 section 9 (*Critical accounting estimates and judgments*) below.

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 RCF, which has a floating EURIBOR or LIBOR-linked interest rate, and the Tanjong Baram Facility, which has a floating US Dollar LIBOR-linked interest rate. In 2015, the Group entered an interest rate swap which effectively swapped 50 per cent. of floating US Dollar LIBOR rate interest on the Tanjong Baram Facility 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 in the UK as well as petroleum and corporate income taxes in Malaysia. The Group had a cumulative UK corporate tax losses of US$2,536 million as of 31 December 2015. 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, it also has paid PRT, 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 2016 the Group paid no PRT in relation to its UKCS operations. In 2015, the Group received a US$11,000 PRT refund relating to PRT losses at Alba. 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's taxation is also affected by UK tax incentive programmes known as investment allowances. This regime basically provides for a reduction in ring fence supplementary corporation tax (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 31 December 2015 (*in US$ millions*)**
Alma/Galia	293
Thistle/Deveron	399
Kraken North	720
Kraken South	720
Heather/Broom	133
Greater Kittiwake Area	22
West Don/Don South West	—
Alba	3
Ythan	135
Conrie	40
Crathes	—
Scolty	—

Investment allowances reduce payments of SCT, which the Company would only expect to be incurred if oil prices rise above US$75 per barrel. With continuing investment in the Group's existing assets and major developments (in particular, the Kraken development), 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.

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. For example, the Group has engaged in an exchange of correspondences with HMRC in the UK 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. The Group assesses all such claims in the context of the tax laws of the countries in which the Group operates and, where applicable, make provision for any settlements which the Company considers to be probable. See also section 9 (*Legal and arbitration proceedings*) in the "EnQuest's Business" section of this prospectus and "*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*" in the "Risk Factors" section.

The Company may also be affected by how taxes impact its counterparties and contracts. For example, in 2014 the UK tax treatment of certain oil and drilling service providers was modified, resulting in an increased tax burden. This and other similar 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 and depletion of fair value uplift to property, plant and equipment on acquiring strategic investments**

The Group's results are affected by exceptional items and depletion of fair value uplift. 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 US$ millions)	**2013**	**2014**	**2015**	**2015**	**2016**
Recognised in arriving at profit/(loss) from operations before tax:					
Unrealised mark-to-market losses/(gains)........................	(1.7)	(19.2)	45.3	29.1	33.4
Write off and Impairment of Investments, oil and gas and exploration and evaluation assets....................................	0.3	832.1	1,234.1	4.8	0.9
Impairment of land and buildings....................................	—	—	—	5.9	—
Loss/(Gain) on disposal of assets.....................................	—	(2.0)	10.7	—	—
Write down of receivable and inventory..........................	—	—	17.9	4.2	—
Depletion of fair value uplift	8.5	6.9	3.8	1.9	0.8
Change in surplus lease provision....................................	—	—	26.6	—	(22.8)
Change in GKA contingent consideration	—	—	—	—	(3.3)
SVT tariff operator reconciliation....................................	—	32.8	—	—	—
Negative goodwill...	—	(28.6)	—	—	—
Other[1]..	—	—	0.9	—	(0.6)
	7.1	**821.9**	**1,339.4**	**46.0**	**8.5**
Tax on items above..	(5.3)	(508.1)	(634.4)	(111.4)	(6.4)
Change in tax rate..	—	—	(56.8)	—	(13.1)
Reduction in the carrying amount of deferred tax assets	—	—	239.1	—	—
Total...	**1.8**	**(313.8)**	**887.3**	**(65.4)**	**(11.0)**

Note:

(1) Includes the valuation of contingent consideration due from the Group to the former owner of the GKA assets, the recovery of an overcall from the operator of SB307/308 and an adjustment relating to the acquisition of the PM8/Seligi assets.

The income and costs represented by these items are not typical to the Group's results and in certain cases apply only in one period. For example, "Change in surplus lease provision" relates to a 20 year lease that the Company entered into for its office building in Aberdeen, Scotland, with part of the building being sub-let. A provision was recognised for the costs in relation to the sub-let space due primarily to a rent-free period that was offered.

IFRS requires that a fair value exercise is undertaken allocating the cost of acquiring controlling interests to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Any difference between the cost of acquiring the interest and the fair value of the acquired net assets, which includes identified contingent liabilities, is recognised as acquired goodwill and the Group's assets are increased by this fair value uplift. The fair value exercise is performed as at the date of acquisition. The Group is required to recognise depletion charges for the fair value uplift, which are accounted for as part of cost of sales.

3. **Explanation of income statement items**

3.1 **Revenue and other operating income**

Revenue is primarily derived from oil sales and is recognised to the extent that it is probable that economic benefits will accrue to the Group and the revenue can be measured reliably. The Group typically recognises revenue from oil sales on lifting and delivery of production to the purchaser, at which time it generates an invoice. Tariff revenue related to third-party use of the Company's infrastructure is recognised in the period in which the services are provided at the agreed contract rates. Revenue also includes sales of any over-lifted positions, which are then recognised as a current liability.

Other operating income is comprised of realised gains and unrealised gains on the Group's commodity hedging contracts. See paragraph 8.4 (*Qualitative and quantitative disclosures about market risk—Commodity price risk management*) below.

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 Alma/Galia, which does 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 EnQuest Producer FPSO 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.

4. **Exploration and evaluation expenses**

The Group's exploration and evaluation expenses include write-offs and impairments in respect of expenditures on unsuccessful exploration and evaluation activities and pre-licence costs expensed. These expenses relate primarily to the write-off or impairment of costs such as exploration drilling and seismic purchase and evaluation previously capitalised and held in intangible oil and gas assets. The Group typically impairs or writes off such assets at the point it determines that commercial production from the asset is unlikely to be feasible and write down the value of those assets when a decision to relinquish the Group's interest is taken. Such charges are recognised as exploration and evaluation expenses. The Group also recognises as exploration and evaluation expenses costs associated with pre-licence activity, such as costs relating to the acquisition of seismic data and related geological and geophysical studies, and with evaluating potential licences and exploration and evaluation opportunities, such as seismic surveys, but only until a licence is awarded, after which costs are capitalised.

4.1 **Impairment of investments and Impairment of oil and gas assets**

At each balance sheet date, the Group reviews the carrying amounts of its investments and 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.

4.2 **Goodwill and Negative goodwill**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that such carrying value may be impaired. If, subsequent to the transaction, the Group determines that the fair value of the identifiable assets, liabilities and contingent liabilities is higher than the consideration that was paid for the entity, the Group may recognise the difference between the two figures as a gain on its income statement under Negative Goodwill.

For the purposes of impairment testing, goodwill acquired is allocated to the cash-generating units that are expected to benefit from the synergies of the combination. Each unit or units to which goodwill is allocated represents the lowest level at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit and related goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

4.3 Gain/loss on disposal of land and buildings and Gain/loss on disposal of intangible oil and gas assets

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.

4.4 General and administration expenses

General and administration expenses include administrative and head office staff costs, depreciation and other general and administration costs net of the recharge of costs to commercial partners. Staff costs are capitalised or expensed based on time writing entries. Capitalised staff costs are included within property, plants 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.

4.5 Other income

For the periods presented, other income is comprised mainly of 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.

4.6 Other expenses

For the periods presented, other expenses is comprised mainly of a change in surplus lease provision relating to a 20 year lease that the Group entered into for its office building in Aberdeen, Scotland, and a provision for the costs in relation to a rent-free period on the sub-let space, as well as net foreign exchange losses.

4.7 Finance costs

Finance costs primarily include loan and bond interest payable, unwinding of discount on decommissioning provisions, amortisation of premium on options designated as hedges of production and the unwinding of the KUFPEC cost recovery provision in relation to a receivable for the farm-out of Alma/Galia. As part of the agreement, a cost recovery protection mechanism was agreed under which, from 1 January 2017, the Group must pay KUFPEC 20 per cent. of net revenue from Alma/Galia to recoup its investment to the date of first production if its costs have not been recovered. A provision was made for the expected payments that the Group will make to KUFPEC under this arrangement. Finance costs also include commitment and letter of credit fees and amortisation of finance fees relating to arrangement fees for bank facilities and bonds.

4.8 Finance income

Finance income includes bank interest receivable, fair value gain on financial instruments at fair value through profit or loss, unwinding of financial assets, which includes the unwinding of a discount for deferred consideration due to the Group under the farm-out of Alma/Galia to KUFPEC, and other financial income.

4.9 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 and Malaysian petroleum and corporate income taxes.

4.10 Other comprehensive income

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.

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.

5. Results of operations

5.1 Results of operations for the six months ended 30 June 2016 and 2015

The following table sets forth certain of the Group's historical revenue and expense items for the six month periods ended 30 June 2016 and 2015.

	Six months ended 30 June 2015			Six months ended 30 June 2016		
(in US$ millions, unless stated)	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year
Revenue and other operating income	444.0	(29.4)	414.6	391.3	(9.1)	382.2
Cost of sales	(335.6)	12.8	322.8	(273.6)	(44.1)	(317.7)
Gross profit/(loss)	**108.4**	**(16.6)**	**91.8**	**117.7**	**(53.2)**	**64.6**
Exploration and evaluation expenses	—	(4.8)	(4.8)	—	(0.9)	(0.9)
Impairment of investments	—	—	—	—	—	—
Impairment of oil and gas assets	—	—	—	—	—	—
Impairment of land and buildings	—	(5.9)	(5.9)	—	—	—
General and administration expenses	(5.2)	—	(5.2)	(5.4)	(0.1)	(5.5)
Other income	—	—	—	37.3	27.6	64.9
Other expenses	(4.1)	(4.2)	(8.4)	—	—	—
Profit/(loss) from operations before tax and finance income (costs)	**99.1**	**(31.6)**	**67.5**	**149.7**	**(26.7)**	**(123.0**
Finance costs	(88.2)	(14.4)	(102.6)	(66.8)	18.2	(48.6)
Finance income	0.5	—	0.5	0.5	—	0.5
Profit/(loss) before tax	**11.4**	**(46.0)**	**(34.6)**	**83.4**	**(8.5)**	**74.9**
Income tax	22.4	111.4	133.8	56.9	19.5	76.4
Profit/(loss) for the year attributable to owners of the parent	**33.8**	**65.4**	**99.2**	**140.3**	**11.0**	**151.3**
Other comprehensive income for the year, after tax						
Cash flow hedges:						
Reclassified to profit or loss	—	—	(95.9)	—	—	(127.1)

	Six months ended 30 June 2015			Six months ended 30 June 2016		
(in US$ millions, unless stated)	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year
May be classified subsequently to profit or loss when specific conditions are met.........	—	—	8.9	—	—	(41.3)
Deferred tax on gain on cash flow hedges......	—	—	62.3	—	—	84.1
Available-for-sale financial assets	—	—	—	—	—	—
Total other comprehensive income for the year.......	—	—	**(24.8)**	—	—	**(84.3)**
Total comprehensive income for the year, attributable to owners of the parent ...	**—**	—	**74.4**	—	—	**67.0**

5.2 **Comparison of results of operations for the six months ended 30 June 2016 and 2015**

Revenue and other operating income

Revenue and other operating income decreased by US$32.4 million, or 7.8 per cent., to US$382.2 million for the six months ended 30 June 2016, from US$414.6 million for the six months ended 30 June 2015, primarily due to the lower realised oil price in the six months ended 30 June 2016 compared to the six months ended 30 June 2015, partially offset by the increase in the volume of oil sold and the benefit of the Group's hedging activities.

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 2016, oil sales were US$256.5 million compared with US$294.1 million in the six months ended 30 June 2015. The decrease in oil sales reflected the decrease in the Group's blended average realised price per barrel of oil sold (excluding hedging) by US$17, or 29.3 per cent., to US$41 for the six months ended 30 June 2016 from US$58 for the six months ended 30 June 2015.

Revenue derived from sales from the Group's UKCS operations was US$211.4 million for the six months ended 30 June 2016, a decrease of US$7.7 million, or 3.5 per cent., from US$219.1 million for the six months ended 30 June 2015. This decrease was primarily due to the reduction in the average realised oil price, partially offset by an increase in the volume of oil sold from 3.7 Mmboe in the six months ended 30 June 2015 to 4.9 Mmboe in the six months ended 30 June 2016. The Group's UKCS production, on a working interest basis, increased by 11,199 boepd, or 51 per cent., to 33,087 boepd for the six months ended 30 June 2016 from 21,888 boepd for the six months ended 30 June 2015. This increase was primarily attributable to production from Alma/Galia (which only started producing in October 2015) plus increases in all other operated assets reflecting the results from new wells.

Revenue derived from the Group's Malaysian operations was US$51.7 million for the six months ended 30 June 2016, a decrease of US$26.6 million, or 34.0 per cent., from US$78.3 million for the six months ended 30 June 2015. This decrease was primarily due to the reduction in the average realised oil price, partially offset by an increase in the volume of oil sold. The Group's Malaysian production, on a working interest basis, for the six months ended 30 June 2016 averaged 9,433 boepd, an increase of 1,656 boepd, or 21 per cent., from 7,777 boepd for the six months ended 30 June 2015. The increase in production was primarily attributable to production from Tanjong Baram (which only started producing in June 2015).

The decrease in revenue during the six months ended 30 June 2016 was also partially offset by the benefit of the Group's hedging activities. The Group recognised US$128.1 million of realised gains and US$9.1 million of unrealised losses from its commodity derivatives contracts in the six months ended 30 June 2016, as compared to US$146.7 million and US$29.4 million, respectively, for the six months ended 30 June 2015.

Cost of sales

Cost of sales decreased by US$5.1 million, or 1.8 per cent., to US$317.7 million for the six months ended 30 June 2016 from US$322.8 million for the six months ended 30 June 2015. Cost of sales before depletion for fair value uplift, re-measurements, impairments and other exceptional items decreased by US$62.0 million, or 18 per cent., to US$273.6 million for the six months ended 30 June 2016 from US$335.6 million for the six months ended 30 June 2015. The decrease in cost of sales was primarily due to the weakening of Sterling against the US Dollar and the Company's on-going cost savings initiatives. A US$44.8 million change in the lifting position, reflecting the unwinding of an overlift balance that had accrued for Thistle and GKA at 31 December 2015, further reduced cost of sales. This was partially offset by US$8.7 million of additional depletion expense due to higher production. Due to these reasons, cost of sales before depletion for fair value uplift, re-measurements, impairments and other exceptional items fell to 69.9 per cent. of revenue for the six months ended 30 June 2016 from 75.6 per cent. of revenue for the six months ended 30 June 2015.

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 US$16.7 million, or 8.5 per cent., to US$178.9 million for the six months ended 30 June 2016 from US$195.6 million for the six months ended 30 June 2015, primarily as a result of the Group's on-going cost saving initiatives as well as the favourable exchange rate fluctuations mentioned above. Tariff and transportation costs increased to US$31.8 million for the six months ended 30 June 2016 from US$28.0 million in the six months ended 30 June 2015, primarily due to higher volumes of oil sold. Production costs decreased to US$138.9 million for the six months ended 30 June 2016 from US$164.9 million for the six months ended 30 June 2015, primarily due to the Group's on-going cost savings initiatives. As a result of the foregoing, the Group's unit operating costs per barrel decreased by US$16 to US$23 for the six months ended 30 June 2016 from US$39 for the six months ended 30 June 2015. The Group's depletion expense per barrel for the six months ended 30 June 2016 was US$18 per barrel, a decrease of US$6.0 from US$24 per barrel for the six months ended 30 June 2015. This decrease was primarily due to increases in production, partially offset by the impact of impairments recognised for the year ended 31 December 2015.

The Group's change in lifting position was a credit of US$34.8 million for the six months ended 30 June 2016, compared with an expense of US$10.0 million for the six months ended 30 June 2015. The net under-lift during the first half of 2016 was primarily due to the timing of liftings at Thistle and GKA.

Exploration and evaluation expenses

Exploration and evaluation expenses amounted to US$0.9 million for the six months ended 30 June 2016, compared to US$4.8 million for the six months ended 30 June 2015. The expenses for the six months ended 30 June 2016 consisted primarily of impairment charges. The Group incurred impairment charges of US$4.8 million during the first six months of 2015, primarily relating to the write off of costs capitalised in respect of the Group's Norwegian licences.

Impairment of land and buildings

The Group recognised impairment of land and buildings of US$5.9 million for the six months ended 30 June 2015, relating to the write down of the Group's Aberdeen office to the expected sales proceeds. There was no impairment for the six months ended 30 June 2016.

General and administration expenses

General and administration expenses of US$5.5 million for the six months ended 30 June 2016 were in line with the charge of US$5.2 million for the six months ended 30 June 2015.

Other income/expense

The following table sets forth details of the Group's other income/expense for the six months ended 30 June 2015 and the six months ended 30 June 2016.

	Six months ended 30 June	
(in US$ millions)	**2015**	**2016**
Foreign currency exchange gains/(losses)	(4.3)	37.3
Other	0.2	—
Business performance	**(4.1)**	**37.3**
Release of provision for unused Stena Spey days	—	22.8
Release of GKA contingent consideration provision	—	3.4
Write down of receivable from PA Resources	(4.2)	—
Other	—	1.3
Total	**(8.4)**	**64.9**

Other income/expense moved from a loss of US$8.4 million for the six months ended 30 June 2015 to a gain of US$64.9 million for the six months ended 30 June 2016. The loss for the six months ended 30 June 2015 included foreign exchange losses on the Group's non-US Dollar monetary assets and liabilities (predominantly the Sterling-denominated Retail Notes), and a US$4.2 million write down of a receivable from PA Resources following the unwinding of a Tunisian acquisition. The gain for the six months ended 30 June 2016 includes a US$37.3 million foreign exchange gain following the devaluation of Sterling against the US Dollar. The gain also included US$22.8 million for the release of the provision for unused Stena

Spey drilling days following a revision to the drilling schedule and a US$3.4 million release of a portion of the contingent consideration provision in respect of the GKA acquisition, mainly following the results of the Eagle well.

Finance costs

The following table sets forth details of the Group's finance costs for the six months ended 30 June 2016 and 2015.

	Six months ended 30 June		
(in US$ millions)	**2015**	**2016**	**% Change**
Loan interest payable	6.8	23.4	244%
Bond interest payable	29.3	28.6	(2)%
Unwinding of discount on decommissioning provisions	9.7	6.2	56%
Unwinding of discount on other provisions	2.4	1.4	50%
Unwinding of discount on financial liabilities	0.1	0.2	100%
Fair value loss on financial instruments at fair value through profit or loss	34.0	20.1	(41)%
Finance charges payable under finance leases	—	—	—
Amortisation of finance fees on loans and bonds	3.5	3.3	(6)%
Other financial expenses	7.1	6.5	(8)%
	92.9	89.9	(3)%
Less: amounts included in the cost of qualifying assets	(4.7)	(23.1)	391%
Business performance finance expenses	**88.2**	**66.8**	**(24)%**
Fair value (gain)/loss on financial instruments at fair value	14.4	(18.2)	(226)%
Unwinding of discount on other provisions.	—	—	—
Finance costs	**102.6**	**48.6**	**(53)%**

Finance costs decreased by US$54.0 million, or 53 per cent., to US$48.6 million for the six months ended 30 June 2016 from US$102.6 million for the six months ended 30 June 2015. This decrease was caused by a reduction in the fair value movements on derivative financial instruments of US$46.5 million, or 96 per cent., to US$1.9 million due to mark to market movements on the time value of the Group's oil hedges, together with an increase of US$18.4 million, or 391 per cent., to US$23.1 million, in amounts capitalised on qualifying assets, representing the on-going investment in Kraken.

Finance income

The following table sets forth details of the Group's finance income for the six months ended 30 June 2016 and 2015.

	Six months ended 30 June		
(in US$ millions)	**2015**	**2016**	**% Change**
Bank interest receivable	0.1	0.2	100%
Unwinding of discount on financial asset	0.3	0.2	(35)%
Other financial income	0.1	0.1	—
Finance income	0.5	0.5	—

Finance income for each of the six months ended 30 June 2016 and the six months ended 30 June 2015 was US$0.5 million.

Income tax

Due to the fall in profits triggered primarily by the decline in oil prices, capital allowances from investment in UKCS assets and ring fence expenditure supplement, the Group had no UK corporation tax or SCT liability at 30 June 2016, which remains unchanged from 30 June 2015. The Group's income tax credit decreased by US$57.4 million, or 42.9 per cent., to US$76.4 million for the six months ended 30 June 2016 from US$133.8 million for the six months ended 30 June 2015. The credit in the six months ended 30 June 2016 primarily related to ring fence expenditure supplement and the impact of the reduction to PRT.

Other comprehensive income

Other comprehensive income decreased by US$59.5 million, or 240 per cent., to a loss of US$84.3 million for the six months ended 30 June 2016 from a loss of US$24.8 million for the six months ended 30 June 2015, reflecting the higher mark to market value of the Group's hedges as at 31 December 2015, compared to 31 December 2014 which were subsequently released of profit in the subsequent six months. See paragraph "*Cash flow hedges"* under 4.10 (*Explanation of income statement items—Other comprehensive income*) above.

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 2016 was US$67.0 million, compared to income of US$74.4 million for the six months ended 30 June 2015.

5.3 **Results of operations for the years ended 31 December 2013, 2014 and 2015**

The following table sets forth certain of the Group's historical revenue and expense items for the years ended 31 December 2013, 2014 and 2015.

	For the year ended 31 December								
	2013			**2014**			**2015**		
(in US$ millions, unless stated)	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value, uplift, re-measurements, impairments and other exceptional items	Reported in year
Revenue and other operating income	961.2	(6.0)	955.2	1,009.9	18.6	1,028.5	906.6	1.9	908.5
Cost of sales..	(526.3)	(0.8)	(527.1)	(654.1)	(57.8)	(711.9)	(733.4)	(15.1)	(748.5)
Gross profit/(loss) ..	**434.9**	**(6.8)**	**428.1**	**355.8**	**(39.2)**	**316.6**	**173.2**	**(13.2)**	**160.0**
Exploration and evaluation expenses........	(8.6)	—	(8.6)	(4.0)	(152.0)	(156.0)	(0.3)	(9.1)	(9.4)
Impairment of investments ...	—	(0.3)	(0.3)	—	(1.3)	(1.3)	—	(0.6)	(0.6)
Impairment of oil and gas assets	—	—	—	—	(678.8)	(678.8)	—	(1,224.5)	(1,224.5)
Negative goodwill........	—	—	—	—	28.6	28.6	—	—	—
Gain/(loss) on disposal of land and buildings	—	—	—	—	—	—	—	(8.5)	(8.5)
Gain/(loss) on disposal of intangible oil and gas assets............	—	—	—	—	2.0	2.0	—	(2.3)	(2.3)
General and administration expenses...	(25.0)	—	(25.0)	(16.5)	—	(16.5)	(14.4)	(3.6)	(18.0)
Other income	—	—	—	27.2	—	27.2	15.4	1.9	17.4
Other expenses........	(26.4)	—	(26.4)	—	—	—	—	(29.6)	(29.6)
Profit/(loss) from operations before tax and finance income (costs)	**338.0**	**(7.1)**	**367.7**	**362.5**	**(840.6)**	**(478.1)**	**173.9**	**(1,289.3)**	**(1,115.4)**
Finance costs	(38.8)	—	(38.8)	(121.1)	18.7	(102.4)	(176.4)	(50.1)	(226.5)
Finance income	2.0	—	2.0	1.8	—	1.8	1.0	—	1.0

	For the year ended 31 December								
	2013			2014			2015		
(in US$ millions, unless stated)	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value uplift, re-measurements, impairments and other exceptional items	Reported in year	Business performance	Depletion of fair value, uplift, re-measurements, impairments and other exceptional items	Reported in year
Profit/(loss) before tax	**375.5**	**(7.1)**	**330.9**	**243.3**	**(821.9)**	**(578.7)**	**(1.5)**	**(1,339.4)**	**(1,340.9)**
Income tax	(146.6)	(5.3)	(141.3)	(105.8)	508.1	402.3	129.3	452.1	581.5
Profit/(loss) for the year attributable to owners of the parent	**191.4**	**(1.8)**	**189.6**	**137.4**	**(313.8)**	**(176.4)**	**127.8**	**(887.3)**	**(759.5)**
Other comprehensive income for the year, after tax									
Cash flow hedges:									
Reclassified to profit or loss	—	—	—	—	—	—	—	—	(244.4)
May be classified subsequently to profit or loss when specific conditions are met	—	—	0.1	—	—	156.3	—	—	356.5
Deferred tax on gain on cash flow hedges	—	—	(0.08)	—	—	(96.9)	—	—	(37.3)
Available-for-sale financial assets	—	—	0.4	—	—	(0.4)	—	—	—
Total other comprehensive income for the year	—	—	**0.4**	—	—	**59.0**	—	—	**74.8**
Total comprehensive income for the year, attributable to owners of the parent	—	—	**190.0**	—	—	**(117.4)**	—	—	**(684.7)**

5.4 **Comparison of results of operations for the years ended 31 December 2014 and 2015**

Revenue and other operating income

Revenue and other operating income decreased by US$120.0 million, or 11.7 per cent., to US$908.5 million for the year ended 31 December 2015, from US$1,028.5 million for the year ended 31 December 2014, primarily due to a decrease in oil prices. This decrease was partially offset by increases in production and the recognition of gains from the Group's commodity derivatives contracts.

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 2015, oil sales were US$634.3 million compared with US$970.5 million in the year ended 31 December 2014. The decrease in the price of oil was reflected by the decrease in the Group's blended average realised price per barrel of oil sold (excluding hedging) by US$49.7, or 49.4 per cent., to US$50.9 for the year ended 31 December 2015 from US$100.6 for the year ended 31 December 2014.

Revenue derived from sales from the Group's UKCS operations was US$528.2 million for the year ended 31 December 2015, a decrease of US$396.6 million, or 42.9 per cent., from US$924.8 million for the year ended 31 December 2014. This decrease was primarily due to the decline in oil prices and was partially offset by an increase in production. The Group's UKCS production, on a working interest basis, increased by 3,069 boepd, or 12.6 per cent., to 27,505 boepd for the year ended 31 December 2015 from 24,436 boepd for the year ended 31 December 2014. This increase was caused by additional production from Gadwall and Goosander in GKA due to improvements such as a chemical treatment and sidetracking as well as the impact of initial production from Alma/Galia, which was brought on-stream in October. This increase in production was partially offset by the expected natural decline in production from Dons.

Revenue derived from the Group's Malaysian operations was US$117.2 million for the year ended 31 December 2015, an increase of US$63.9 million, or 119.8 per cent., from US$53.3 million for the year ended 31 December 2014. The impact of the lower oil price was more than offset by increased production. The Group's Malaysian production, on a working interest basis, for the year ended 31 December 2015 averaged 9,062 boepd, an increase of 5,603 boepd, or 162.0 per cent., from 3,459 boepd for the year ended 31 December 2014. The increase in production was primarily caused by the impact of the first full year of production from PM8/Seligi and initial production from Tanjong Baram, which was brought on-stream in July.

The decrease in revenue during the year ended 31 December 2015 was also partially offset by the benefit of the Group's hedging activities with the recognition of US$261.2 million of realised gains and US$1.9 million of unrealised gains from the Group's commodity derivatives contracts, as compared to US$31.7 million and US$18.6 million, respectively, for the year ended 31 December 2014. These gains related to the portion of the Group's commodity hedging contracts that were ineffective for hedging purposes or held for trading purposes. Unrealised gains are recorded upon the closing of the contracts and realised to match the timing of the underlying production hedged by the contract.

Cost of sales

Cost of sales increased by US$36.6 million, or 5.1 per cent., to US$748.5 million for the year ended 31 December 2015 from US$711.9 million for the year ended 31 December 2014. Cost of sales before depletion for fair value uplift, re-measurements, impairments and other exceptional items increased by US$79.3 million, or 12.1 per cent., to US$733.4 million for the year ended 31 December 2015 from US$654.1 million for the year ended 31 December 2014.

The increase in cost of sales was primarily due to an increase of US$61.2 million in depreciation, depletion and amortisation charges, driven by an increase in production in PM8/Seligi and GKA and the commencement of production in Alma/Galia. This was increased by an US$11.1 million addition in supplemental tax payments due on the Group's profit oil under the Group's PM8/Seligi production sharing contract in Malaysia as a result of the inclusion of a full year of operations at PM8/Seligi PSC as well as a US$15.8 million increase due to an increase in over-lift and inventory movements. These increases were partially offset by a US$67.2 million decrease in lifting costs and tariffs, reflecting the continuation of the Group's cost reductions programme, which includes logistical improvements, equal time rotas and reduced contractor rates, as well as the lower percentage of throughput at SVT, caused by an increase in utilisation by non- EnQuest operated fields in the area. Due to these reasons, as well as the decrease in revenues due to lower oil prices, cost of sales before depletion for fair value uplift, re-measurements, impairments and other exceptional items rose to 80.9 per cent. of revenue for the year ended 31 December 2015 from 64.8 per cent. of revenue for the year ended 31 December 2014.

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 US$8.7 million, or 2.2 per cent., to US$390.7 million for the year ended 31 December 2015 from US$399.4 million for the year ended 31 December 2014, primarily as a result lower production costs as well as reductions in tariff and transportation costs. Production costs decreased to US$318.5 million for the year ended 31 December 2015 from US$347.2 million for the year ended 31 December 2014, due to the Group's on-going cost optimisation activities. This was partially offset by the impact of the first full year of production at PM8/Seligi and increased production from Alma/Galia. Tariff and transportation costs decreased to US$69.1 million for the year ended 31 December 2015 from US$107.5 million in the year ended 31 December 2014, primarily due to lower unit costs per barrel at Sullom Voe Terminal resulting from cost reduction initiatives by the operator. As a result of the above, the Group's unit operating costs per barrel decreased by US$12 to US$30 for the year ended 31 December 2015 from US$42 for the year ended 31 December 2014. The Group's depletion expense per barrel for the year ended 31 December 2015 was US$25.0 per barrel, a slight increase over US$24.6 per barrel for the year ended 31 December 2014. This increase was due to the commencement of production on Alma/Galia, which has a higher depletion rate than the rest of the Group's hubs due to having been acquired at an earlier stage of development than the rest of the Group's hubs, which were typically acquired as mature assets. The decreases in the Group's operating costs were partially offset by the impact of the foreign exchange hedging gains in 2014 primarily relating to a negative movement on the currency swaps which the Group entered into in 2014, in order to swap US$550 million of the US Dollar proceeds of the High Yield Notes into Sterling to enable it to repay Sterling drawings under the RCF.

The Group's change in lifting position was an expense of US$23.9 million for the year ended 31 December 2015, compared with an expense of US$8.2 million for the year ended 31 December 2014. The net over-lift during 2015 was primarily due to the timing of liftings at GKA, together with nominators of lifting volumes at Thistle for the last two months of 2015 exceeding production in those months due to some short-term performance issues which were subsequently remedied.

Exploration and evaluation expenses

Exploration and evaluation expenses decreased by US$146.6 million, or 94.0 per cent., to US$9.4 million for the year ended 31 December 2015 from US$156.0 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in impairment charges to US$9.1 million for the year ended 31 December 2015 from US$152.5 million for the year ended 31 December 2014. The impairment charges in 2015 consisted of charges of US$1.9 million, relating to the withdrawal from SB307/308 blocks in Malaysia, and unsuccessful exploration write-offs of US$7.2 million, primarily relating to the Cairngorm and Elke licences.

Exploration and evaluation expenses before depletion of fair value uplift, re-measurements, impairments and other exceptional items decreased by US$3.7 million, or 92.5 per cent., to US$0.3 million for the year ended 31 December 2015 from US$4.0 million for the year ended 31 December 2014 reflecting the significant decrease in the Group's exploration and evaluation activities in response to the current low-price oil environment. The expenses for the year ended 31 December 2015 consisted primarily of pre-licence costs in respect of the 28th licence round in the UK awarded in the first half of 2015. The expenses in 2014 primarily related to pre-licence costs in Norway and pre-licence costs relating to the application for UKCS licences under the 28th Licence Round in the UK.

Impairment of investments

Impairment of investments decreased by US$0.7 million, or 53.8` per cent., to US$0.6 million for the year ended 31 December 2015 from US$1.3 million for the year ended 31 December 2014. This decrease was primarily due to 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.

Impairment of oil and gas assets

Impairment of oil and gas assets increased by US$545.7 million, or 80.4 per cent., to US$1,224.5 million for the year ended 31 December 2015 from US$678.8 million for the year ended 31 December 2014.

Impairment of oil and gas assets for the Group's UKCS operations was US$1,217 million for the year ended 31 December 2015, an increase of US$538.2 million, or 77 per cent., from US$678.8 million for the year ended 31 December 2014. The impairments in 2015 related to Heather/Broom ($120.3 million), Thistle/Deveron ($263.1 million), Dons ($182.4 million), Alma/Galia ($595.5 million) and Alba ($25.3 million).

Impairment of oil and gas assets for the Group's Malaysian operations for the year ended 31 December 2015 amounted to US$7.8 million. This consisted entirely of an impairment to Tanjong Baram ($7.8 million). There were no such impairments for the year ended 31 December 2014.

The impairments to the Group's UKCS and Malaysian oil and gas assets were principally due to the continuing decline in the price of oil during 2015 and the resulting reduction in estimated future revenues and 2P reserves.

Negative goodwill

There was no adjustment for negative goodwill in the year ended 31 December 2015, while in the year ended 31 December 2014 the Group recorded a gain of US$28.6 million in negative goodwill, relating to the Group's acquisition in 2014 of PM8/Seligi. The assets and liabilities on acquisition were fair valued and, as the fair value was greater than the deemed consideration, a gain of US$28.6 million was recognised.

Gain/loss on disposal of land and buildings

The Group had a loss on disposal of land and buildings of US$8.5 million for the year ended 31 December 2015, relating to a sale and leaseback arrangement for the Aberdeen office. The loss of US$8.5 million represents the difference between the sale proceeds of US$69.5 million and the carrying value of the property. There was no gain/loss on disposal of land and buildings for the year ended 31 December 2014.

Gain/loss on disposal of intangible oil and gas assets

Gain/loss on disposal of intangible oil and gas assets decreased by US$4.3 million to US$2.3 million for the year ended 31 December 2015 from a gain of US$2.0 million for the year ended 31 December 2014, due to a loss incurred from the disposal of the Group's Norwegian licences in October 2015.

General and administration expenses

General and administration expenses increased by US$1.5 million, or 9.1 per cent., to US$18.0 million for the year ended 31 December 2015 from US$16.5 million for the year ended 31 December 2014. This increase was primarily due to a US$3.6 million provision for costs relating to a rent free period in connection with the sub-let of the Group's Aberdeen office. General and administration expenses before depletion of fair value uplift, re-measurements, impairments and other exceptional items was US$14.4 million for 2015 as compared to US$16.5 million in 2014. This decrease was primarily due to a reduction in the Group's contractor related expenses as a result of its cost optimisation activities, which included renegotiation of contractor rates and headcount reductions.

Other income

Other income decreased by US$11.8 million, or 43.3 per cent., to US$15.4 million for the year ended 31 December 2015 from US$27.2 million for the year ended 31 December 2014. This was a result of negative foreign exchange movements relating to the revaluation of the Group's NOK, Sterling and Euro balances (i.e. the Retail Notes and other non-US Dollar-denominated payables).

Other expenses

Other expenses amounted to US$29.6 million for the year ended 31 December 2015, primarily a result of a provision relating to the Group's agreement to hire the Stena Spey drilling vessel in 2016. Based on the Group's current drilling forecasts for 2016, the vessel will not be fully utilised over this period and as a result at 31 December 2015 a provision was made for the unavoidable costs and charged to other expenses. Other expenses for 2015 also included a US$4.4 million write down of a receivable from the Group's now discontinued Tunisian operations as well as a US$2.3 million change in deferred consideration in connection with the Group's acquisition of GKA in 2014. There were no other expenses for the year ended 31 December 2014.

The following table sets forth details of the Group's finance costs for the years ended 31 December 2015 and 2014.

	Year ended 31 December		
(in US$ millions)	**2014**	**2015**	**% Change**
Loan interest payable	5.9	22.0	271.3%
Bond interest payable	46.2	58.2	26.1%
Unwinding of discount on decommissioning provisions	12.1	17.0	40.9%
Unwinding of discount on other provisions	—	4.9	—
Unwinding of discount on financial liabilities	0.1	0.3	144.7%
Fair value loss on financial instruments at fair value through profit or loss	22.7	70.0	209.1%
Finance charges payable under finance leases	0.0	0.0	—
Amortisation of finance fees on loans and bonds	6.8	7.3	7.6%
Other financial expenses	11.8	11.0	(6.8%)
	105.5	190.8	80.7%
Less: amounts included in the cost of qualifying assets	(3.2)	(14.4)	(353.5%)
Business performance finance expenses	**121.1**	**176.4**	45.7%
Fair value (gain)/loss on financial instruments at fair value	(18.7)	49.8	
Unwinding of discount on other provisions.	—	0.3	—
Finance costs	**102.4**	**226.5**	121.2%

Finance costs increased by US$124.1 million, or 121.2 per cent., to US$226.5 million for the year ended 31 December 2015 from US$102.4 million for the year ended 31 December 2014. This increase was partly caused by an increase in loan and bond interest payables of US$16.1 million and US$12.0 million, respectively, as a result of increased borrowings under the RCF, the execution of and initial utilisation under the Tanjong Baram Facility in June 2015 and a full year of interest payments on the High Yield Notes. More significantly, the Group also incurred a US$47.4 million increase in fair value losses on the Group's financial instruments at fair value through profit or loss caused by losses on the time value portion of the Group's commodity put option contracts as they relate to the amortisation of the option premium paid over the life of the contracts and a US$4.9 million increase in each of unwinding of discount on decommissioning provisions and unwinding of discount on other provisions, in each case from the year ended 31 December 2014. The increase in the unwinding of discount on decommissioning provisions was due to increased decommissioning provisions for Kraken, reflecting the subsea infrastructure which was put in place throughout 2015 as well as for Alma/Galia, reflecting revised cost estimates that were determined after first oil in October 2015.

Finance costs for 2015 also included a US$49.8 million fair value loss on financial instruments at fair value, a decrease of US$68.5 million from a gain of US$18.7 million for 2014. The 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. The gain in 2014 related to the increase in the time value portion of these options above the premium paid.

Finance income

The following table sets forth details of the Group's finance income for the years ended 31 December 2014 and 2015.

	Year ended 31 December		
(in US$ millions)	**2014**	**2015**	**% Change**
Bank interest receivable	0.3	0.3	(5.6%)
Unwinding of financial asset	0.9	0.5	(38.0)%
Other financial income	0.6	0.1	(79.0%)
Finance income	1.8	1.0	(44.4%)

Finance income decreased by US$0.8 million, or 44.4 per cent., to US$1.0 million for the year ended 31 December 2015 from US$1.8 million for the year ended 31 December 2014. Finance income for the year ended 31 December 2015 included a US$0.5 million unwinding of discount on the financial asset created in 2012 as part of the consideration for the farm-out of Alma/Galia to KUFPEC.

Income tax

Due to the fall in profits triggered primarily by the decline in oil prices, capital allowances from on-going investment in UKCS assets and ring fence expenditure supplement, the Group has no UK corporation tax or SCT liability at 31 December 2015, which remains unchanged from 2014. The Group's income tax credit increased by US$179.2 million, or 44.5 per cent., to US$581.5 million for the year ended 31 December 2015 from US$402.3 million for the year ended 31 December 2014, primarily due to a higher tax credit relating to the increase in the ring fence expenditure supplement caused by the Group's increased investment in the Kraken development and the release of deferred tax liabilities following impairments of UK oil and gas assets. Current income tax charges increased by US$5.4 million, or 88.5 per cent., from US$6.1 million for the year ended 31 December 2014 to US$11.5 million for the year ended 31 December 2015, due to increased overseas current petroleum income tax charges due to the rise in production at the Group's Malaysian assets.

Other comprehensive income

Other comprehensive income increased by US$15.8 million, or 26.8 per cent., to US$74.8 million for the year ended 31 December 2015 from US$59.0 million for the year ended 31 December 2014, due to gains relating to the effective portion of the Group's cash flow hedging of the Group's commodity hedging contracts. See paragraph "*Cash flow hedges"* under 4.10 (*Explanation of income statement items—Other comprehensive income*) above.

Total comprehensive income for the year for the year attributable to owners of the parent

As a result of the factors described above, the Group's total comprehensive income for the year ended 31 December 2015 was a loss of US$684.7 million, a decrease of US$567.3 million, or 483.2 per cent., from the loss of US$117.4 million for the year ended 31 December 2014.

5.5 **Comparison of results of operations for the years ended 31 December 2013 and 2014**

Revenue and other operating income

Revenue and other operating income increased by US$73.3 million, or 7.7 per cent., to US$1,028.5 million for the year ended 31 December 2014 compared to US$955.2 million for the year ended 31 December 2013. This increase was primarily due to increases in production relating to the commencement of the Group's Malaysian operations and was partially offset by the significant decline in oil prices during the second half of 2014.

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 2014, oil sales were US$1,002.2 million compared with US$953.7 million for the year ended 31 December 2013. The increase in revenue was due to higher production and an over-lift of US$8.2 million for the year ended 31 December 2014 compared with an over-lift of US$2.6 million for the year ended 31 December 2013 and was partly offset by the significant reduction in the oil price during the second half of 2014. The Group's blended average realised price per barrel of oil sold decreased by US$9.1 million, or 8.3 per cent., from US$109.7 during 2013 to US$100.6 during 2014.

Revenue derived from sales from the Group's UKCS operations was US$924.8 million for the year ended 31 December 2014, a decrease of US$36.4 million, or 3.8 per cent., from US$961.2 million for the year ended 31 December 2013. This decrease was primarily due to the decline in oil prices that began in the second half of 2014 and was partially offset by an increase in production. The Group's UKCS production, on a working interest basis, increased by 236 boepd, or 1.0 per cent., to 24,436 boepd for the year ended 31 December 2015 from 24,200 boepd for the year ended 31 December 2014. This increase was caused by higher production efficiency at Thistle and ten months of initial production from GKA, which was acquired during the first quarter of 2014. These production gains were themselves partially offset by an expected natural decline in production from Dons.

Revenue derived from sales from the Group's Malaysian operations was US$53.3 million for the year ended 31 December 2014. This revenue reflects the initial production from PM8/Seligi. The Group's Malaysian production, on a working interest basis, was 3,459 boepd for the year ended 31 December 2014. The Group had no production nor revenue from its Malaysian operations for the year ended 31 December 2013.

Included within revenue and other operating income for the year ended 31 December 2014 are realised gains of US$31.7 million and unrealised gains of US$18.6 million on the Group's commodity hedging contracts as compared to no unrealised gains and unrealised losses of US$6.0 million in the year ended 31 December 2013.

Cost of sales

Cost of sales was US$711.9 million during the year ended 31 December 2014 compared with US$527.1 million in the year ended 31 December 2013. The increase of US$184.8 million, or 35.0 per cent., was primarily due to an increase in operating costs.

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 US$128.5 million, or 41.7 per cent., to US$436.5 million for the year ended 31 December 2014 from US$308.0 million for the year ended 31 December 2013 due to higher production, tariff and transportation costs. Tariff and transportation costs increased by US$66.8 million, or 90.9 per cent., to US$140.3 million for the year ended 31 December 2014 from US$73.5 million for the year ended 31 December 2013, primarily due to significantly higher unit costs per barrel at Sullom Voe Terminal. These costs increased by US$28.9 million during the year ended 31 December 2014, reflecting higher base level tariffs as well as increased throughput at SVT resulting from the Group's additional production. Production costs increased by US$61.7 million, or 26.3 per cent., to US$296.2 million for the year ended 31 December 2014 from US$234.5 million for the year ended 31 December 2013, due primarily to the Group's commencement of production at GKA and PM8/Seligi following their acquisition. This was partially offset by overall gains relating to both the Group's bond proceeds currency transactions and realised mark to market valuations on foreign exchange trades. The gain relating to the Group's bond proceeds currency transactions arose when it entered into a number of foreign exchange transactions to swap US$550 million of the US Dollar proceeds of the High Yield Notes into Sterling to enable it to repay Sterling drawings under the RCF. The transactions required the Group to swap Sterling back into US Dollars between October and December 2014 at a fixed rate. In early October 2014 the transactions were closed out and the Group realised a gain of US$46.7 million.

As a result of the foregoing, the Group's unit operating costs per barrel increased by US$6 to US$42 for the year ended 31 December 2014 from US$36 for the year ended 31 December 2013.

The Group's depletion expense per barrel for the year ended 31 December 2014 was unchanged from the US$24.6 per barrel for the year ended 31 December 2013. An increased rate of depletion in Heather and Thistle due to a higher capital expenditure profile was offset by lower production from Dons.

The Group's change in lifting position was a US$8.2 million expense for the year ended 31 December 2014, compared with a US$2.6 million expense for the year ended 31 December 2013. The higher net over-lift during 2014 was primarily due to increased over-lift in the Group's UKCS operated assets, except for Alba in which there was an under-lift, and was partially offset by an under-lift at the Group's Malaysian assets.

Exceptional items in 2014 included Sullom Voe Terminal costs of US$32.8 million invoiced by the operator in 2014, but relating to 2012 and 2013 production, as well as depletion of the fair value uplift of Petrofac Energy Developments Limited's oil and gas assets on acquisition. The exceptional charge for SVT costs was driven by increased costs at SVT for maintenance/inspection work scopes together with the Group's share of throughput being higher than expected due to shut-ins at other user's fields.

Exploration and evaluation expenses

Exploration and evaluation expenses increased by US$147.4 million to US$156.0 million for the year ended 31 December 2014 from US$8.6 million for the year ended 31 December 2013. This increase was due to an impairment charge of US$152.0 million, primarily relating to the Crawford Porter, Kildrummy and Cairngorm fields as well as certain GKA acreage, which were impaired due to the significant decline in oil prices in the second half of 2014, as a result of which the Group determined commercial production in these fields to be unfeasible. The impairment charge also included costs relating to relinquished licences, primarily the South West Heather licence. The Group had no such impairment charges in 2013.

Exploration and evaluation expenses before depletion of fair value uplift, re-measurements, impairments and other exceptional items decreased by US$4.6 million, or 53.5 per cent., to US$4.0 million for the year ended 31 December 2014 compared to US$8.6 million for the year ended 31 December 2013. The Group's exploration and evaluation expenses in 2014 primarily related to pre-licensing costs related to obtaining new licences in Norway, which were awarded in January 2014, and in the UK, in the 28th Licensing Round in April 2014. The decrease in pre-licencing costs of US$3.2 million, or 97.8 per cent., from US$6.7 million for the year ended 31 December 2013 to US$3.5 million for the year ended 31 December 2014 was primarily due to the decrease in Norwegian pre-licensing activities following the awarding of licences in Norway in January 2014.

Impairment of investments

Impairment of investments increased by US$1.0 million, or 333.3 per cent., to US$1.3 million for the year ended 31 December 2014 from US$0.3 million for the year ended 31 December 2013. This increase was primarily due to 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.

Impairment of oil and gas assets

Impairment of oil and gas assets was US$678.8 million for the year ended 31 December 2014. There was no impairment of oil and gas assets for the year ended 31 December 2013. These impairment charges were primarily caused by the significant fall in the price of oil in the second half of 2014 and the resulting reduction in expected future revenues from oil sales and 2P reserves. Impairments were recorded for Alma/Galia, with an impairment charge of US$675.6 million which, in addition to the factors mentioned above, also related to delays in first oil and cost increases, as well as a smaller charge to Dons assets.

Negative goodwill

The adjustment for negative goodwill was US$28.6 million for the year ended 31 December 2014. The assets and liabilities relating to the PM8/Seligi acquisition were fair valued and, as the fair value was greater than the deemed consideration, a gain was recognised. There was no negative goodwill recorded for the year ended 31 December 2013.

Gain/loss on disposal of intangible oil and gas assets

The Group had a gain on disposal of intangible oil and gas assets of US$2.0 million for the year ended 31 December 2014. The gain related to the Group's disposal of its interest in the P8a asset in the Dutch North Sea. There was no gain/loss on disposal of intangible oil and gas assets in 2013.

General and administration expenses

General and administration expenses decreased by US$8.5 million, or 34 per cent., to US$16.5 million for the year ended 31 December 2014 compared to US$25.0 million for the year ended 31 December 2013, primarily due to a reduction in business development specific and higher parent company overhead recovery through the Kraken and Alma/Galia developments.

Other income

Other income was US$27.1 million for the year ended 31 December 2014. Other income in 2014 was comprised of net foreign exchange gains in connection with positive foreign exchange movements relating to the revaluation of the Group's NOK, Sterling and Euro balances (i.e. the Retail Notes and other non-US Dollar-denominated payables). The Group had no other income for the year ended 31 December 2013.

Other expenses

The Group had no other expenses for the year ended 31 December 2014. Other expenses of US$26.4 million for the year ended 31 December 2013 represented negative foreign exchange movements in connection with revaluation of the Company's non-US Dollar-denominated balances.

Finance costs

Finance costs increased by US$63.6 million, or 163.9 per cent., to US$102.4 million for the year ended 31 December 2014 compared to US$38.8 million for the year ended 31 December 2013.

The following table sets forth details of the Group's finance costs for the years ended 31 December 2013 and 2014.

	Year ended 31 December		
(in US$ millions)	**2013**	**2014**	**% Change**
Loan interest payable	3.0	5.9	100.2%

(in US$ millions)	Year ended 31 December 2013	2014	% Change
Bond interest payable	10.4	46.2	345.9%
Unwinding of discount on decommissioning provisions	12.6	12.1	(3.9%)
Unwinding of discount on other provisions	—	—	—
Unwinding of discount on financial liabilities	—	0.1	—
Fair value loss on financial instruments at fair value through profit or loss	—	22.7	—
Finance charges payable under finance leases	0.0	0.0	—
Amortisation of finance fees on loans and bonds	7.7	6.8	(12.1)%
Other financial expenses	6.5	11.8	82.0%
	40.0	105.5	163.4%
Less: amounts included in the cost of qualifying assets	(1.2)	(3.2)	155.4%
Business performance finance expenses	**38.8**	**121.1**	**211.8%**
Fair value (gain)/loss on financial instruments at fair value through profit or loss	—	(18.7)	—
Unwinding of discount on other provisions.	—	—	—
Finance costs	**38.8**	**102.4**	**163.6%**

This increase in finance costs was primarily caused by a US$35.8 million increase in bond interest payable as a result of the issue of the High Yield Notes as well as the impact of the first full year of interest under the Retail Notes. The Group also incurred US$22.7 million of costs relating to fair value losses on the Group's financial instruments at fair value through profit or loss in connection with its hedging arrangements. These costs consisted of the realised loss on the time value portion of the Group's commodity hedging contracts of US$38.8 million, which was offset by an increase of US$16.2 million in the time value portion above the premium paid for the hedging contracts. The increase in finance costs in 2014 was partially offset by a US$18.7 million fair value gain on financial instruments at fair value through profit or loss. This gain related to the increase in the time value portion of the Group's commodity put option contracts above the premium paid for the options that did not relate to the amortisation of the option premium paid over the life of the contract.

Finance income

Finance income decreased by US$0.2 million, or 10 per cent., to US$1.8 million for the year ended 31 December 2014 compared to US$2.0 million for the year ended 31 December 2013.

The following table sets forth details of the Group's finance income for the years ended 31 December 2013 and 2014.

(in US$ millions)	Year ended 31 December 2013	2014	% Change
Bank interest receivable	0.4	0.3	(29.1%)
Unwinding of financial asset	1.4	0.9	(39.4%)
Other financial income	0.2	0.6	311.0%
Finance income	2.0	1.8	(10.6%)

The US$0.9 million charge for unwinding of financial asset in 2014, representing a decrease of US$0.5 million from 2013, relates to the unwinding of the discount on the financial asset created as part of the consideration for the farm out of the Alma/Galia development to KUFPEC.

Income tax

The Group had no UK corporation tax or SCT liability for the year ended 31 December 2014 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 on-going investment in UKCS assets. The Group's reported income tax was a credit of US$402.3 million for the year ended 31 December 2014 compared to a charge of US$141.3 million for the year ended 31 December 2013. The movement is primarily due to the release of deferred tax liabilities following impairment of UK oil and gas assets. Current income tax charges decreased by US$3.6 million, or 37.11 per cent., from US$9.7 million for the year ended 31 December 2013 to US$6.1 million for the year ended 31 December 2014, due to decreased PRT in relation to the Alba field due to lower profits in connection with the decline in oil prices. This decrease was partially offset by tax charges in connection with the Group's Malaysian assets, which came into operation during 2014.

Total comprehensive income for the year for the year attributable to owners of the parent

As a result of the factors described above, the Group's total comprehensive income for the year ended 31 December 2014 was a loss of US$117.4 million, a decrease of US$307.5 million from the gain of US$190.0 million for the year ended 31 December 2013. This was primarily due to the US$678.8 million impairment to the Group's oil and gas assets as a result of decreases in the price of oil during the second half of 2014.

6. **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 on-going drawings on the RCF, the issue of the High Yield Notes and the Retail Notes. The Group had headroom of US$235 million as of 31 December 2015. As of 30 June 2016, the Group had drawn down US$956.3 million under the RCF.

On 21 November 2016, the Company raised gross proceeds of approximately £82 million from the issuance of equity by way of a Placing and Open Offer of, in aggregate, 356,738,114 New Ordinary Shares at an Issue Price of 23 pence per New Ordinary Share.

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 covenant within the RCF and the Retail Notes in 2015.

The Directors believe that the completion of the Restructuring on 21 November 2016 improved the Group's capital structure and the on-going liquidity position of the Group. The Group's cash interest expense under the Notes and the Amended Retail Notes will be capitalised unless the oil price is equal to or above an average of US$65.00 per barrel for the six-month period ending one month prior to the interest payment date (and certain other conditions are met) and the RCF Amendments and the changes to Notes and the Amended Retail Notes extended the maturity date for the repayment of the RCF to October 2021, extended the scheduled maturity in respect of Notes and Amended Retail Notes to April 2023, further automatically extended the maturity date in respect of the Notes and the Amended Retail Notes to October 2023 if the Company has not repaid or refinanced the RCF by 15 October 2020, amended the Group's financial covenants to provide additional flexibility under the RCF, removed certain financial covenants from the Retail Notes and amended certain financial indebtedness baskets under the Notes. The proceeds of the Placing and Open Offer, completed in November 2016, are expected to enable the Group to complete the Kraken development and bring it to first oil on schedule in the first half of 2017, which the Directors believe will considerably improve the Group's cash flows.

The Group held cash and cash equivalents of US$93.3 million as of 31 July 2016, US$163.3 million and US$305.6 million as of 30 June 2016 and 2015, respectively and US$269.0 million, US$176.8 million and US$72.8 million as of 31 December 2015, 2014 and 2013, respectively.

6.1 **Cash flow**

The following table sets forth consolidated cash flow information for the years ended 31 December 2013, 2014 and 2015 and for the six month periods ended 30 June 2015 and 30 June 2016.

	Year ended 31 December			**Six months ended 30 June**	
(in US$ millions)	**2013**	**2014**	**2015**	**2015**	**2016**
Cash flow from operating activities					
Profit/(loss) before tax	330.9	(578.7)	(1,340.9)	(34.6)	(74.9)
Depreciation	6.9	7.4	7.0	3.5	2.0
Depletion	255.7	244.5	302.7	121.8	129.3
Exploration costs impaired and written off	2.0	152.6	9.1	4.8	0.6
Impairment of oil and gas assets	—	678.8	1,224.5	—	—
Impairment on assets held for sale	—	—	—	—	203.4
Loss on disposal of land and buildings	—	—	8.5	5.9	—
Write down of receivable	—	—	4.4	4,242	—
Write down of inventory	—	—	13.6	—	—
Loss on disposal of intangible oil and gas assets	—	(2.0)	2.3	—	—
Impairment of available-for-sale investments	0.3	1.3	0.6	—	0.05
Negative goodwill	—	(28.6)	—	—	—
Share-based payment charge	8.2	8.5	5.7	3.8	3.9
Unwinding of discount on decommissioning provisions	12.6	12.1	17.0	9.7	6.2
Unwinding of other discount	—	—	5.0	2.5	1.6
Change in deferred consideration	—	—	2.3	—	(3.5)
Change in surplus lease provision	—	—	26.6	—	(22.8)
Hedge accounting deferral	—	—	(119.1)	(63.9)	(1.8)
Amortisation of option premiums	—	(6.8)	(111.6)	(55.4)	(15.2)

(in US$ millions)	Year ended 31 December 2013	2014	2015	Six months ended 30 June 2015	2016
Unrealised gains/(losses) on financial instruments	(5.9)	5.4	(3.9)	14.7	52.4
Unrealised exchange gains	26.4	(27.2)	(15.0)	4.3	(37.3)
Net finance costs	22.5	88.5	203.5	90.0	40.3
Operating profit before working capital changes	**629.5**	**555.7**	**242.1**	**111.2**	**230.7**
(Increase)/decrease in trade and other receivables	(30.8)	91.4	(76.4)	(0.05)	(13.2)
(Increase)/decrease in inventories	(30.8)	(41.7)	10.1	(7.4)	(6.7)
Increase/(decrease) in trade and other payables	(5.1)	26.9	46.0	(20.6)	(28.2)
Cash generated from operations	**562.7**	**632.2**	**221.7**	**83.3**	**182.6**
Cash received on sale of financial instruments	—	100.1	29.6	(5.7)	(7.9)
Decommissioning spend	—	(7.2)	(5.3)	(3.9)	(4.3)
Income taxes paid	(11.3)	(12.5)	(1.4)	(3.0)	(0.1)
Net cash flows from operating activities	**551.4**	**712.7**	**244.6**	**70.7**	**170.2**
Investing activities					
Purchase of property, plant and equipment	(950.3)	(990.6)	(807.0)	(386.3)	(259.4)
Purchase of intangible oil and gas assets	(36.6)	(69.8)	(19.6)	(18.0)	(2.2)
Proceeds from disposal of land and buildings	—	—	68.4	—	—
Proceeds from disposal of intangible oil and gas assets	—	2.2	7.1	—	—
Acquisitions	—	(58.2)	(3.0)	—	—
Prepayment of finance lease	—	(100.0)	—	—	—
Proceeds from farm-out	2.6	—	—	—	—
Interest received	0.6	0.9	0.4	0.2	0.3
Net cash flows used in investing activities	**(983.7)**	**(1,215.5)**	**(753.7)**	**(404.1)**	**(261.3)**
Financing activities					
Proceeds from bank facilities	182.7	42.0	736.1	474.7	49.1
Repayment of bank facilities	—	—	(48.5)	—	—
Proceeds from bond issue	246.3	650.0	—	—	—
Shares purchased by Employee Benefit Trust	(7.4)	(15.9)	—	—	—
Repayment of obligations under finance leases	0.0	0.0	0.0	(0.04)	(0.04)
Interest paid	(9.0)	(43.6)	(76.1)	(21.5)	(50.5)
Other finance costs paid	(35.7)	(23.0)	(15.2)	(8.5)	(6.6)
Net cash flows from/(used) in financing activities	**376.9**	**609.5**	**592.2**	**444.6**	**(7.9)**
Net (decrease)/increase in cash and cash equivalents	**(55.4)**	**106.7**	**87.1**	**111.2**	**(99.0)**
Net foreign exchange on cash and cash equivalents	3.7	(7.6)	(1.5)	10.4	(2.2)
Cash and cash equivalents at January 1	124.5	72.8	171.9	171.9	257.5
Cash and cash equivalents at 31 December	**72.8**	**171.9**	**257.5**	**293.5**	**156.3**
Reconciliation of cash and cash equivalents					
Cash and cash equivalents per cash flow statement	72.8	171.9	257.5	293.5	156.3
Restricted cash	—	4.9	11.5	12.1	7.0
Cash and cash equivalents per balance sheet	**72.8**	**176.8**	**269.0**	**305.6**	**163.3**

Net cash from operating activities

Net cash generated from operating activities was US$170.2 million generated for the six months ended 30 June 2016 compared to US$70.7 million generated for the same period of 2015. This was primarily due to higher profit/loss before tax relating to an increase in other income and expenses, comprised of net foreign exchange gains relating to the devaluation of Sterling against the US Dollar, from a gain of US$37.3 million during the six months ended 30 June 2016 from a loss of US$8.3 million for the same period in 2015.

Net cash generated from operating activities was US$244.6 million generated for the year ended 31 December 2015 compared to US$712.7 million generated for the year ended 31 December 2014. The decrease in operating cash flows was primarily due to the significant decrease in revenues stemming from the substantial decline in the price of oil.

Net cash generated from operating activities was US$712.7 million for the year ended 31 December 2014 compared to US$551.4 million generated for the year ended 31 December 2013. The increase in operating cash flows was mainly due to a US$100.1 million increase in cash received on sale of financial instruments, reflecting the net gain from the sale of certain commodity hedges.

Net cash used in investing activities

Net cash used in investment activities was US$261.3 million for the six months ended 30 June 2016 compared to US$404.1 million for the same period of 2015. Net cash used in investing activities was US$983.6 million for the year ended 31 December 2013, compared to US$1,215.5 million for the year ended 31 December 2014. The net cash used in investing activities for the six months ended 30 June 2016 and for the year ended 31 December 2015 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 Scolty/Crathes development, including progression of the subsea and topside programmes as well as the execution of the drilling plan;
- the drilling and evaluation of the Eagle exploration well;
- 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 chemical treatments at Goosander well in GKA;
- the on-going programme of well intervention work in PM8/Seligi;
- the completion of the Tanjong Baram development;
- the completion of the Ythan production well in Dons; and
- the replacement of the Broom water injection flow line and the completion of the drilling programme on Heather.

Net cash used or generated in investing activities amounted to US$1,215.5 million used for the year ended 31 December 2014, compared to US$983.6 million of net cash used in investing activities for the year ended 31 December 2013. The net cash used in investing activities for the year ended 31 December 2014 was primarily related to spending on development projects, including the following:

- the completion of the GKA acquisition and subsequent operation improvements;
- the continued Alma/Galia development, including the completion of five production wells;
- the acquisition of PM8/Seligi;
- the continued Kraken development, including the installation of two subsea integrated template structures, water injection and production templates for the first drill centre, as well as the execution of the drilling rig contract; and
- the acquisition of Tanjong Baram.

The net cash used in investing activities for the year ended 31 December 2013 was primarily related to spending on development projects, including the following

- the Alma/Galia development including the FPSO and further drilling of the production wells;
- the Kraken development including drilling the head target well, FPSO FEED costs and project management activities;
- the Thistle life extension programme and drilling programme including the A60 well and A59 well work-over;
- the Dons drilling programme with the DS producer and the OB injector; and
- the Heather/Broom return to drilling programme and additional living quarters.

For a more detailed description of the Group's recent capital expenditure, see the "Capital Investment" paragraph below.

Net cash from financing activities

Net cash from financing activities amounted to US$596.2 million, US$609.5 million and US$376.9 million in the years ended 31 December 2015, 2014 and 2013, respectively.

The Group's recent financing activities include the execution of the Tanjong Baram Facility in 2015, the issue of the High Yield Notes and the issue of the Retail Notes in 2013. For a more detailed description of these activities, see paragraph 7 (*Financing*) below.

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 US$ millions)	**2013**	**2014**	**2015**	**2015**	**2016**
Capital additions	1,367.3	1,180.6	764.0	480.6	465.2
Cost carry (KUFPEC)	(95.3)	—	—	—	—
Cost carry (Kraken) (firm)	(164.2)	97.7	66.5	66.5	—
Cost carry (Kraken) (contingent)	(80.0)	—	80.0	—	(26.6)
GKA acquisition	—	(55.3)	—	—	—
PM8/Seligi PSC acquisition	—	(150.9)	—	—	—
Alba acquisition	(52.5)	—	—	—	—
Non-cash acquisition of 10.5 per cent. of Kraken	—	—	—	—	(33.6)
Proceeds on disposal of building	—	—	(68.4)	—	—
Other proceeds	—	(2.2)	(7.1)	(5.0)	—
Capitalised interest	(1.2)	(3.2)	(14.4)	(4.7)	23.1
Working capital (including deferrals)/Other	10.3	(8.6)	(69.5)	(133.1)	(120.3)
Capital investment	**984.3**	**1,058.1**	**751.1**	**404.3**	**261.6**

"Cost carry (KUFPEC)" represents amounts capitalised due to KUFPEC's obligations to carry the Group's development costs at Alma/Galia. "Cost carry (Kraken) (firm)" relates to the Group's obligations to carry the development costs of Nautical Petroleum plc and First Oil plc in the event of approval of a field development plan, which took place in 2013. In 2013 this represents amounts capitalised due to these obligations (being the US$240 million initial value of the carry less US$75.8 million, being the amount of cash paid carrying the Group's partners during the year) and in 2014 and 2015 this represents the amount of cash paid carrying the Group's partners during the year. "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. "Alba acquisition" represents the value ascribed to oil and gas assets upon the Group's acquisition of Alba. "Other" primarily includes the movement in capital accruals.

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 2015, 2014 and 2013 and the six month periods ended 30 June 2015 and 2016.

	Year ended 31 December			**Six months ended 30 June**	
(in US$ millions)	**2013**	**2014**	**2015**	**2015**	**2016**
North Sea capital expenditure	926.5	922.1	677.4	314.9	250.9
Malaysia capital expenditure	—	19.1	90.2	53.0	6.9
Exploration and evaluation capital expenditure	36.6	69.7	19.6	18.0	2.2
Other capital expenditure	23.8	49.5	39.4	18.4	1.6
Proceeds on disposal of Aberdeen new buildings	—	—	(68.4)	—	—
Other proceeds	2.6	(2.2)	(7.1)	—	—
	989.5	**1,058.2**	**751.1**	**404.3**	**261.6**

The Group's capital investment during the six months ended 30 June 2016 primarily related to (i) Kraken development, including the continuation of the drilling programme and completion of the drill centre projects; (ii) execution of the Scolty/Crathes drilling programme; and (iii) the drilling and evaluation of the Eagle exploration well.

The Group's capital investment in 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. 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.

The Group's capital investment in 2014 principally related to (i) the Alma/Galia development, including the FPSO and further drilling of the production wells ($399.3 million); (ii) the Thistle life extension programme ($50.2 million); (iii) the Dons drilling programme ($45.9 million); (iv) GKA ($40.8 million); and (vi) exploration ($69.7 million).

The Group's capital investment in the year ended 31 December 2013 principally related to (i) Alma/Galia development, including the FPSO and further drilling of the production wells ($460.5 million); (ii) Kraken including drilling the head target well, FPSO work and project management activities ($171.5 million); and (iii) approximately US$294.5 million on the Group's currently-owned producing fields.

Future capital investment

The Group's capital investments are driven largely by its development of new oil and gas projects through to production. The Group's priorities for 2016 included delivering its investment programme, including sail-away of the Kraken FPSO and first oil at Scolty/Crathes, on time and on budget. The Group's 2016 capital expenditure budget was further reduced as a result of a decrease in the planned capital expenditure on Kraken, despite including additional capital expenditures associated with the 10.5 per cent. increase in its working interest in Kraken. This has been reduced from an original Kraken capital expenditure budget for 2016 of approximately US$950 million. The Group's predominant focus areas are the next phases of the Kraken development, with the FPSO being a critical path element.

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 2015. 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. The table does not take into account the RCF Amendments and the Notes Changes effected by the Restructuring.

	Payments due by period					
Contractual obligations ***(in US$ millions)***	**Total**	**On demand**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings	1,065.0	—	52.0	56.5	956.5	-
Bond[(1)]	1,245.9	—	58.1	58.1	174.4	955.2
Obligations under finance leases	0.0	—	0.0	—	—	—
Accounts payable and accrued liabilities	543.5	543.5	—	—	—	—
Other liabilities	8.3	—	—	8.3	—	—
Total	**2,862.8**	**543.5**	**110.2**	**122.9**	**1,130.9**	**955.2**

Note:
(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 2015, 2014 and 2013, the Group had future capital commitments of US$433.5 million, US$788.3 million and US$447.3 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 US$788.3 million as of 31 December 2014 to US$433.5 million as of 31 December 2015 is primarily due to decreased future expenses at Alma/Galia as the asset reached the production phase, as well as a general reduction in the Group's planned expenses as a result of its cost optimisation programmes.

As of 31 December 2015, potential future capital commitments, which relate to contingent future events, primarily in respect of the continued development of Kraken and Scolty/Crathes.

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. Decommissioning provisions at Thistle/Deveron remain with the former owner of the asset. The Group makes decommissioning provisions on a working interest basis for 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 2015, the Group has discounted this liability at a rate of 3.0 per cent., whereas previously it had discounted it at a rate of 5.0 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 "*Risks relating to the Group's business—The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*" in the "*Risk factors*" section. See paragraph 9 (*Critical accounting estimates and judgments*) below.

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 2016 and 31 December 2015, 2014 and 2013, the Group had 802.7 million allotted and fully paid ordinary shares of 5 pence each.

7.2 **Debt financing**

Total debt as of 31 July 2016, excluding unamortised arrangement fees, amounted to US$1,858.0 million.

Notes

As of 31 July 2016, the Group's total debt in respect of the Retail Notes together with the High Yield Notes was US$871.7 million.

The New High Yield Notes are $677,482,000 million aggregate principal amount PIK Toggle Senior Notes with a scheduled maturity in 2022 and will include a principal amount of up to $304,931,617 of additional notes. The Company pays interest on the Notes semi-annually in arrear. The Notes are scheduled to mature on 15 April 2022. The Company has the option (at its absolute discretion) to extend, at any time, the maturity date to 15 April 2023. In addition, the maturity of the Notes will be automatically extended to 15 October 2023 if the RCF is not repaid or refinanced in full prior to 15 October 2020.

The Amended Retail Notes are £155 million 7 per cent. per annum notes payable semi-annually in arrears. The Amended Retail Notes have an originally scheduled maturity of 15 April 2022. The Company has the option (at its absolute discretion) to extend, at any time, the maturity date to 15 April 2023. In addition, the maturity of the Amended Retail Notes will also be automatically extended to 15 October 2023, if the RCF is not repaid or refinanced in full prior to 15 October 2020.

Both the High Yield Notes and the Retail Notes require the Group to comply with certain financial covenants. The Notes Changes, which formed part of the Restructuring, capitalise the Group's cash interest expense unless the oil price is equal to or above an average US$65.00 per barrel for a six-month period (and certain other conditions are met), extended the maturity dates for the repayment of such indebtedness and amended the Group's financial covenants to provide additional flexibility under the RCF, removed certain financial covenants from the Retail Notes and amended certain financial indebtedness baskets under the Notes. The Amended Retail Notes covenants are aligned with the Notes covenants. See the "Restructuring" section of this prospectus for a more detailed discussion of the Restructuring and the "Description of the Notes" section for a detailed description of the Notes.

On 24 January 2013, the Company established a £500 million euro medium term note programme the (the **"EMTN Programme"**). On 15 February 2013, the Company issued an initial tranche of £145 million 5.50 per cent. Notes due 15 February 2022 pursuant to the EMTN Programme. On 2 December 2013, the Company issued a further tranche of £10 million 5.50 per cent. Notes due 15 February 2022 under the EMTN Programme, which were consolidated with and formed a single series with the initial tranche of £145 million 5.50 per cent. notes and together form the Retail Notes.

The Retail Notes initially carried interest at a fixed rate of 5.50 per cent. *per annum* payable semi-annually in arrear. On 5 May 2015, the Company agreed, with the consent of the holders of Retail Notes, to amend the rate of interest payable from time to time in respect of the Retail Notes for a limited period of time such that if the Company delivered to the Retail Notes Trustee a compliance certificate certifying that the ratio of net financial indebtedness to EBITDA was more than 3.0:1.0 in respect of any test period, the rate of interest for the immediate next following interest period commencing after the date of such compliance certificate would be 7.00 per cent. *per annum*. This amended rate of interest only applied where compliance certificates were delivered in respect of the dates at which the Company produced its audited annual financial statements or unaudited semi-annual financial statements from 5 May 2015 to (and including) 31 December 2016. The Retail Notes were amended as part of the Restructuring. The amendments, described in more detail in the "Restructuring" section were effected on 21 November 2016.

In April 2014, the Company issued the High Yield Notes in an aggregate principal amount of US$650.0 million, which were originally scheduled to mature in 2022 and pay a coupon of 7 per cent., payable semi-annually in April and October. As part of the Restructuring, the High Yield Noteholders waived and released any claims they might have had under, and in connection with, the High Yield Notes upon exchange for the New High Yield Notes pursuant to the Scheme. The High Yield Notes were then cancelled on 21 November 2016.

Tanjong Baram Facility

In July 2015, the Company entered into the Tanjong Baram Facility with DBS Bank. The facility is a five year US$35.0 million senior secured loan facility with interest payable at US Dollar LIBOR plus a margin of 2.25 per cent. Under the terms of the facility, the Company may only use loan proceeds in connection with the development of the Tanjong Baram field. The principal of the loan is repayable in three month intervals from 31 December 2015 to 31 March 2020. The facility requires the Group to comply with a debt service coverage ratio financial covenant and restricts its ability to incur additional indebtedness. The Company fully drew down US$35 million under the facility in June 2015, and the balance at 31 July 2016 amounted to US$30.1 million.

Revolving Credit Facility

The Company and certain of its subsidiaries entered into an agreement establishing the RCF on 6 March 2012, subsequent to which the Company has amended and restated the agreement, including on 29 January 2014. The mandated lead arrangers are BNP Paribas and The Bank of Nova Scotia and the facility agent is BNP Paribas. The RCF may be utilised in US Dollars, Sterling or Euro 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. As of 31 July 2016, the Group had drawn US$956.3 million under the RCF and utilised letters of credit of US$7.0 million. After netting off unamortised facility fees, the balance sheet amount for the Group's liability represented by the RCF was US$940.0 million as of 31 July 2016.

Since 31 July 2016, the Group has drawn down an additional approximately US$46 million under the RCF.

The maximum remaining facilities available to the Group under the RCF are US$176.3 million.

As part of the Restructuring, the RCF was amended to among other things, extend the final maturity date of the RCF to October 2021, to split the maximum aggregate commitments into the Term Facility and a revolving credit facility, relax certain of the financial covenants in the RCF and incorporate terms allowing for new super senior hedging. In addition, there was a fee of 100 bps payable to RCF Lenders who entered into a Lock-up Agreement by 5.00 p.m. (London time) on 11 October 2016 (or such later time as the Company agreed) on their proportionate share of the Aggregate Commitments of US$1.2 billion on the first scheduled amortisation date, being 31 March 2018, in consideration for the various consents necessary and provided by the RCF Lenders in order to implement the Restructuring.

The following table sets forth information on the Group's total debt as of 31 July 2016, excluding unamortised arrangement fees.

	As of 31 July 2016	
(in US$ millions)	**Current**	**Non-current**
Revolving Credit Facility	—	956.3
Tanjong Baram Facility	10.2	19.9
Bonds[1]	837.9	857.9
Total	**10.2**	**1,834.1**

Note:
(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 31 July 2016. 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 US$ millions)	**as of 31 July 2016**
Due within one year	26.3
Due within one to five years	976.2
Due after five years	855.4
Total	**1,858.0**

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 £27.0 million and £45.0 million (expiring 31 December 2017) in respect of its decommissioning obligations in Heather and benefitting BG Great Britain Limited and two surety bonds of £12.9 million and £2.3 million (expiring 31 December 2017) 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 £2.0 million expiring 31 December 2017 and 30 September 2018, respectively, and benefitting Chevron North Sea Limited and TAQA Bratani Limited, respectively.

The renewal of Surety Bond Facilities comprised one of the elements of the Restructuring (as described further the "Restructuring" section of this prospectus).

The Group does not currently have letters of credit or surety bonds in respect of its other assets. See "*Risks relating to the Group's business—The Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*" in the "Risk Factors" section.

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 and, as of each of 31 December 2013, 2014 and 2015, had no trade receivables past due. The Group had joint venture receivables past due but not impaired of US$2.0 million, US$0.5 million and US$1.5 million as of 31 December 2013, 2014 and 2015, respectively.

As of 31 December 2015, the Group had three customers accounting for 65 per cent. of outstanding trade and other receivables (2014: three customers, 89 per cent.; 2013: two customers, 72 per cent.) and five joint venture partners accounting for 98 per cent. of joint venture receivables (2014: three joint venture partners, 95 per cent.; 2013: three joint venture partners, 99 per cent.). Substantially all of the Group's oil sales during 2015 were to three counterparties: Vitol (28.4 per cent.), TOTSA (18.7 per cent.) and Petron (11.2 per cent.). The Company is considering alternative sales and marketing options for its production, which may help it to diversify its customer base. Following Alma/Galia coming onstream and with Kraken expected to come onstream in 2017, the Group will be able to diversify its customer base by selling its production lifted by tanker and delivering to buyers to ports in northwestern Europe.

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. The Group does not expect material decommissioning costs in the short to medium term.

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 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 2015, the Group was in compliance with all applicable financial covenant ratios agreed.

As of 30 June 2016, the Group had drawn down US$956.3 million under the RCF. The Group had headroom of US$235 million as of 31 December 2015. The maximum remaining facilities available to the Group under the RCF are US$176.3 million. The Group held cash and cash equivalents of US$93.3 million as of 31 July 2016, US$163.3 million and US$305.6 million as of 30 June 2016 and 2015, respectively and US$72.8 million, US$171.9 million and US$257.5 million as of 31 December 2013, 2014 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 (99 per cent. in each of 2015, 2014 and 2013) 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 significant 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 2015, approximately 1 per cent. (2014: 1 per cent.; 2013: 1 per cent.) of the Group's sales and 99 per cent. (2014: 91 per cent.; 2013: 91 per cent.) of costs were denominated in currencies other than the US Dollar.

Additionally, the Group's £155.2 million Retail Notes require the payment of interest and principal in 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-denominated operating and capital expenditure to 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. At the end of 2015, the Group had foreign exchange hedge contracts in place totalling over £463.6 million, with a protection rate of approximately US$1.49/£1.00, €13.0 million with a protection rate of approximately €1.12/£1.00 and forward contracts over NOK74.6 million at an average fixed rate of NOK7.84/£1.00. These contracts had a negative net fair value of US$9.2 million at 31 December 2015 and expire throughout 2016. For the year ended 31 December 2015, the Group's foreign currency hedging portfolio realised a loss of US$3.2 million, and it also recognised unrealised gains of US$2.3 million.

During the years ended 31 December 2015, 2014 and 2013, the Group entered into the following foreign currency hedging transactions:

- In December 2015, the Group entered into forward contracts to mitigate the foreign currency risk arising on £313.3 million of Sterling-based expenditure for 2016. Between the range of US$1.493 and US$1.43 they trade at spot, outside of this range the Group trades at US$1.493. Should the rate rise above US$1.65, then there is no trade. The contracts mature between December 2015 and December 2016;

- In January 2015, the Group entered into forward contracts in order to mitigate the foreign currency risk arising on £307.0 million of Sterling-based capital expenditure. Between the range US$1.505 and US$1.42, they trade at spot, outside of this range the Group trades at US$1.505. Should the rate rise above US$1.611, then there is no trade. The contracts matured between January 2015 and February 2016;

- In January 2015, the Group entered into a series of forward contracts to purchase £283.3 million to fund the Group's Sterling operations expenditure. The Group will trade at spot price between the range US$1.532 and US$1.42, outside of this range, the Group will trade at US$1.532. The contracts matured between February 2015 and October 2016;

- In March 2015, the Group entered a series of forward contracts to purchase €32.6 million of the Group's Euro capital expenditure specifically in relation to the Kraken development project. The Group will trade at spot price when the Euro/US Dollar rate is between US$1.195 and US$0.97. Outside of this range the Group will trade at US$1.1195;

- In 2015, the Group entered into two forward contracts totalling NOK74.6 million with an average strike price of NOK7.84:£1, in order to hedge against currency fluctuations in the Group's capital expenditure in relation to the Kraken development project. These will mature in August and November 2016;

- In 2014, the Group hedged a total of £182.0 million of Sterling exposure using a structured product with an average strike price of US$1.46:£1.00. The remaining contracts matured during 2015. The same structure was also used to hedge the Group's NOK exposure arising as part of the Kraken development project. In 2014, a total of NOK367.0 million was hedged and any remaining contracts matured during 2015; and

- Also during 2014, the Group entered several foreign exchange swap contracts when Sterling were trading above US$1.66:£1.00. The realised impact of US$46.8 million was recognised in the income statement within cost of sales in the year ended 31 December 2014.

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 Sterling exchange rate covered below.

	Pre-tax profit	
(in US$ millions)	**+10% US Dollar rate increase**	**-10% US Dollar rate increase**
31 December 2015	(58.2)	58.2
31 December 2014	(76.0)	76.0
31 December 2013	(68.9)	68.9

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 "*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*" in the "Risk factors" section of this prospectus.

8.4 **Commodity price risk management**

The Group is exposed to the impact of changes in oil prices on the 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.

During 2014, the Group entered into commodity hedging contracts to hedge partially the Group's exposure to fluctuations in oil prices during 2015. The Group increased the amount of these hedging contracts during 2015 in response to the continued low oil price environment. As of 31 December 2015, the Group's commodity hedging contracts include bought put options over 8 millions of barrels, maturing throughout 2016 with an average strike price of US$68 per barrel and a positive fair value of US$164.8 million (including deferred premiums of US$53.5 million). The Group also has oil swap contracts to sell 2 millions of barrels at an average price US$66.64 per barrel maturing throughout 2016 with a positive fair value of US$49.7 million, and net sold call options which, based on the current forward curve, are not expected to result in any loss, and had a positive net fair value of US$42.0 million (including deferred premiums of US$44.4 million). The Group has actively managed this hedge portfolio during 2015, which has generated cash flows of US$68.6 million and revenue and other operating income of US$264.0 million. The revenue recognised in 2015 included US$119.1 million of gains realised in 2014 which were deferred until 2015 to match the timing of the underlying production the options were hedging. In addition, the Group entered into a "chooser option" hedging contract in June 2016, hedging either 0.2 millions of barrels per month at US$58 per barrel or £7.9 million per month at a fixed rate of US$1.40 for the first half of 2017. The Group's counterparty has the right to choose whether to settle the oil price hedge or the currency hedge each month. Since 30 June 2016, the Group entered hedging arrangements over 1 millions of barrels of 2017 production (83 kbbls per month) at a fixed price of US$51.50 per barrel. The Group has also sold 500,000 bbls per month for the first half of 2017 (3 millions of barrels total) at a fixed price of US$49 per barrel and has bought a call (nil cost) for the same notional quantity, with a strike price of US$57.25 per barrel. Should the price rise above US$57.25 per barrel, the Group will receive the difference to offset the loss it would make on the US$49 per barrel swaps). In addition, the Group has hedged 500,000 bbls for the first half of 2017 at US$54.50 per barrel.

The mark to market of the intrinsic value portion of these contracts as of 31 December 2015 was US$217.2 million, which has been deferred as it relates to contracts hedging future production. Mark to market losses on the time value element of these put options, totalling US$119.8 million were recognised in finance costs in 2015. Of this amount, US$70.0 million has been 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 have been recognised as an exceptional charge in line with the Group's accounting policy.

8.5 **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 Facility and the RCF. In 2015, the Group entered an interest rate swap which effectively swapped 50 per cent. of the floating US Dollar LIBOR rate interest on the Tanjong Baram Facility into a fixed rate of 1.035 per cent. until 2018. The Group may be affected by changes in market interest rates at the time it needs to refinance any of its indebtedness.

9. 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 "*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*" of the "*Risk factors"* section.

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.

9.1 Reserves estimates

Reserves are estimated using standard recognised evaluation techniques. The Group reviews the estimate at least once annually and independent consultants annually review such estimate. The Group estimates future development costs taking into account the level of development required to produce the reserves by reference to other operators, where applicable, and internal engineers. 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.

9.2 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.

9.3 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.

9.4 Decommissioning costs

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.

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.

9.5 **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.

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.

9.6 **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, make 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.

EnQuest's Business

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this prospectus, including the financial and other information in, or incorporated by reference into, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

1. Introduction

The Company is an oil and gas production and development company focused on turning opportunities into value by targeting maturing assets and undeveloped oil fields.

The Company 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.

1.1 Business overview

The Company is the largest independent UK oil producer in the UK North Sea (as last measured for the twelve months ended 31 May 2016) and had interests in 29 UK production licences, 26 of which the Group operates, covering 41 blocks or part blocks in the UKCS as of 30 June 2016. 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 2016 was 42,520 boepd. The Group's average daily production on a working interest basis for the year ended 31 December 2015 was 36,567 boepd and its net 2P reserves were 203 Mmboe as of 31 December 2015. As a result of the increase in the Group's interest in the Kraken development from 60 per cent. to 70.5 per cent., its net 2P reserves increased to 216 Mmboe as of 1 January 2016. In the six years since the Company's inception, it has increased its net 2P reserves to 216 Mmboe as of 1 January 2016, representing a net 167 per cent. increase or a growth of 18 per cent. per annum, and converted the equivalent of 68 per cent. of its original 81 Mmboe reserves into produced oil. As of 31 December 2015, the Group's assets had a reserve life of 18 years.

The Company's strategic intention is to deliver sustainable growth by focusing on exploiting its existing reserves, commercialising and developing discoveries, pursuing selective acquisitions and converting contingent resources into reserves. In the current low oil price environment, the Company's priorities are to deliver on execution, streamline operations and strengthen its balance sheet. The Group's producing assets generated EBITDA of US$464.8 million during 2015. During the first half of 2016, the Group's producing assets generated EBITDA of US$242.9 million, representing an increase of US$16.2 million, or 7.1 per cent., over the first half of 2015.

In 2015, as part of its investment prioritisation programme, the Group disposed of its interests in assets in Norway, Egypt and Tunisia and its exploration assets in Malaysia. The Group also relinquished its interests in a number of exploration licences in the UK.

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 Heather/Broom fields, the Don fields, the GKA fields and the Alma/Galia 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 following table sets forth the Group's working interests in its producing assets:

Asset	Field	Working interest
UKCS		
Thistle/Deveron	Thistle	99%
	Deveron	99%
Dons	Don Southwest	60%
	Conrie	60%
	West Don	78.6%
	Ythan	60%
Heather/Broom	Heather	100%
	Broom	63%
GKA	Kittiwake	50%
	Grouse	50%
	Mallard	50%
	Gadwall	50%

Asset	Field	Working interest
	Goosander	50%
Alma/Galia	Alma	65%
	Galia	65%
Alba1	—	8%
Malaysia		
PM8/Seligi	—	—
	PM8	50%
	Seligi	50%
Tanjong Baram	Tanjong Baram	70%

Notes:
(1) Non-operated

The following table sets forth the net daily average production on a working interest basis for each of the Group's producing assets for the years ended 31 December 2013, 2014 and 2015 and the six month periods ended 30 June 2015 and 30 June 2016:

	Net daily average production (boepd)				
	Year ended 31 December			**Six months ended 30 June**	
Asset	**2013**	**2014**	**2015**	**2015**	**2016**
Thistle/Deveron	7,925	9,025	8,930	7,690	8,966
Dons	11,014	8,835	7,690	6,419	6,600
Heather/Broom	4,339	4,081	4,643	3,615	6,114
GKA	—	1,281[1]	3,981	2,915	3,738
Alma/Galia	—	—	1,083[2]	—	6,433
Alba	922[3]	1,214	1,178	1,249	1,236
Total UKCS	**24,200**	**24,436**	**27,505**	**21,888**	**33,087**
PM8/Seligi	—	3,459[4]	8,689	7,777	8,152
Tanjong Baram	—	—	373[5]	—	1,281
Total Malaysia	—	**3,459**	**9,062**	**7,777**	**9,433**
Total	**24,200**	**27,895**	**36,567**	**29,665**	**42,520**

Notes:
(1) Production since the completion of the acquisition on 1 March 2014, averaged over the twelve months to 31 December 2014.
(2) Production since first oil on 27 October 2015, averaged over the twelve months to the end of 2015.
(3) Production since the completion of the acquisition on 22 March 2013, averaged over the twelve months to the end of 2013.
(4) Production since the completion of the acquisitions on 13 June 2014, averaged over the twelve months to 31 December 2014.
(5) Production since first oil in June 2015, averaged over the twelve months to 31 December 2015.

The Group's primary development asset is the Kraken development, in which it owns a 70.5 per cent. working interest. The Company is the operator of the Kraken development. It is the Group's largest project to date and one of the largest projects in the UKCS in recent years. The Directors expect it to deliver first oil in the first half of 2017. The Company also owns a 50 per cent. working interest in, and is the operator of, the Scolty/Crathes development, which was the only offshore pure oil field approved by the Oil & Gas Authority in 2015. The Scolty/Crathes development comprises two wells tied back to the GKA hub. Scolty/Crathes delivered first oil on 21 November 2016 and the Directors expect that net peak oil will be approximatey 5,000 boepd.

1.2 **Strengths**

The Directors believe that the UKCS represents a significant hydrocarbon basin, which continues to benefit from an extensive installed infrastructure base and skilled workforce. The Directors believe that the Group's assets offer significant organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities.

The Company has begun to successfully replicate its UKCS model by targeting previously underdeveloped assets in another maturing region, Malaysia, complementing the Group's UKCS operations and utilising the Group's substantial experience in the North Sea.

The Directors believe that the Group's operational capabilities and experienced technical staff and management have allowed it to grow continuously since 2010 and that through further development in the UKCS and other geographic regions, the Company has substantial opportunities to continue to grow, while maintaining a focus on health and safety and the environmental impact of its operations.

(a) 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 1 January 2016, the Group had net 2P reserves of 216 Mmboe and net contingent resources of 146 Mmboe and the reserve life of its assets as at 31 December 2015 was 18 years. As of 30 June 2016, the Group had interests in 29 UK production licences, covering 41 blocks or part blocks and was the operator of 26 of these production licences.

The table below sets forth the changes in the Group's net 2P reserves for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and at 1 January 2016.

(Mmboe)	**2P reserves 1 January**	**Production[(1)]**	**Additions**	**2P reserves 31 December**	**Reserve life (years)**
2013	129	(9)	75	195	22
2014	195	(10)	35	220	22
2015	220	(12)	(5)	203	18
2016	216[(2)]	—	—	—	—

Notes:
(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 six main hubs. During the first half of 2016, the Group's production was primarily sourced from Thistle/Deveron (21 per cent.), PM8/Seligi (19 per cent.), Dons (16 per cent.), Heather/Broom (14 per cent.), Alma/Galia (15 per cent.) and GKA (9 per cent.). The production from Alma/Galia for the first half of 2015 is not representative, as first oil production only occurred on 27 October 2015 and during the first half of 2016 the asset was still in the process of building up to peak production. Post-first oil optimisation of production levels at Alma/Galia has continued in the second half of 2016, including two well interventions and acid treatments, following which, between 5 and 31 August 2016, gross Alma/Galia production averaged 18,785 boepd. The Directors expect to further diversify the Group's production in 2016 and 2017, with first oil from Scolty/Crathes delivered on 21 November 2016 and first oil from Kraken expected in the first half of 2017.

(b) High potential development assets

In addition to its current producing assets, the Group's portfolio includes certain development assets. The Group's most substantial development asset is Kraken, which is expected to achieve first oil in the first half of 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. In addition, Scolty/Crathes is a significant development adjacent to the Group's GKA assets, utilising existing GKA infrastructure to unlock profitable production. Production from the Scolty/Crathes fields, which delivered first oil on 21 November 2016, is expected to continue until 2025, which also extends the life of GKA to 2025.

In the second quarter of 2016, the Group undertook the drilling of the Eagle exploration well. Eagle was acquired along with the Group's other interests in GKA in 2014. The Eagle exploration well was completed in the second quarter of 2016 and confirmed as a discovery. Preliminary analysis of the results indicated that a Fulmar oil bearing reservoir was encountered with a vertical thickness of 67 feet and excellent reservoir properties. Additionally no oil water contact was encountered, representing potential upside volumes on the flank of the structure. The encouraging results of the initial analysis lead the Company to anticipate gross total recoverable reserves to be of a similar order of magnitude to those in the nearby Gadwall producing oil field; it is estimated that total gross ultimate recovery from Gadwall will be approximately 6 MMstb. Further evaluation of the Eagle results is on-going, but given the expected low cost of the tie back, it is expected to be commercial.

There are also potential development opportunities in other assets in which the Group holds a working interest. In addition, the Group's existing producing assets have further development potential with substantial stock tank oil initially in place, in particular at Thistle/Deveron, Heather/Broom and PM8/Seligi, which means that a small increase in the recovery factor can lead to a large increase in oil reserves.

(c) Operator status and significant control over capital expenditure plan

The Group generally seeks to be the operator of its assets and currently operates 26 of its 29 UK production licences, including those in respect of each of the Group's six main production hubs, the major Kraken development and the Scolty/Crathes development. The Group also typically seeks to hold a significant equity interest in its producing assets and developments, with a 100 per cent. working interest at Heather; 99 per cent. at Thistle/Deveron; 78.6 per cent. at West Don; 63 per cent. at Broom; 60 per cent. at Don Southwest; 50 per cent. at GKA; 65 per cent. at Alma/Galia; 70.5 per cent. at Kraken; and 50 per cent. at Scolty/Crathes. Through operatorship and holding a significant equity interest, the Company 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.

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, the Company 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 the Company to better determine the timing and feasibility of development expenses and thus execute its strategy of developing new assets.

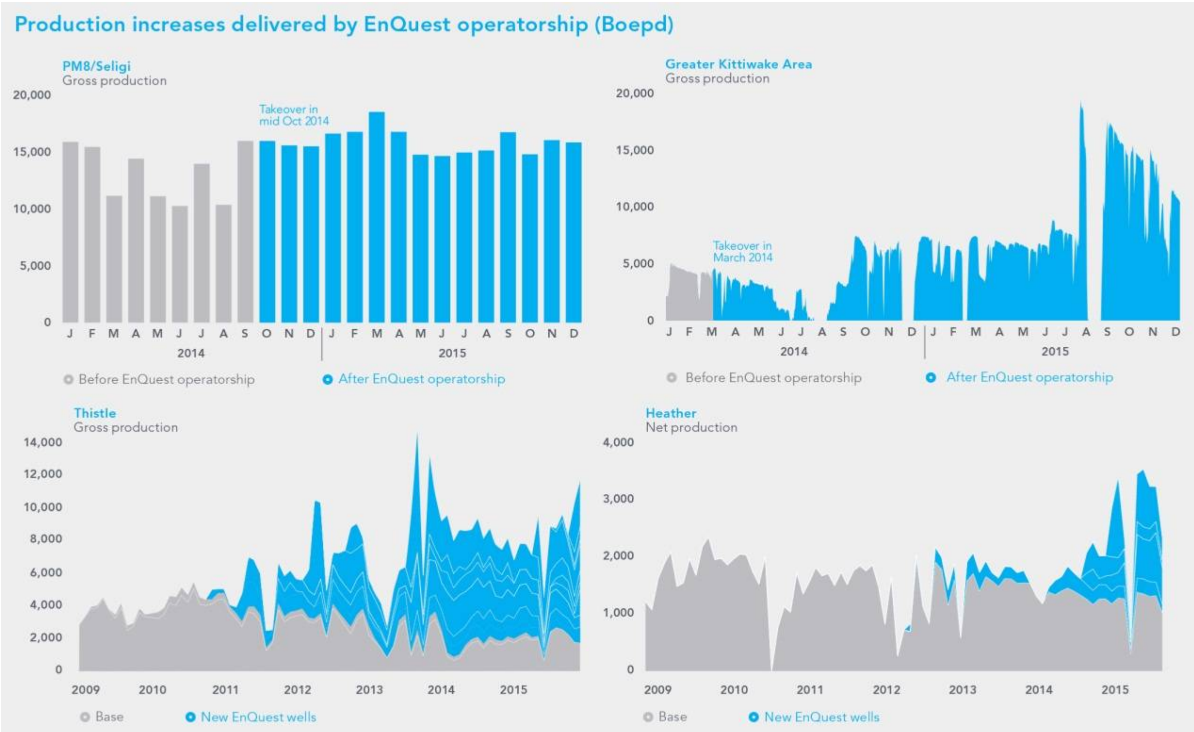
(d) Proven operational track record and significant technical and operating experience

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 spectrum of integrated technical capabilities present in 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.

In a low oil price environment in which development of new production is constrained, the Company's low cost approach is a competitive advantage. The Company is continuing to adapt its business model to address the possibility of an extended period of low oil prices through its cost optimisation programme (as described further below at "*Significant cash flow generation from producing assets and strong cost control capabilities*"). The Group reduced average unit operating costs in 2015 to US$30 per barrel (compared to US$42 per barrel in 2014) and in the first half of 2016 to US$23 per barrel (compared to US$39 per barrel in the first half of 2015). The Directors believe average unit operating costs for the full year 2016 should be around the lower end of the guidance of US$25-$27 per barrel and expect that unit operating costs will decrease to the low US$20s per barrel when Kraken comes fully on-stream.

The Group's strong production performance in 2015 (demonstrated by a 31.1 per cent. increase in net daily average production) was underpinned by high operational uptimes and strong levels of production efficiency. The Group's North Sea operations achieved excellent levels of production efficiency in 2015. In 2014, the Group had a top quartile position in Oil & Gas UK's rankings with a total Company production efficiency of 81 per cent. compared to a UKCS average rating of 65 per cent. Oil & Gas UK's ranking for production efficiency is a measure of a field's performance by comparing actual production as a percentage of the maximum production potential, after allowing for, among other things, the natural decline of a reservoir, the reliability of infrastructure, the effects of shutdowns and major maintenance. The production efficiency data for UKCS operators is not yet available for 2015. However, despite a longer than normal planned maintenance shutdown period, the Group delivered a very strong performance and its internal data assesses its 2015 production efficiency rate to be 77 per cent. and, without the losses due to planned maintenance shut downs, 82 per cent.

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 2015, five years after the Group started this programme, Thistle was still delivering very high levels of production efficiency; based on the Group's data and analysis, the rate of production efficiency for Thistle in 2015 is estimated to have been in the mid-80s per cent.

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; based on the Company's data and analysis, the rate of production efficiency for Heather/Broom in 2015 is estimated to have been in the mid-80s per cent.

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 and the assets achieved strong production growth in 2014 and 2015.

At GKA, the Company's first priorities were to rejuvenate the well stock, raise production efficiency and significantly reduce unit operating costs (which exceeded US$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 has driven gross production levels from 2,000 boepd in 2014 to between 12,000 boepd and 14,000 boepd for much of the last quarter of 2015. Production efficiency was taken from low levels in 2014 to approximately 80 per cent. in 2015, with unit operating costs substantially down from over US$100 per barrel prior to March 2014 to below US$30 per barrel by the fourth quarter of 2015.

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, the Company increased gross production from 12,400 boepd in 2014 to 15,100 boepd in 2015. These improvements were achieved before any new drilling had taken place. Production efficiency has also been enhanced, from 82 per cent. in 2014, to over 90 per cent. in 2015.

In addition to its technical, development and operational expertise, the Group's extensive focus on HSE&A operations supports its operating success. The Company 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.

In the UK, the Group had strong HSE&A performance levels in 2015. Most of the Group's assets achieved its Lost-Time Incident Frequency Rate target of 0.7 and Recordable Injury Frequency Rate target of 3.5, although Thistle recorded a Lost-Time Incident Frequency Rate of 4.07 (three events) and Recordable Injury Frequency Rate of 5.53 (four events), respectively and Northern Producer recorded a Recordable Injury Frequency Rate of 8.57 (two incidents). Overall rates of

High-Potential Incidents and Dangerous Occurrences were lower than the targeted rate of two events (one event recorded by the Group) and the targeted frequency of 5.00 (4.28 recorded by the Group (six events)). As of 31 December 2015, the Company had no backlog of safety critical maintenance issues. In Malaysia, the Company completed its first full year of operations in 2015 with no lost-time incidents. The Company completed 700,000 man hours on the Tanjong Baram project with no accidents or injuries. Total long-term incident-free man-hours for Malaysia in 2015 were 1.7 million, with one medical treatment case at Seligi.

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

The Group generated EBITDA of US$621.3 million, US$581.0 million and US$464.8 million during 2013, 2014 and 2015, respectively and US$242.9 million during the first half of 2016. The Group's revenue for 2015 and for the first half of 2016 were derived principally from the sale of oil from six main production assets (Thistle/Deveron, Dons, Heather/Broom, GKA, Alma/Galia and PM8/Seligi) 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 2015 as a result of the significant fall in oil prices that started in the second half of 2014, it was able to maintain relatively stable cash flows in 2015 through a combination of continuing strong production, hedging activities and an on-going cost optimisation programme. The Company has actively managed its commodity hedge portfolio during 2015, which has generated cash flows of US$68.6 million and revenue and other operating income of US$264.0 million (including US$119.1 million of gains realised in 2014 and deferred until 2015 to match the timing of the underlying production the options were hedging).

The Company 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 the Company's first five years of operation beginning in 2010, a period when the average unit operating costs for North Sea operators doubled. Since the fall of the oil price during the second half of 2014, the Company has implemented further cost saving measures, which, together with production increases, have resulted in lower unit operating costs, and the Company continues to work with its supply chain and contractors to achieve additional savings. Despite having extensive operations in the relatively higher cost operating environment of the North Sea, the Company reduced average unit operating costs in 2015 to US$30 per barrel (compared to US$42 per barrel in 2014) and in the first half of 2016 to US$23 per barrel (compared to US$39 per barrel in the first half of 2015). The Directors expect average unit operating costs for the full year 2016 to be around the lower end of the guidance of US$25-$27 per barrel and expect that unit operating costs will decrease to the low US$20s per barrel when Kraken comes fully on-stream.

The Group's production efficiency and cost control skills are especially essential in the current low oil price environment. The Directors believe the Group is managing its cost base in a manner that provides it with resilience in a prolonged period of low oil prices.

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 and since 2014, new cost saving measures have been put in place and existing measures have been increased across the business. In 2015, for example, the Group's cost optimisation programme included the following key areas:

- *lowering unit operating costs*: the Group has seen improvements in unit operating costs as a result of scale treatments, subsea inspections, regular repairs and maintenance, logistics, equal time rotas, employee headcount reductions and reduced contractor rates;

- *incentivising contract structures*: the Group has implemented KPI structures for some the Group's service providers to ensure payment is linked to performance; and

- *enhancing contract and procurement practices*: the Group has moved its procurement team to Dubai to take advantage of lower costs in that location.

The Company has also reduced its transportation costs, primarily through a reduction in tariff expenses paid through its use of SVT. The oil from the majority of the Group's producing assets in the UKCS is transported through SVT in the Shetland Islands. The Group's use of third-party infrastructure in general and SVT in particular is subject to tariff charges. These charges can be substantial and the per barrel charge is not subject to the Group's direct control. SVT tariff costs increased from approximately US$4.4 per barrel in 2011 to US$8.9 per barrel in 2014, with a large increase having taking effect in 2013, when the tariff rate was US$10.9 per barrel. Since then, unit costs at SVT were reduced substantially. These SVT costs are the predominant element of tariff and transportation costs and the continued scale of the reduction was evident in the fact that total tariff and transportation costs reduced from US$10.6 per barrel in 2014 to US$6.3 per barrel in 2015. The Company continues to work with the SVT operator to reduce gross cost levels, although there can be no assurances tariffs will not increase.

General and administration expenses for 2015 were US$18.0 million, an increase of 9.1 per cent. from US$16.5 million for 2014. This increase was primarily due to a US$3.6 million provision for costs relating to a rent free period in connection with the sub-let of the Group's Aberdeen office. General and administration expenses before depletion of fair value uplift, re-measurements, impairments and other exceptional items was US$14.4 million for 2015 as compared to US$16.5 million in 2014. This decrease reflected further savings initiatives under the Group's cost optimisation programme, including reductions in the size of the direct workforce and decreased contractor related costs. The overall 2015 drilling programme was below budget, with high efficiency levels across the Group's operated rigs and with significantly lowered supplier rates. General and administration expenses for the six months ended 30 June 2016 were 5.4 million, compared to US$5.2 million for the same period in 2015.

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, the Kraken development), the Group does not expect to pay material cash income tax for the foreseeable future. Additionally, the Group does not expect material decommissioning spending in the short to medium term.

(f) 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. The Company targets assets that are more likely to have commercial production solutions by developing marginal fields and seeking to acquire assets with known production potential. 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 2016, the Group has a cumulative tax loss equivalent to approximately US$2.73 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 have been 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 before 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.

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

EnQuest's Board 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 and senior management team has over 150 years of experience in the energy, oil and gas industries. See the "Management" section of this prospectus for further information on the experience of EnQuest's Board 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.

1.3 **Strategy**

EnQuest's overall strategy is to deliver sustainable growth by focusing on exploiting the Group's existing reserves, commercialising and developing new fields, converting contingent resources into reserves and pursuing selective acquisitions particularly maturing assets and undeveloped oil fields.

EnQuest's overall strategy is implemented through a number of specific strategies, discussed below. Since the second half of 2014, in light of the low oil price environment, the Group's strategic priorities have been focused on delivering on execution targets, streamlining operations and strengthening its balance sheet:

- *Delivering on execution*: Production in 2015 and in the first half of 2016 was strong across the Group's portfolio, averaging 36,567 boepd and 42,520 boepd, respectively. The Kraken project continued on schedule, with the gross full cycle capital expenditure estimate reduced to US$2.5 billion from the US$3.2 billion level at the time of project sanction. The Scolty/Crathes development is progressing both ahead of schedule and below budget.

- *Streamlining operations*: Despite having extensive operations in the relatively higher cost operating environment of the North Sea, the Company reduced average unit operating costs in 2015 to US$30 per barrel (compared to US$42 per barrel in 2014) and in the first half of 2016 to US$23 per barrel (compared to US$39 per barrel in the first half of 2015). The Directors believe average unit operating costs for the full year 2016 should be around the lower end of the guidance of US$25-$27 per barrel and expect that unit operating costs will decrease to the low US$20s per barrel when Kraken comes fully on-stream.

- *Strengthening the balance sheet*: In addition to the Restructuring, the Company is seeking to continue to improve its balance sheet through good operational and production performance, the implementation of cost saving measures and operating efficiencies and potential asset sales. For example, the gross full cycle capital expenditure estimate on the Kraken development has been reduced to US$2.5 billion from US$3.2 billion at sanction in 2013, a reduction of approximately 22 per cent. The 2015 drilling programme was below budget and the 2016 drilling programme has been ahead of schedule, with high operational efficiency levels across the Group's operated rigs and lowered supplier rates.

  The Group's capital investment in 2015 was 29 per cent. less than in 2014 and capital investment for the first six months of 2016 was 35 per cent. less than for the same period in 2015. Although capital investment is expected to remain at substantial levels through the rest of 2016 and into 2017 as a result of the Group's focus on the Kraken development, the Directors expect that after Kraken is brought on-stream in 2017, there will be an initial reduction in capital investment levels, followed by the completion of the full Kraken development.

(a) Extending the lives of maturing assets and optimising production: Turning opportunities into value by targeting maturing assets and undeveloped oil fields

The Company 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, the Company 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. These capabilities include subsurface, facilities planning and drilling. In 2015, the Group delivered a level of production efficiency levels which the Directors believe ranks the Company as one of the top operators in the North Sea. These levels of performance are being replicated in Malaysia. Already in Malaysia, the Company has had considerable success with its programme to revitalise previously idle wells. The Directors believe that these technical skills, its operational scale and high levels of operating and cost efficiency all leave the Company well positioned to deliver its sustainable growth strategy.

(b) Grow production, reserves and cash flow from the Group's existing assets

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 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.

(c) Deliver sustainable growth through selective acquisitions

The Group intends to continue to consider opportunities to acquire additional oil and gas assets and related infrastructure in maturing hydrocarbon basins, both inside and outside of the UKCS, in respect of assets that fit within the Group's overall strategy and is currently evaluating additional opportunities, although it has not entered into any binding or non-binding agreements, memoranda of understanding or other commitments in respect of any such opportunities. 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. It is the Group's current intention that during the period in which the Group remains capital constrained, it would seek to structure any acquisitions to avoid negative cash flows. In the current low oil price environment, it is not the Group's intention to purchase assets which would affect cash flows negatively. There can, however, be no assurances that the Group will be successful in identifying and completing further acquisitions.

In the past, the Company has been successful in pursuing an acquisition strategy. An example of this is the acquisition of its interest in GKA in 2014. This acquisition gave the Company not only GKA's production (average of approximately 2,400 boepd net to prior owners) and approximately 4.7 Mmboe of 2P reserves, but also the possibility of further developing the production hub centred on the Kittiwake platform. For example, the Mallard well was worked over, the Gadwall well was side-tracked and dissolver treatments were implemented. Gadwall was successfully returned to production by the Group in the second half of 2015. The potential for the Scolty and Crathes fields to be tied back to the Kittiwake platform was part of the rationale for the acquisition of GKA. Production for the Scolty/Crathes fields is expected to continue until 2025, which would also extend the life of GKA itself to 2025. The Group's interests in the GKA platform and the pipeline connecting GKA to the Forties Pipeline provide a potential commercial solution for these nearby fields.

In the past few years the Group has begun to replicate its UKCS model in another maturing region, Malaysia. In June 2014, the Group acquired an interest in the Seligi oil field and the production sharing contract for PM8. The Company also signed an agreement to extend the term of the PM8/Seligi PSC in respect of these assets to 2033. This acquisition was a good strategic fit and offered considerable potential for the Company to use its core skills in enhancing value from maturing fields. The Group assumed operatorship in October 2014 and through a programme focusing on improving facility integrity, gas compressor reliability and idle well restoration, increased gross production from 12,400 boepd in 2014 to 15,100 boepd in 2015. These improvements were achieved before any new drilling had taken place. Net production increased from 3,459 boepd in 2014 (being the net production from June 2014, when the Group acquired its 50 per cent. working interest in PM8/Seligi, to December 2014, averaged over the full year) of which the Group was entitled to 2,078 boepd, to 8,689 boepd in 2015, of which the Group was entitled to 5,958 boepd. Including the Group's additional interest in Tanjong Baram, Malaysian operations represented 25 per cent. of the Group's entire production in 2015. The Directors believe that the success of PM8/Seligi demonstrates the exportability of the Group's model outside of the UKCS.

1.4 Recent developments

Kraken FPSO vessel sail away

Following good progress on commissioning the water systems, the Kraken FPSO, was expected to sail away in the following days, from deep water anchorage off the coast of Singapore, for the North Sea. The journey should complete around mid-January 2017. The Kraken development project remains on course to deliver first oil in the first half of 2017. Meanwhile drilling is progressing to plan at Drill Centre Two following completion of Drill Centre One.

Scolty/Crathes First Oil

Following the successful drilling of the Scolty and Crathes wells in the second half of 2016 and subsequent full completion of subsea and topsides scopes, including commissioning of the integrated system the Scolty/Crathes development is proceeding ahead of the schedule previously indicated, the first production wing valve is now open and the first well is flowing.

EnQuest therefore confirmed the delivery of first oil from the Scolty/Crathes development ahead of schedule and under budget, approximately a year after the Field Development Plan (**'FDP'**) was approved and the project was sanctioned. This was the only offshore pure oil FDP approval in the UK North Sea in 2015. Unit operating costs are expected to be under $15/bbl in the initial peak volume years and production is anticipated to continue until 2025.

2016 Production

EnQuest has been informed that the third party maintenance shutdown of the Brent Pipeline System ('BPS') may commence during the week of 21 November 2016, for approximately three weeks, which would be a longer shutdown and later start date than previously anticipated. The Thistle and Dons fields would therefore also be fully shutdown for the entire BPS maintenance period as well as afn additional short period either side, for ramp-down and ramp-up.

Average production for the ten months to the end of October was 40,857 Boepd, up 25% on the same period in 2015. This production reflects the successful planned maintenance shutdowns on Kittiwake and on PM8/Seligi in the second half of 2016, which are both now complete. Production at the end of the year is expected to benefit from the Scolty/Crathes development coming on stream and from the new production well K7 coming on line at Alma/Galia.

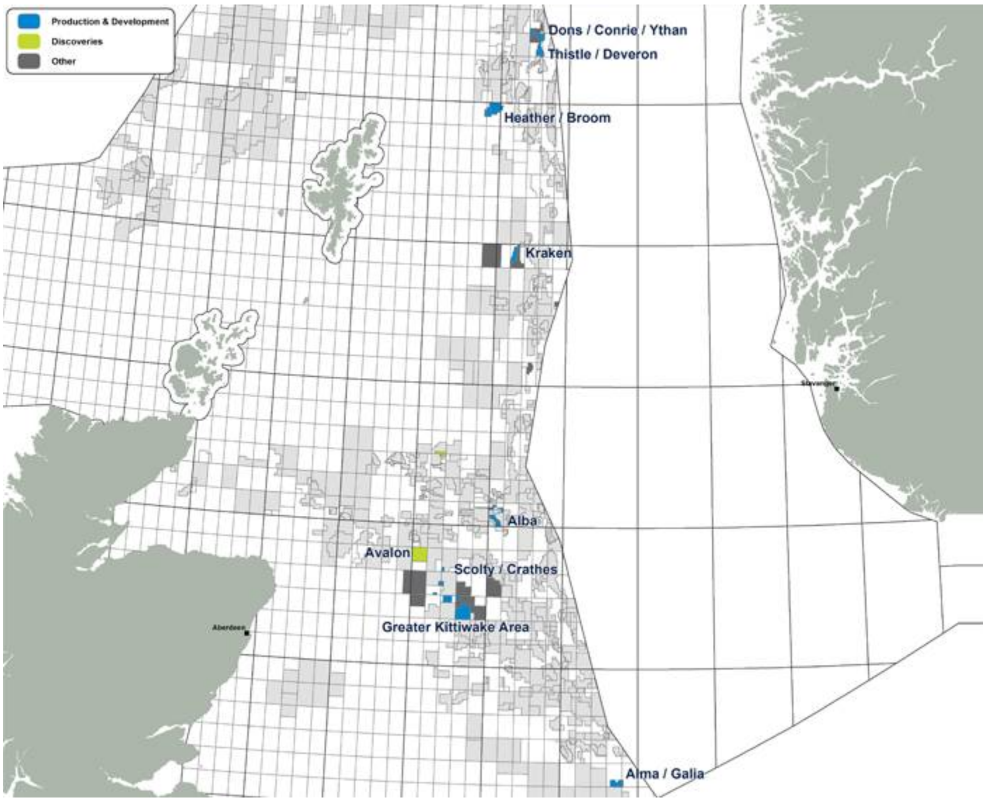
Taking into account the impact of the extended third party shutdown of the Brent Pipeline System, EnQuest would anticipate average daily full year 2016 production to be broadly around the average daily production level delivered to the end of October of 40,857 Boepd, and below its prior guidance of between 42,000 and 44,000 Boepd. Such an extended maintenance shutdown would not be expected to have an impact on the recovery of reserves as the reduced December 2016 production would be moved to later periods. Accordingly there would be no significant impact expected on the Company's assets and liabilities, financial position, profits and losses, or prospects.

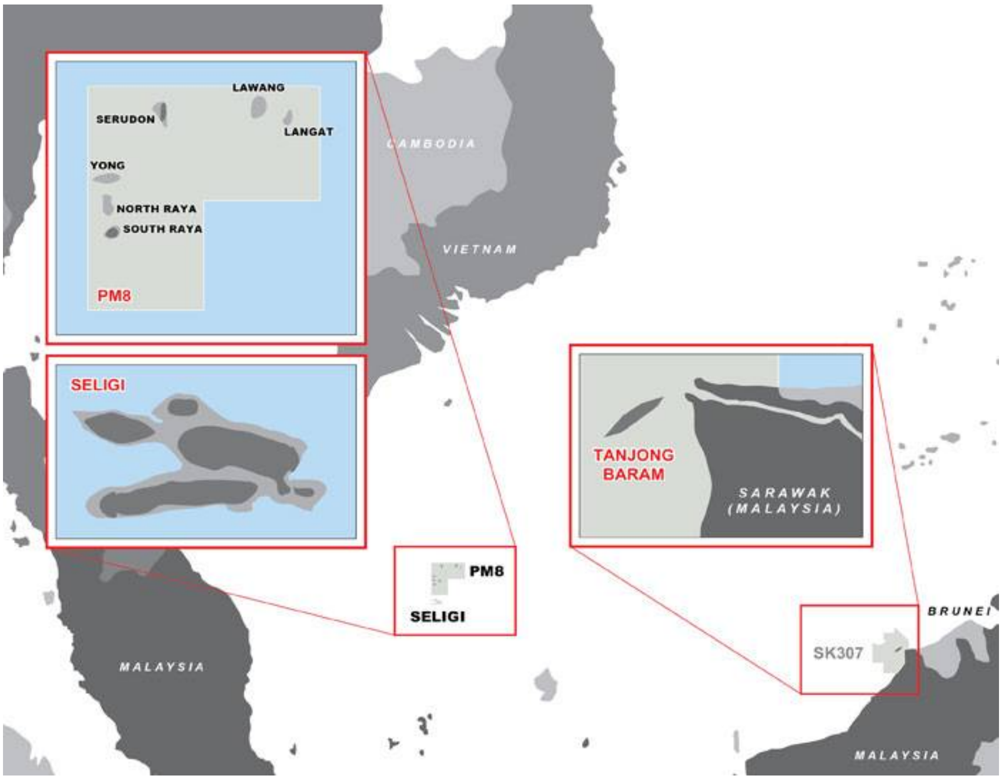
2. **The Group's operations and assets**

The Group's principal UKCS assets as of 30 June 2016 were its interests in the producing operated oil fields Heather/Broom, Thistle/Deveron, Dons, GKA and Alma/Galia, its interests in the Kraken and Scolty/Crathes developments and its non-operating interest in the producing Alba oil field. The Group's principal Malaysian assets as of 30 June 2016 were its interests in the producing operated oil fields PM8/Seligi and Tanjong Baram.

In 2015, as part of its programme of investment prioritisation and asset disposals, the Company disposed of its interests in Egypt, Tunisia and Norway and also sold its exploration assets in Malaysia. As of 30 June 2016, the Group had interests in 29 UK production licences, covering 41 blocks or part blocks and was the operator of 26 of these production licences. See "*There are risks inherent in the Group's acquisitions of exploration, development and production properties*" in the "Risk factors" section.

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





2.1 **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 prospectus 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 "*Risks relating to the oil and gas industry*" in the "Risk factors" section.

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 2013, 31 December 2014 and 31 December 2015 and as at 1 January 2016.

(Mmboe)	**2P reserves 1 January**	**Production[(1)]**	**Additions**	**2P reserves 31 December**	**Reserve life (years)**
2013	129	(9)	75	195	22

(Mmboe)	2P reserves 1 January	Production[1]	Additions	2P reserves 31 December	Reserve life (years)
2014	195	(10)	35	220	22
2015	220	(12)	(5)	203	18
2016	216[2]	—	—	—	—

Notes:

(1) Sales volume for the period.

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

(a) 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.

(b) 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.

2.2 Production and development

As of 30 June 2016, the Group had interests in 29 UK production licences, covering 41 blocks or part blocks and was the operator of 26 of these production licences. The Group's average daily production on a working interest basis in 2015 was 36,567 boepd and in the first half of 2016 was 42,520 boepd.

The following table sets out the Group's licences as of 30 June 2016.

UK

Production & Development

Licence	Block(s)	Working Interest (%)	Field Name
P073	21/12a	50	Goosander (*GKA*)
P213[1]	16/26a	8	Alba
P236	211/18a	99	Thistle and Deveron
P236	211/18a	60	Don Southwest and Conrie
P236	211/18b	61.6[5]	West Don
P238	21/19a & 21/19b	50	Grouse, Mallard and Gadwall (*GKA*)
P242	2/5a	63 & 100	Broom and Heather
P351	21/18a	50	Kittiwake
P475	211/19s	99	Thistle
P902	2/4a	63	Broom
P1077	9/2b	70.5	Kraken and Kraken North
P1200	211/13b	100[5]	West Don
P1765/P1825	30/24c & 25c, 30/24b	65	Alma and Galia
P2137	211/18e & 19c	60	Ythan (*Dons*)

P1107/P1617	21/8a, 21/12c & 13a	50	Scolty and Crathes

Discoveries	**Block(s)**	**Working Interest (%)**	**Name**
P238	21/19a & 21/19b	50	Eagle
P220/P250/P585	15/12b, 17a & 17n	60	Kildrummy
P2006	21/6b	50	Avalon

Other Licences	**Block(s)**	**Working Interest (%)**	**Name**
P90	9/15a	33	—
P209	9/28a	19	—
P1976	8/5 & 9/1b	60	—
P1996[(2)]	28/2b & 28/3b	100	—
P2005	22/11b	50	—
P2143	3/1b	100	—
P2148	9/2c	60	—
P2173	20/15b, 21/11 & 21/16a	50	—
P2176	21/8b	100	—
P2177	21/14b, 19c & 20b	50	—
P2201	211/13c & 211/18c	60	—

Malaysia

Licence	**Block(s)**	**Working Interest (%)**	**Name**
PM8/ Seligi[(3)]	PM8 Extension	50	Seligi, North Raya, South Raya, Lawang, Langat, Yong and Serudon
Tanjong Baram SFRSC[(4)]	Tanjong Baram	70	Tanjong Baram

Notes:

(1) Not operated.

(2) The disposal of this licence was agreed at the end of 2015. However, the transaction is still subject to completion.

(3) Official reference PM-8 Extension PSC.

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

(5) On 2 August 2016, the Group's working interest in the West Don unitised area increased to 78.6 per cent. following the transfer to the Group of the holding previously owned by First Oil PLC.

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 2013, 2014 and 2015.

	Year ended 31 December		
Production/Sales:	**2013**	**2014**	**2015**
Production volume (boepd)........................	24,200	27,895	36,567
Average realised oil price ($/boe)...............	109.7	100.6	72.0[(1)]

Note:

(1) $72.0 is the realised oil price including realised revenue of US$263 million associated with the effective portions of the Company's oil price hedges.

(a) Thistle/Deveron

The Group's offshore operations at the oil fields of Thistle and Deveron produced an average of 8,930 boepd in 2015, a 95 boepd, or a 1.05 per cent., decrease from an average production of 9,025 boepd in 2014. The Group's average production in the first half of 2016 was 8,966 boepd, up 17 per cent. a 1,276 boepd, or a 16.6 per cent., increase from an average production of 7,690 boepd in the first half of 2015.

	Thistle	**Deveron**
Location..	Offshore, UKCS,	Offshore, UKCS
Production Facility...	Thistle Alpha platform	Thistle Alpha platform
EnQuest Working Interest..	99.00%	99.00%
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. In 1978, Thistle had 43 producing wells and 15 water injection wells. 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 obtained a 99 per cent. working interest in both the Thistle and Deveron fields from Lundin upon EnQuest's formation in 2010. Britoil Limited, whose ultimate parent company is BP plc, retains the remaining 1 per cent. working interest in each of Thistle and Deveron. The Group has no decommissioning liability for Thistle/Deveron as acquired and is liable for 99 per cent. of any costs incurred to the extent they arise solely as a result of the decommissioning of property the Group purchased for field operations since completion of the acquisition.

Field and processing technical background

Thistle has an offshore platform, Thistle Alpha, which was first installed on the jacket in 1978. The platform stands in a water depth of approximately 162 metres and is a 60 slot drilling and production installation. The platform comprises a conventional steel jacket with four main legs, equipment and machinery that constitute the production, utilities, drilling systems and facilities. The remaining eight modules, situated on the southeast end of the installation, contain living quarters, offices, the central control room, the helideck and workshops.

Thistle Alpha processes oil from both Thistle and Deveron reservoirs. The Deveron reservoir is immediately adjacent to the Thistle reservoir and both reservoirs lie at a depth of 2,800 metres and are accessed by wells drilled from the Thistle Alpha platform. There are 14 active producing wells and 7 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. Because the original gas compression system for Thistle and Deveron was decommissioned, the Group flares a small volume of gas that is separated from the oil. The Group treats any produced water and then discharges it back into the sea. Once the oil is separated from both gas and water, the Group exports the oil, along with oil produced from Dons, in a 16" oil export pipeline through the Brent Pipeline System via the Dunlin and Cormorant platforms to SVT.

Developments

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.

In 2014, a new production well was drilled in the West Fault Block. The A61/34 well was brought on-stream in May 2015 and has been performing well. An additional production well A62/53 was drilled and was placed on production in August 2015. An ESP workover on well A59/45 was completed successfully in August 2015, with the well reinstated to production. Due to the strong performance of the drilling programme, two wells which were expected to be drilled in 2016 were brought forward into 2015. Well A64/40 was drilled in the crest of the Western Fault Block and was brought online in October 2015. This was followed by completion of the Deveron A63/07 well with a dual ESP, which was brought online in November 2015 and the workover of the Deveron A58 well to upgrade the ESP. The strong drilling performance has delivered considerable savings against budgeted costs.

Recent performance and activity programme

Thistle/Deveron's production of 8,966 boepd during the first half of 2016 represented a 17 per cent. increase over the same period in 2015 with the benefit of the 2015 work programme and a further phase of the field life extension programme. The latest programme of Thistle drilling activities was brought to a close in January 2016. Maintenance, integrity and life extension projects are continuing throughout 2016, including a routine planned shutdown in the second half of the year scheduled to coincide with an approximately three week maintenance shutdown of the Brent Pipeline System, which will include further field life extension work which will increase the plant's capacity to handle produced water.

(b) Dons

The Group's offshore operations at Dons produced an average of 7,690 boepd in 2015, a 1,145 boepd, or a 12.96 per cent., decrease from an average production of 8,835 boepd in 2014. The Group's average production in the first half of 2016 was 6,600 boepd, a 181 boepd, or a 3 per cent., increase from an average production of 6,419 boepd in the first half of 2015.

	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%	78.6%	60%	60%
Operator	EnQuest	EnQuest	EnQuest	EnQuest
Field Partners	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Gamma Limited
Decommissioning liabilities	As per working interests			

Overview

Dons are a collection of offshore oil fields located in blocks 211/13b (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. Don Southwest was first discovered in 1976 and developed by BP, with first oil produced in 1993. BP ceased production in 2001. West Don was discovered in 1976, but it was not developed for production until 2009 by one of the Company's predecessor companies, PEDL. The Group first discovered the smaller Conrie oil field in January 2011 and developed the field for production.

The Group first acquired its working interest in West Don and Don Southwest through the acquisition of PEDL. PEDL had acquired a 40 per cent. working interest in West Don in February 2006 and a 60 per cent. working interest in Don Southwest in December 2006, in each case from Britoil Limited and ConocoPhillips. In May 2007, PEDL acquired a further 3.12 per cent. working interest in West Don. Following the unitisation of West Don in 2008, PEDL's corresponding interest in West Don under the unitisation agreement became 27.7 per cent. after accounting for added acreage. The Group acquired this working interest upon its acquisition of PEDL in 2010. The Group also acquired a 17.25 per cent. working interest upon its acquisition of Stratic Energy Corporation in 2010, bringing the Group's total working interest in West Don to 44.95 per cent. On 29 March 2012, the Group acquired an additional 18.5 per cent. working interest in West Don from JX Nippon Exploration and Production (U.K.) Limited, resulting in the Group's total working interest in West Don increasing to 63.45 per cent. Following the default of First Oil PLC in February 2016, a process was initiated which resulted in the transfer to the Group of 15.15 per cent. of First Oil's previous 19.275 per cent. working interest in the West Don Field for nil consideration. The transfer was completed on 2 August 2016. Production from this additional 15.15 per cent. interest became effective from August 2016 onwards. Following completion of the transfer, the Group has a 78.6 per cent. working interest in the West Don field.

In the first quarter of 2014, EnQuest applied for and was offered an 'out of round' licence (P.2137) in the Don North East area for blocks 211/18e and 211/19c, including the Area 23 and Area 24 discovered oil accumulations and an undrilled extension to the Don North East field. The Area 24 discovery, which lies adjacent to the Don Southwest field, progressed rapidly to development with the Field Development Plan, for the renamed 'Ythan' field approved by DECC and the first well spudded in November 2014.

The Group's partner at West Don is Ithaca Energy (UK) Limited which holds a 17.28 per cent. working interest. The Group's partner at both Don Southwest and Conrie is Ithaca Energy (UK) Limited, with a 40 per cent. working interest in each case. The Group's partner at Ythan is Ithaca Gamma Limited, with a 40 per cent. working interest. The Group's decommissioning liability for Dons is in each case equivalent to its working interest. The Group does not have full control over operations at the Don fields as all development and production plans and budgets must be submitted to a management committee for approval.

Field and processing technical background

The water depth of Dons is 160 metres, while the oil reservoir lies at a depth of approximately 3,200 metres. Don Southwest comprises eight 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 Don fields are all connected via subsea tieback to the Northern Producer FPF. The Group does not own the Northern Producer FPF, but it has contracted with Sea Production Ltd., the owner of the facility, to use the Northern Producer FPF to process oil from 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 SVT. Natural gas liquids are separated from oil at SVT. The Group also uses the Northern Leg gas pipeline for the purchase of fuel for use on the Thistle platform.

Developments

The new Ythan production well was completed in April 2015 and tied in and brought online in late May 2015, and continues to deliver oil rates above expectations. Production efficiency in Dons was strong in 2015, with high levels of water injection efficiency also supporting production. Production at Dons in 2015 was down year on year due partly to the planned maintenance shutdown in June and to the operational shut-in of a well in the West Don oil field in January and February 2015 due to scale build up.

Recent performance and activity programme

The Don fields' production of 6,600 boepd during the first half of 2016 represented an increase of 3 per cent. over the same period in 2015. This increase related to strong reservoir performance generally, the benefit of the Ythan well which was drilled in 2015 as well as the positive impact of the start of gas import, which has increased plant efficiency and reduced platform fuel costs.

The 2016 Dons work programme includes chemical treatment programmes and routine maintenance, including a planned shutdown during the second half of the year. The shutdown is being planned to coincide with a Brent pipeline system maintenance outage anticipated to last for approximately three weeks.

(c) Heather/Broom

The Group's offshore operations at Heather and Broom had an average production of 4,643 boepd in 2015, a 562 boepd, or a 13.77 per cent., increase from an average production of 4,081 boepd in 2014. The Group's average production in the first half of 2016 was 6,114 boepd, a 2,498 boepd, or a 69.1 per cent., increase from an average production of 3,615 boepd in the first half of 2015.

	Heather	**Broom**
Location	Offshore, UKCS,	Offshore, UKCS
Production Facility	Heather A platform	Heather A platform
EnQuest Working Interest	100.00%	63.00%
Operator	EnQuest	EnQuest
Field Partners	None	MOL GROWEST (I) Limited, MOL GROWEST (II) Limited and Ithaca Minerals (North Sea) Limited
Decommissioning liabilities	37.50%(1)	63.00%

Note:

(1) The Company's decommissioning liability for Heather as acquired is 37.50 per cent., with 100 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. The oil field was discovered in 1973, with first oil achieved in 1978. Broom is located west seven kilometres east of Heather at the western edge of the North Viking Graben. The oil field was originally known as West Heather and its oil deposits were discovered in 1976 and 1977. Broom first produced oil in 2004.

The Group acquired its working interests in Heather/Broom from Lundin upon EnQuest's formation. The Group owns a 100 per cent. working interest in Heather and a 63 per cent. working interest in Broom. Its partners at Broom include MOL GROWEST (I) Limited, MOL GROWEST (II) Limited and Ithaca Minerals (North Sea) Limited, with 26 per cent., 3 per cent. and 8 per cent. working interests, respectively. The Group's decommissioning liability for Heather as acquired is 37.5 per cent. with 100 per cent. decommissioning liability for any new developments it undertakes. The Group's decommissioning liability for Broom is equivalent to its working interest. Although they no longer retain a working interest in Heather, each of BG Great Britain Limited and Chevron North Sea Limited remain a party to the Heather Joint Operating Agreement and retain voting rights in relation to their interests in the Ninian pipeline systems and SVT and in respect of any matters relating to decommissioning (including health, safety and environmental matters).

Field and processing technical background

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 66 wells have been drilled at Heather, the majority of which were initially completed as gas-lifted production wells. Heather currently has 13 producing wells and five 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, constructed in 1977. This installation 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 passes the produced oil through a single train, two stage separation process. The Group then exports the processed oil to SVT via the Ninian pipeline system.

After the separation process, the Group treats any produced water and then discharges it back into the sea. The Group routes produced gas through compression trains for artificial lift and also uses produced gas for fuel gas requirements. The Group imports fuel gas from the Western Leg Gas pipeline system as required to meet any fuel gas deficiencies. Finally, the Group injects sea-water into both Heather and Broom to optimise production and maintain the fields' pressure.

Developments

The Heather H66 production well was brought onstream in March 2015 and has performed well. The rig crew on Heather has since moved to Thistle. The water injection flowline at the Broom field failed at the end of August 2014. Following the replacement of a flowline, water injection was reinstated to the Broom field as planned in the second quarter of 2015. Overall production at Heather/Broom in 2015 was ahead of 2014 reflecting the increase in production at Heather following 2014 drilling, offset by the water injection outage on Broom and the planned maintenance shutdown of the Heather and Broom fields in June 2015. High levels of operational uptime have been achieved. Overall levels of water injection improved in 2015 and this increased production rates on both Heather and Broom.

Recent performance and activity programme

Heather/Broom's production of 6,114 boepd for the six months ended 30 June 2016 represented a 69.1 per cent. increase over the same period in 2015. This increase was due to the Heather production well that was brought onstream in March 2015, the reinstatement of water injection to the Broom field in the second quarter of 2015 and very high levels of production efficiency. The Heather platform recently completed one year without an unplanned production outage. The Heather/Broom hub has proved to be particularly responsive to water injection.

(d) Greater Kittiwake Area

GKA had an average production of 3,981 boepd in 2015, a 2,700 boepd, or a 210.77 per cent., increase, compared to an average production of 1,281 boepd in 2014 (based on the net production since the acquisition at the start of March 2014, as averaged over the full year). The Group's average production in GKA for the first half of 2016 was 3,738 boepd, a 823 boepd, or a 28.2 per cent., increase from the Group's average production of 2,915 boepd in the first half of 2015.

	Kittiwake	**Gadwall**	**Grouse**	**Goosander**	**Mallard**
Location	Offshore, UKCS				
Production Facility............................	Kittiwake platform				
EnQuest Working Interest..................	50.00%	50.00%	50.00%	50.00%	50.00%
Operator..	EnQuest				
Field Partners.....................................	Dana Petroleum (E&P) Limited				
Decommissioning liabilities...............	25.00%	50.00%	50.00%	50.00%	30.50%

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 exploration opportunities in the Eagle and Duck prospects, also located at GKA.

The Group completed its acquisition of a 50 per cent. working interest in GKA on 1 March 2014 and assumed the role of operator of the fields from Centrica North Sea Oil Limited. The Group's partner at GKA is Dana Petroleum (E&P) Limited with a 50 per cent. working interest. The Group's decommissioning liability is 25 per cent. for Kittiwake, 30.5 per cent. for Mallard and 50 per cent. for Grouse, Gadwall and Goosander, in each case for the assets as acquired, and equivalent to its working interest for any developments it undertakes. The Group does not have full control over operations at GKA as a joint operating committee of interest holders has been established to prepare and approve programmes, budgets and authorisations for expenditures proposed by it as operator.

Field and processing technical background

GKA lies in water at depths ranging from 85 to 90 metres while the oil reservoir lies at a depth of approximately 85 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

Developments

GKA has demonstrated continual improvement in production efficiency since its acquisition in March 2014, achieving a production efficiency level of approximately 80 per cent. during 2015, including the impact of a planned maintenance shutdown. The redundant Gadwall production well was successfully side-tracked to an up-dip location and was brought onstream in August 2015 with encouraging results. A successful chemical treatment has also been undertaken on Goosander raising production levels substantially. The planned three week GKA maintenance shutdown was successfully completed in September 2015. Gross production in 2015 was over three times the level in 2014, with Gadwall's gross daily peak reaching over 19,000 boepd.

The Directors believe the success of GKA demonstrates the transferability of the EnQuest model and of its ability to create value from mature assets.

Recent performance and activity programme

GKA's production of 3,738 boepd for the six months ended 30 June 2016 represented a 28 per cent. increase over the same period in 2015, with continuing improvements in production efficiency. Gadwall was brought back onstream in August 2015 and has performed well. GKA production is continuing to benefit from chemical treatments on Goosander made in 2015. The 2016 shutdown was delivered securely and successfully during the second half of the year.

In the second quarter of 2016, the Group undertook the drilling of the Eagle exploration well. 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. The encouraging results of the initial analysis lead the Group to anticipate gross total recoverable reserves to be a similar order of magnitude to those in the nearby Gadwall producing oil field. It is estimated that total gross ultimate recovery from Gadwall will be approximately 6 MMstb. Further evaluation of the Eagle results is on-going, but given the expected low cost of the tie back, it is expected to be commercial. The Group has also corresponded and met with Dana to discuss a dispute over Dana's claimed 50 per cent. ownership interest in the Eagle exploration well under the Joint Operating Agreement between the Group and Dana relating to GKA.

On 4 July 2016, Dana, the Group's field partner in GKA, issued a press release in respect of a dispute it had recently entered into with the Group regarding the Eagle exploration well. At issue is whether the Group followed the sole risk process in the Joint Operating Agreement relating to GKA correctly and, if not, whether Dana would retain its 50 per cent. interest in the Eagle well discovery without any obligation to contribute to cost. Dana has alleged that, prior to the Group's proceeding to drill the Eagle exploration well, Dana had asserted to the Group that the Group did not have authority to do so. Dana further stated in the press release that it remains its position that it has a 50 per cent. ownership interest in the Eagle well discovery and that Dana has reserved its rights under the relevant licence, under the Joint Operating Agreement and at law. The Group disputes the allegations put forward by Dana, maintains that it has followed the sole risk process in the Joint Operating Agreement and maintains that Dana's position is not supported by the provisions of the Joint Operating Agreement. The Directors believe that, to date, Dana has failed to provide a clear basis for its assertion that it retains a 50 per cent. interest in Eagle without any obligation to contribute to cost. No formal court action has been commenced or threatened by Dana, but the Group and Dana have been corresponding and meeting in respect of these allegations and assertions.

(e) Alma/Galia

First oil from the Alma/Galia development was achieved on 27 October 2015. Net production at Alma/Galia since first oil to 31 December 2015, averaged over the twelve months to 31 December 2015, was 1,083 boepd. The Group's average production in the first half of 2016 was 6,433 boepd.

	Alma	**Galia**
Location	Offshore, UKCS	Offshore, UKCS
Production Facility	EnQuest Producer FPSO	EnQuest Producer FPSO
EnQuest Working Interest	65.00%	65.00%
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 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's decommissioning liability for Alma/Galia is equivalent to its working interest. The

Group is currently engaged in a dispute with KUFPEC in relation to the farm out. For further details about this dispute, see paragraph 9 of the "*EnQuest's Business*" section of this prospectus.

Field and processing technical background

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 wells were originally drilled on Alma, although one was subsequently abandoned due to well blockage and is in the process of being replaced. All of the wells on Alma/Galia feature dual ESP completions which provide the wells with artificial lift. In addition, there is a water injection well at the Alma water injection drill centre. 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. Offloading is scheduled for once every four weeks and is subject to change depending on production levels.

Developments

In the first half of 2015, the EnQuest Producer FPSO left the yard in Newcastle, successfully completed marine performance trials and was towed out to the field, where it was securely moored. It was first made "storm safe" and then all the remaining anchor chains were installed. All the risers were then pulled in and the ship was able to weathervane. The subsea equipment was successfully function tested from the vessel via the umbilicals. The Galia production well was also completed and tied into the production manifold.

First oil from the Alma/Galia development was achieved on 27 October 2015, following the safe delivery of final commissioning of all the required systems. In the second half of November 2015, production from the first two Alma ESP wells was increased as the Galia well was also brought onstream.

The EnQuest Producer FPSO has performed consistently well since first oil. High levels of uptime have been achieved on the EnQuest Producer FPSO, with 77 per cent. in 2015 and over 90 per cent. in early 2016.

Recent performance and activity programme

Six Alma/Galia production wells were commissioned by March 2016. All these wells were brought onstream by early second quarter 2016 and after analysis of the initial results, a production performance enhancing work programme was established. This programme is now complete. The K2 (AP5) well cleaned up naturally after a number of weeks of production, resulting in a substantial increase in production, K1 (AP4) required a chemical treatment which was successful, and the workover of another production well, K3z (AP1), was carried out in early August, further increasing production, taking gross Alma/Galia production levels to around 18,785 boepd between 5 August 2016 and 31 August 2016.

The drilling of well K7, the replacement for the uncompleted K6, was completed during the second half of 2016 and should be online by around the end of 2016.

(f) Alba

Alba had an average production of 1,178 boepd in 2015, a 36 boepd decrease from an average production of 1,214 boepd in 2014. Alba had an average production of 1,236 boepd in the first half of 2016, a 13 boepd, or a 1.0 per cent., decrease from an average production of 1,249 boepd in the first half of 2015.

Location	Offshore, UKCS
Production Facility	Alba Northern platform
EnQuest Working Interest	8.00%
Operator	Chevron North Sea Limited
Field Partners	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.

In January 2013, the Group acquired an 8 per cent. working interest in Alba upon acquiring two affiliate companies of CIECO Energy (UK) Limited. The Group's partners at Alba include Chevron North Sea Limited, the operator (23.37 per cent. working interest), Centrica Resources Limited (12.65 per cent.), Endeavour Energy UK Limited (25.68 per cent.), Mitsui E&P UK Limited (13.3 per cent.) and Statoil (U.K.) Limited (17 per cent.). The Group's decommissioning liability for Alba is equivalent to its working interest.

Field and processing technical background

As of 30 June 2016, there were 21 active platform production wells, five injector wells and ten active 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 performance and activity programme

Production at Alba during the six months ended 30 June 2016 was 1,236 boepd, closely in line with production for the first six months ended 30 June 2015. This reflected the net effect of the A70 production well being brought online in April, with its performance exceeding expectations, and the two week shutdown early in the year as a consequence of bad weather, followed subsequently by high operational uptime. The A71 production well was drilled in August 2016 and came online in the second half of 2016.

(g) PM8/Seligi

The Group's offshore operations at PM8/Seligi had an average production of 8,689 boepd in 2015, of which it was entitled to 5,958 boepd, compared to an average production of 3,459 boepd in 2014 (being the net production from June 2014, when the Group acquired its 50 per cent. working interest in PM8/Seligi, to December 2014, averaged over the full year), of which it was entitled to 2,078 boepd.

	North Raya, South Raya, Lawang, Langat, Yong and Serudon	**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	50.00%	50.00%
Operator	EnQuest	EnQuest
Field Partners	PETRONAS Carigali Sdn Bhd	PETRONAS Carigali Sdn Bhd
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.

PM8 comprises six developed fields, Lawang, Langat, Serudon, North Raya, South Raya and Yong. The fields were discovered between 1990 and 1994 and were progressively developed between 1998 and 2003, with first oil production occurring in 1998. PM8 fields together encompasses approximately 20 square kilometres. PM8 fields are developed with unmanned minimum facility type platforms which are linked back to the Seligi oil field. A total of 26 wells have been drilled to date.

The Group acquired a 50 per cent. working interest in the Seligi oil field and the PSC in respect of PM8 from ExxonMobil Exploration and Production Malaysia Inc. in June 2014. It also entered into an agreement with the state-owned PETRONAS for the continuing development and production of petroleum resources from the PSC in respect of PM8 and the Seligi oil field until 2033. The Group's working interest in the PM8/Seligi PSC is 50 per cent. The Group's partners under the PM8/Seligi PSC are PETRONAS Carigali Sdn Bhd and E&P Malaysia Venture Sdn Bhd, with working interests of 40 per cent. and 10 per cent., respectively.

Field and processing technical background

The Seligi oil field encompasses approximately 80 square kilometres and was developed via eight platforms which were installed between 1988 and 2001. A total of more than 228 wells have been drilled to date. The manned Seligi-A complex, which includes a main production platform and separate bridge-linked gas compression platform, serves as the main hub. Seven unmanned, minimum facilities satellite platforms are tied back to the Seligi-A platform complex via full well-stream producing pipelines and lift gas supply pipelines.

The adjacent PM8 fields together encompass approximately 20 square kilometres and were developed with four unmanned, minimum facility type platforms which are linked back to the Seligi-A platform via full well-stream producing pipelines and lift gas supply lines. A total of 26 wells have been drilled to date.

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

Developments

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.

The 2015 PM8/Seligi field infrastructure work programme focused on inspections to establish pipeline, vessel and structural integrity baselines and on overhauls and repairs to gas compression trains. As a result, compressor availability was improved from 70 per cent. to 95 per cent. and overall production efficiency was increased from approximately 80 per cent. to over 90 per cent., delivering an immediate boost to production. In addition, well intervention activities were completed to restore idle wells and optimise existing wells, leading to a production gain of approximately 3,000 gross boepd in the fourth quarter of 2015.

Recent performance and activity programme

Production of 8,152 boepd from PM8/Seligi during the first six months of 2016 was up 5 per cent. on production for the same period during 2015. Production in 2016 started strongly as a result of unusually calm January weather and a successful well intervention. In the second quarter of 2016, a pro-active 11-day shutdown was executed to complete safety checks and inspections that were deemed prudent, after which production returned to good levels. PM8/Seligi's performance is supported by strong production efficiency and the on-going idle well restoration programme.

In the near term, the Group will continue to enhance production by investing in well interventions and facility integrity to maximise both reliability and production efficiency at low cost. Longer term, development drilling, secondary recovery and field life extension activities will contribute to improved recovery and additional reserves.

(h) Tanjong Baram

The Tanjong Baram field had an average production of 373 boepd in 2015 (based on net production from first production in June 2015 averaged over the twelve months to the end of December 2015), of which the Group was entitled to 261 boepd.

Location	Offshore, Malaysia
Production Facility	Tanjong Baram wellhead platform
EnQuest Working Interest	70.00%
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. In March 2014, the Group signed a SFRSC with Uzma and PETRONAS to develop and produce the Tanjong Baram field for a period up to March 2023.

Field and processing technical background

The Tanjong Baram field is designated by PETRONAS as a small marginal field.

The Tanjong Baram development currently 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 under a Production Handling Agreement.

Developments

First production from the Tanjong Baram field was achieved on schedule in June 2015. The host platform operator PETRONAS requested changes to the receiving vessel to accommodate the volumes of liquids in the associated gas. This required the field to be shut-in two months while the work was completed. Tanjong Baram was successfully restarted on 18 August 2015 and the field was producing close to 3,000 gross boepd by the end of 2015 and 2,000 gross boepd at the end of the first half of 2016.

Recent performance and activity programme

Tanjong Baram produced 1,281 net boepd during the first six months of 2016, its first full six months of operation. Production had not yet commenced for the same period in 2015.

2.3 **Operated development assets**

All of the Group's operated development assets are offshore oil fields in the UKCS.

(a) Kraken

The Kraken development asset is the Group's largest development project to date.

Location	Offshore, UKCS
Production Facility	Kraken FPSO
EnQuest Working Interest	70.50%(1)
Operator	EnQuest Heather
Field Partners	Cairn Energy PLC(1)
Decommissioning liability	As per working interest

Note:

(1) With economic effect from 1 January 2016, the Group increased its working interest in Kraken from 60 per cent. to 70.5 per cent.

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 and are continuing to progress it to development following appraisal and well test results with first oil expected in the first half of 2017. The Group's current partner at Kraken is Cairn Energy PLC, with a working interest of 29.5 per cent.

The Group acquired its first working interest in Kraken in January 2012 when it acquired two companies from Canamens Limited, whose assets included a 20 per cent. working interest in Kraken. Later that month, the Group acquired a further 25 per cent. working interest from Nautical Petroleum plc and it became the new operator of Kraken by way of vote of interest holders under the joint operating agreement. In September 2012, the Group acquired a further 15 per cent. working interest in Kraken from First Oil plc. Cairn Energy PLC became a field partner following its acquisition of Nautical Petroleum PLC, the Group's previous field partners at Kraken. As a result of First Oil plc going into administration, EnQuest and Cairn Energy PLC took up First Oil plc's interest *pro rata* to their then holdings and thus, with effect from 1 January 2016 the Group acquired an additional 10.5 per cent. interest, bringing its total interest to 70.5 per cent. The Group's decommissioning liability for Kraken is equivalent to its working interest.

Field technical background and development

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.

To date, the Company has conducted extensive subsurface analysis and has drilled an appraisal well at Kraken North with the aid of the Geostreamer Seismic Survey.

The fixed pipeline systems for the first two Kraken drill centres were installed on the seabed in the first half of 2015. Installation of the mooring system for the Kraken FPSO also commenced in the first half of 2015. Following manufacture, the submerged turret/buoy was transported to the field and successfully installed. Drill centre one and two were fully connected to the turret/buoy.

In the second half of 2015, following the completion of the Kraken batch top-hole drilling programme at drill centre one, the drilling rig progressed with the drilling of individual wells into the reservoir. Reservoir analysis of the two full well penetrations completed as of the end of 2015 correlated very closely with the previous subsurface prognosis based on the Group's subsurface analysis. Procurement, manufacture and installation are continuing in relation to the next phases of wells, subsea infrastructure and the Kraken FPSO.

Expected gross capex for the Kraken development was reduced by an additional approximately US$100 million in October 2016. The gross full cycle capital expenditure estimate has now been reduced to US$2.5 billion from US$3.2 billion at sanction in 2013.

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

Recent progress and activity programme.

Overall the project remains on schedule and below budget, with first oil anticipated in the first half of 2017.

The Company announced on 21 November 2016 that the Kraken FPSO was expected to sail away in the coming days, from deep water anchorage off the coast of Singapore, for the North Sea. The journey should complete around mid-January 2017. The Kraken FPSO completed its shore-based commissioning activities at the quayside in Singapore and also completed the vessel's inclination testing programme during the second half of 2016.

The Kraken development project remains on course to deliver first oil in the first half of 2017. Meanwhile drilling is progressing to plan at Drill Centre Two following completion of Drill Centre One.

In October 2016, the Group announced a further approximately US$100 million reduction in the gross full cycle Kraken capital expenditure estimates to approximately US$2.5 billion. This reduction was primarily possible because of the progress on drilling, the execution of the subsea programme and contingency reductions; these capital expenditure reductions will reduce cash outflow in 2017 and beyond.

(b) Scolty/Crathes

Location	Offshore, UKCS
Production Facility	Kittiwake platform
EnQuest Working Interest	50%
Operator	EnQuest
Field Partner	MOL GROWEST (I) Limited
Decommissioning liability	As per working interest

Overview

The Scolty/Crathes development assets are in blocks 21/8a (Scolty) and 21/12c and 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.

Field technical background and development

The Scolty/Crathes development consists of single horizontal wells, equipped with gas lift, to be drilled in each of the Scolty and Crathes fields. The fields will be tied back to the Kittiwake platform, in the Greater Kittiwake Area where the fluids will be processed and the oil exported to shore via the Forties pipeline system. The two fields will pay a processing tariff to GKA up to the end of 2020 after which they will share operating expenditure. Regional pressure history and partial pressure depletion in the wells supports the connectivity through an aquifer to the Forties field. A strong aquifer is expected to support well productivities and pressure maintenance with water injection is not planned.

Recent progress and activity programme

Following the successful drilling of the Scolty and Crathes wells in the second half of 2016 and subsequent full completion of subsea and topsides scopes, including commissioning of the integrated system the Scolty/Crathes development is proceeding ahead of the schedule previously indicated, the first production wing valve is now open and the first well is flowing. First oil was confirmed on 21 November 2016. Unit operating costs are expected to be under $15/bbl in the initial peak volume years and production is anticipated to continue until 2025.

3. Competition

The oil industry is competitive, and 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 "*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 the "Risk factors" section.

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.

Furthermore, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the governments of the jurisdictions in which the Group operates. It is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or their effects upon the Group's future operations. Such legislation and regulations may, however, substantially increase the costs of developing, producing, marketing or exploring for oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted. See "*Risks relating to the Group's business—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*" in the "Risk factors" section.

4. Business arrangements

4.1 Product lifting and distribution

Petroleum from Heather/Broom is processed at the Heather A offshore platform and then transported through the Ninian pipeline system to SVT. The Group also has the capability to import fuel gas from the Western Leg pipeline to the Heather A platform. Petroleum from Thistle/Deveron is processed at the Thistle Alpha offshore platform and then is transported to SVT through the Brent System pipeline via the Dunlin and Cormorant platforms.

The Group's participation in these pipeline systems and 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 Ninian pipeline system, the Dunlin to Cormorant pipeline and the Brent system pipeline. See "*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*" in the "Risk Factors" section.

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 (including production from 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 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 under a Production Handling Agreement. Production from PM8/Seligi is transported via the Tapis pipeline (operated by ExxonMobil) to the Terengganu Crude Oil Terminal for processing and sale.

With respect to future production from Kraken, the Kraken FPSO will be connected to wells via subsea infrastructure. Offload tankers will transport produced oil from the Kraken FPSO to onshore oil terminals.

4.2 Sales and customers

The Company's entitlement to oil (in terms of Brent Blend) is made available for sale at SVT for the Group's UKCS production (excluding GKA and Alma/Galia), the Kinneil Oil Terminal for the Group's GKA production and the Terengganu Crude Oil Terminal for the Group's Malaysian production. Production from Alma/Galia is lifted by tanker and cargoes which have been sold are then delivered to the relevant buyer's terminal.

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. Fixed differentials are negotiated for term sales and differentials on spot sales are negotiated on a cargo-by-cargo basis. 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 2015, the Group had three customers accounting for 65 per cent. of outstanding trade and other receivables (2014: three customers, 89 per cent.; 2013: two customers, 72 per cent.) and five joint venture partners accounting for 98 per cent. of joint venture receivables (2014, three joint venture partners, 95 per cent.; 2013: three joint venture partners, 99 per cent.). Substantially all of the Group's oil sales during 2015 were to three counterparties: Vitol (28.4 per cent.), TOTSA (18.7 per cent.) and Petron (11.2 per cent.). The Company is considering alternative sales and marketing options for its production, which may help it to diversify its customer base, in particular with respect to production from Alma/Galia and Kraken (where oil will also be lifted by tanker and delivered for sale to a port).

4.3 **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.

4.4 **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 on-going 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 "*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*" in the "Risk Factors" section of this prospectus.

4.5 **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 hooking up the Kraken FPSO.

5. **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 "*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*" in "Risk Factors" section of this prospectus. 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.

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.

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.

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.

6. **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) and 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, Christmas trees 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. See "*Risks relating to the Group's business—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*" in the "Risk Factors" section of this prospectus.

7. **Employees**

As at 31 August 2016, the Group had 433 full-time equivalent employees. As of 31 December 2013, 2014 and 2015, the Group employed 514, 765 and 642 full-time employees, respectively. As of 30 June 2015 and 2016, the Group employed 731 and 625 full-time employees, respectively.

The following table sets forth the Group's full-time employees as of 31 December 2013, 2014 and 2015 and as of 30 June 2015 and 2016.

	As of 31 December			**As of 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
Directors	7	7	8	7	7
Operational (onshore)	206	255	277	280	266
Operational (offshore)	13	120	137	140	130
Corporate	38	28	24	28	24
Contractors[(1)]	250	355	196	276	198
Total	**514**	**765**	**642**	**731**	**625**

Note:

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

	As of 31 December			**As of 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**

UK	507	648	491	590	458
Malaysia	4	112	138	128	152
Dubai	3	5	13	13	15
Total	**514**	**762**	**642**	**731**	**625**

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. 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.

8. **Bribery laws**

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.

9. **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. Other than as discussed below, the Company is not, nor has been during the past 12 months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on the Company's and/or the Group's financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened. See "*Risks relating to the Group's business—The Group's operations are subject to the risk of litigation*" in the "Risk factors" section.

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 US$91 million (the maximum breach of warranty claim permitted under the Alma/Galia Farm-in Agreement), together with interest. The court proceedings are currently stayed as the parties attempt to resolve the disputed issues. In the event that no agreement is reached and the court proceedings are recommenced, the Directors believe that a considerable period will elapse before a decision is reached by the courts. The Directors consider the merits of the claim to be poor and the Group intends to vigorously defend itself. 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 US$20 million of variation claims 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 variation 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. The parties are currently in discussions pursuant to the dispute resolution process under the contract.

Save as disclosed above, 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 prospectus, a significant effect on the Company's financial position or profitability.

10. **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.

11. **Subsidiaries, investments and principal establishments**

The Company is the holding company of the Group and EnQuest Heather 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	100%

Name	Country of incorporation / Principal place of business	Principal activity	Effective interest and proportion of equity held
		contracting/procurement services	
EnQuest Heather[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Thistle(dormant)[(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 (dormant)[(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 I Limited[(1)]	England	Exploration, extraction and production of hydrocarbons	100%
EQ Malaysia[(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%
EP Development Malaysia[(1)]	Malaysia	Exploration, extraction and production of hydrocarbons	100%

Note:
(1) Held by subsidiary undertaking.

In addition to the Group's assets described in the "*EnQuest's Business*" section of this prospectus, 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

Management

1. **Directors and Senior Managers**

1.1 **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
Philip Nolan	Non-Executive Director	1 August 2012
Jonathan Swinney	Chief Financial Officer	29 March 2010

The business address of each of the Directors (in such capacity) is 15 Regent Street, London, United Kingdom, SW1Y 4LR.

(a) Profiles of the Directors

The business experience and principal business activities outside of EnQuest of each of the Directors are as follows:

(i) 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.

Other principal external appointments include chairman of the World Economic Forum Independent Oil and Gas Community, British Business Ambassador for Energy, non-executive chairman of Enviromena Power Systems, a private company and the leading developer of solar services in the Middle East, and chairman of the Amjad and Suha Bseisu charity foundation.

Amjad is also a member of the Nomination Committee.

(ii) 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, USA in the early 1980s. He held a number of leadership positions in the UK and globally. Jock retired from Ernst & Young LLP in 2009.

Other principal external appointments include non-executive director of Barratt Developments plc, Dixons Carphone plc and A&J Mucklow Group plc (from which he will step down on 15 November 2016). He is a senior independent director of Hill & Smith Holdings plc and a trustee of the Tall Ships Youth Trust.

Jock is also chairman of the Nomination Committee and a member of the Audit Committee.

(iii) 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. In 2010 he was appointed as project director for Shell Development Kazakhstan's Kashagan Phase 2 Project, and subsequently the Shell/QP Al Karaana Petrochemicals Project. Since 2013 he has operated as an independent project management consultant.

Philip is also the chairman of the Risk Committee and a member of the Remuneration Committee.

(iv) 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 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), Serinus Energy Inc. (formerly Kulczyk Oil Ventures Inc.) (Poland and Canada) and MND (Czech Republic).

Helmut is also chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

(v) Philip Nolan (Non-Executive Director)

Philip Nolan holds a BSc and PhD in Geology and has an MBA from the London Business School. Philip spent 15 years with BP working in the UK, the US, Australia and Southeast Asia. He was responsible for acquisition and disposals for BP Exploration worldwide and was managing director of Interconnector, UK which built and continues to operate the gas pipeline between Bacton and Zeebrugge. He joined BG plc where he was the chief executive of Transco, which runs the UK gas pipeline network, and sat as an executive member of the board of directors of BG plc. On demerger from BG, Philip was the chief executive of the Lattice Group, a FTSE 100 company. Subsequently, Philip became the chief executive of eircom, the national Irish telecommunications company. He was also a non-executive director of Providence Resources plc, an Irish oil explorer.

Philip is chairman of the John Laing Group plc, an international infrastructure developer and investor with operations in the UK, Europe, Australia, New Zealand, Canada and North America. He is also chairman of the Ulster Bank and Affinity Water Limited.

Philip is also chairman of the Audit Committee and a member of the Remuneration Committee.

(vi) Jonathan Swinney (Chief Financial Officer)

Jonathan Swinney qualified as a chartered accountant with Arthur Andersen in 1992 and is a member of the Institute of Chartered Accountants of England and Wales. Jonathan qualified as a solicitor in 1997 and trained at Cameron McKenna LLP, joining the acquisition finance team upon qualification. In 1998 Jonathan joined Credit Suisse First Boston working within the corporate broking team. Jonathan later moved to Lehman Brothers where he advised on a wide range of transactions and in 2006 he became a managing director within the corporate broking team. 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.

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 (*Other directorships*) below.

1.2 **Senior Managers**

The Senior Managers of the Group are:

Name	*Position*
Stefan Ricketts	General Counsel & Company Secretary
Graeme Cook	HR Director
Richard Hall	Head of Major Projects
Faysal Hamza	Managing Director – Corporate Development
Neil McCulloch	President, North Sea
Bob Davenport	Managing Director, Malaysia
Imran Malik	Vice President, Finance

(a) Profiles of the Senior Managers

The business experience and principal business activities of each of the Senior Managers are as follows:

(i) 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.

(ii) Graeme Cook (HR Director)

Graeme holds an MA in Accountancy & Economics from the University of Dundee and has over 20 years' experience in both finance and HR leadership roles. Graeme's early career was spent predominantly with Schlumberger living and working in the UK, Africa, the Middle East and Asia. He returned to the UK in 2004 and was appointed as HR Director for BG Group's Mediterranean Basin and Africa region. Prior to this, Graeme was Group Head of Talent and Leadership for Legal & General PLC. Since joining EnQuest in April 2011, Graeme has had responsibility for ensuring that the Company has the necessary people and organisation in place to deliver EnQuest's ambitious growth agenda.

(iii) Richard Hall (Head of Major Projects)

Richard Hall graduated from Leeds University with a BSc in Chemical Engineering and spent the first 10 years of his career gaining experience with operating oil companies (such as Amoco, Hess and Murphy Petroleum) as a supervisor in offshore field operations, petroleum engineering, project management and execution and commercial negotiations. Richard was one of four founders and operations directors of the service company UWG Group Ltd (now known as Acteon Group Limited) which won the Institute of Petroleum Platinum award in 2001. He formed and led a team which won the prestigious Queen's Award for Export. He subsequently went on to join Petrofac as vice president of operations & developments and also became general manager in Malaysia. Before joining EnQuest, Richard was the chief executive and co-founder of Nio Petroleum which was acquired by EnQuest in 2012 when Richard joined the Senior Management Team as Head of Major Projects. His primary responsibility is the delivery of the Kraken development.

(iv) Faysal Hamza (Managing Director – Corporate Development)

Faysal has an MBA from Georgetown University in Washington and over 26 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).

(v) Neil McCulloch (President, North Sea)

Neil is a graduate of Cambridge University and Heriot Watt University and holds a Master's degree in Petroleum Engineering. He began his career as a graduate trainee with British Gas E&P and from 1996 to 2001 worked in a variety of technical consultancy and investment banking roles. He then went on to spend 11 years with BG Group in a range of senior UK and international roles, latterly as vice president & asset general manager, UK Upstream, with accountability for the delivery of BG's UK North Sea business. Neil joined EnQuest in March 2014 from international oil and gas company OMV AG, where he held the global role of senior vice president production & engineering. Neil holds a number of external appointments, including operator co-chair of Oil and Gas UK, and is a member of the board of the Oil and Gas Innovation Centre.

(vi) Bob Davenport (Managing Director, Malaysia)

Bob graduated from the University of Alabama with a BS in Mineral Engineering and holds an MBA from Florida International University. He began his early career in 1984 as a field engineer with Schlumberger and then gained broad international experience in petroleum engineering, project management, subsurface, operations and general management with Texaco, Shell, BP and Apache Corporation. In previous roles he has worked in Indonesia, Egypt, Pakistan, Kuwait, the United Arab Emirates, UK North Sea and the US Gulf Coast. Prior to joining EnQuest, Bob served as North Sea operations director for Apache Corporation and general manager for Khalda where he led the largest oil and gas producer in Egypt's western desert. Bob joined EnQuest in 2015 and is responsible for delivering the ambitious growth agenda in Malaysia.

(vii) Imran Malik (Vice President, Finance)

Imran is a chartered accountant and holds a degree in Chemical Engineering from University College London. He has over 25 years of experience in oil and gas and joined the Group from the BG Group, where his most recent role was as Group Head of Planning and Risk. As Vice President, Finance at the Company, Imran has overall responsibility for ensuring that the Company has the necessary finance capacity and capabilities in place to deliver the Group's strategy.

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 (*Other directorships*).

2. Directors' and Senior Managers' interests

2.1 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) as at 21 November 2016

Director	Ordinary Shares held	Percentage of issued Ordinary Share capital
Chairman and Executive Directors		
Double A Limited(1)	103,141,033	8.90%
Jock Lennox	28,889	0.00%
Jonathan Swinney	89,603	0.00%
Non-Executive Directors		
Philip Holland	108,332	0.01%
Helmut Langanger	288,889	0.02%
Philip Nolan	216,667	0.02%
Senior Managers		
Stefan Ricketts	86,510	0.00%
Graeme Cook	62,168	0.01%
Richard Hall	282,768	0.02%
Faysal Hamza	482,286	0.04%
Neil McCulloch	55,808	0.00%
Bob Davenport	None	N/A
Imran Malik	None	N/A

(1) These shares are held by Double A Limited, an company beneficially owned by the extended family of Amjad Bseisu.

2.2 **Directors' and Senior Managers' interests in share option plans**

As at 21 November 2016, 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
Jonathan Swinney	Sharesave	56,250
Stefan Ricketts	Sharesave	45,000
Graeme Cook	Sharesave	90,000
Neil McCulloch	Sharesave	150,000
Imran Malik	Sharesave	90,000

As at 21 November 2016, the Directors and Senior Managers have been granted the following awards to acquire Ordinary Shares which remain outstanding:

Director/ Senior Manager	Share Option Plan	Number of Ordinary Shares subject to award
Amjad Bseisu	PSP	8,112,742
	RSP	2,200,387
Jonathan Swinney	PSP	5,201,907
	RSP	699,741
Stefan Ricketts	PSP	1,745,028
	RSP	1,075,334
	DBSP	90,630
Graeme Cook	PSP	1,075,526
	RSP	920,334
	DBSP	16,002

Director/ Senior Manager	Share Option Plan	Number of Ordinary Shares subject to award
Richard Hall................................	N/A	N/A
Faysal Hamza	PSP RSP DBSP	2,055,573 1,000,334 500,038
Neil McCulloch	PSP RSP DBSP	1,699,615 1,850,00 289,630
Imran Malik	PSP RSP	1,365,384 200,000
Bob Davenport............................	PSP RSP	819,306 250,000

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 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.

Save as disclosed in paragraphs 2.1 (*Directors' and Senior Managers' interests in share capital*) and 2.2 (*Directors' and Senior Managers' interests in Share Option Plans*) 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.

3. **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 January 2014.

For the year ended 31 December 2015, 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 £2.0 million. The remuneration of the directors of the Company for the financial year ended 31 December 2015 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	430	1	262	95	40	828
Jonathan Swinney	280	1	334	58	30	703
Non-Executive Directors						
Philip Holland[(4)]	21	—	—	—	—	21
Helmut Langanger	70	—	—	—	—	70
Jock Lennox[(5)]	60	—	—	—	—	60
Philip Nolan	50	—	—	—	—	50
Non-Executive Directors who held office in the year ended 31 December 2015 but have since stood down						
Dr James Buckee[(6)]	220	—	—	—	—	220
Clare Spottiswoode[(7)]	50	—	—	—	—	50
Total	1,181	2	596	153	70	2,002

Notes:

(1) Annual bonus 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 the portion deferred). One third of the annual bonus for Amjad Bseisu and Jonathan Swinney is paid in shares, deferred for two years, and subject to continued employment.

(2) PSP awarded on 29 April 2013 vested on 29 April 2016. The LTIP value shown in the 2015 single figure is calculated by taking the number of performance shares that have vested (76.6 per cent. of the performance conditions were achieved) multiplied by the average value of the EnQuest share price between 1 October 2015 and 31 December 2015.

(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) Philip Holland was appointed with effect from 1 August 2015. 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 2015.

(5) Jock Lennox was appointed as chairman of the Board with effect from 8 September 2016. With effect from 8 September 2016, Jock Lennox is entitled to a fee of £150,000 per annum (less tax and any necessary statutory deductions) in respect of his appointment as chairman.

(6) Dr James Buckee retired as chairman of the Company with effect from 8 September 2016.

(7) Clare Spottiswoode retired from the Board with effect from 1 June 2016.

For the year ended 31 December 2015, the aggregate total remuneration paid (including contingent or deferred consideration) and benefits in kind granted (under any description whatsoever) to the Senior Managers was £3.4 million in their capacity as EnQuest Senior Managers during the year ended 31 December 2015.

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 2015 was £0.1 million (which includes the pension numbers in the table above).

4. **Directors' service contracts and letters of appointment**

4.1 **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 2015 Financial Year**	**Annual bonus potential for the 2015 Financial Year (% of salary)**
Amjad Bseisu	29 March 2010	12 months	£430,000	225%
Jonathan Swinney	29 March 2010	12 months	£280,000	225%

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:

(i) 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 is £430,000 *per annum* (less appropriate tax and other statutory deductions) and he is entitled to a benefit allowance of £40,000 *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.

(ii) 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 is £280,000 *per annum* (less appropriate tax and other statutory deductions) and he is entitled to a benefit allowance of £30,000 *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.

4.2 **Non-Executive Directors**

Jock Lennox is Chairman of the Company. Helmut Langanger is Senior Independent Director. Philip Holland and Philip Nolan 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 2015.

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 2016 Financial Year (£)**
Philip Holland	Member of Risk Committee	1 August 2015	24 June 2015	31 May 2018	£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 2017 annual general meeting	£70,000
Jock Lennox	Chairman of the Company, member of Audit Committee and Chairman of the Nomination Committee	22 February 2010	2 September 2016	Conclusion of the Company's 2019 annual general meeting	£88,000
Philip Nolan	Non-Executive Director and chairman of Audit and member of Remuneration Committee	1 August 2012	26 May 2015	Conclusion of the Company's 2017 annual general meeting	£53,000

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.

5. **Corporate governance**

The Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the London Stock Exchange's main market are contained in the UK Corporate Governance Code.

6. **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. After appointment, Directors must offer themselves for reappointment at least every three years. It is EnQuest's policy to review rigorously the reappointment of non-executive directors who have served more than six years.

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 prospectus, the Board is composed of six members, consisting of the Chairman (Jock Lennox), two full-time Executive Directors (Amjad Bseisu and Jonathan Swinney), and three 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 and Philip Nolan.

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.

7. **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 Philip Nolan (Chair), Helmut Langanger and Jock Nolan.

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 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 2015.

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. PwC, in their role as internal auditor during 2015, 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.

8. **Remuneration Committee**

The Remuneration Committee currently comprises three 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), Philip Holland and Philip Nolan.

The main responsibilities of the Remuneration Committee include:

- Setting the remuneration policy for the chief executive, the Chairman, all executive directors, the company secretary and such other members of the executive management as it is designated to consider;
- Assessing and determining total compensation packages available to the executive directors and other senior managers, giving due regard to any relevant requirements, provisions and recommendations of the UK Corporate Governance Code;
- Recommending and monitoring the remuneration of senior management;
- Reviewing the design of all share incentive plans for approval by the Board and shareholders and for any such plans, determining each year whether the awards will be made and if so, the overall amount of such awards, the individual awards to executive directors and other senior management, and the performance targets to be used; and
- Determining policy for and scope of pension arrangements for each executive director.

The Remuneration Committee is expected to meet not less than two times a year and met three times during the financial year ended 31 December 2015.

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.

9. **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 (including the skills, knowledge and experience) required of the Board and making recommendations to the Board with regard to any changes;
- Planning for succession of both executive and non-executive directors and giving full consideration to succession planning with regard to Board and senior management 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 annually the time required from non-executive directors.

The Nomination Committee met once during the financial year ended 31 December 2015.

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. **Risk Committee**

The Risk Committee currently comprises two independent Non-Executive Directors and one Senior Manager. The independent Non-Executive Directors on the Risk Committee currently are Philip Holland (Chair) and Philip Nolan, and the Senior Manager is Neil McCulloch.

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; 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 was formed in late 2015. Consequently, no meetings were held in the financial year ended 31 December 2015.

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. 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	Finiva UK Limited
	Enviromena Power Systems	
	Alfanar	
Jock Lennox	Barratt Developments P L C	Dixons Retail Group plc (now known as Dixons Retail Group Limited)
	Dixons Carphone plc	
	Hill & Smith Holdings plc	Oxford Instruments plc
	Tall Ships Youth Trust	
Jonathan Swinney	Robinstone LLP	None
	Ursa Major Carbon Dioxide Reduction LLP	
Non-Executive Directors		
Philip Holland	Phil Holland & Associates Limited	None
	Lloyds Energy Limited	
Helmut Langanger	Schoeller Bleckmann Oilfield Equipment A.G.	PPL Europe E&P Limited
	Serinus Energy Inc.	
	MND a.s.	
Philip Nolan	John Laing Group plc	Ulster Bank, Limited
	Affinity Water Limited	Providence Resources plc
	Affinity Water Acquisitions (Investments) Limited	
	Ulster Bank Ireland DAC	
Senior Managers		
Stefan Ricketts	The Offshore Pollution Liability Association Limited	Fulbright & Jaworski International LLP
Graeme Cook	None	None
Richard Hall	Fathom Systems Group Limited	Nio Petroleum Limited
	Radico Energy Solutions Limited	
	HF Consultants Pty Ltd	
Faysal Hamza	None	None
Neil McCulloch	The UK Oil and Gas Industry Association Limited	Julie McCulloch Engineering Limited
	Oil & Gas Innovation Centre	Antin Cats Limited
		BG Central Holdings Limited
Bob Davenport	None	None
Imran Malik	None	None

13. **Directors' and Senior Managers' confirmations**

As at the date of this prospectus, none of the Directors or Senior Managers have, during the five years prior to the date of this prospectus:

(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.

None of the Director 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 prospectus, 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.

Certain Relationships and Related-party Transactions

Save as disclosed in note 25 to the 2015 Financial Statements, note 26 to the 2014 Financial Statements, note 26 to the 2013 Financial Statements and the 2016 Unaudited Interim Financial Statements, each as incorporated by reference in the "Selected financial data and Documents Incorporated by Reference" section of this prospectus, there are no related party transactions between the Group and its related parties that were entered into during the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015 and the six months ended 30 June 2016 or during the period from and including 30 June 2016 to and including 21 November 2016.

Book-entry, Delivery and Form

General

The Notes issued to holders will initially be represented by a global note in registered form without interest coupons attached (the **"Global Notes"**). On the Issue Date the Global Notes will be will be issued in global registered form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Book-Entry Interests will be limited to persons that have account with Euroclear or Clearstream, Luxembourg or persons that may hold interests through members of, or participants and account holders in, Euroclear and Clearstream, Luxembourg ("**Participants**").

The Book-Entry Interests in the Global Notes will be issued only in registered book-entry form without coupons in minimum denominations of $1 and in integral multiples of $1. However, Notes may only be subscribed in minimum amounts of $1,000 and integral multiples of $1 in excess thereof and may only be traded in minimum amounts of $1,000 and in integral multiples of $1.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg will credit on their book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interests in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and Clearstream, Luxembourg (or their nominees) will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and Clearstream, Luxembourg and indirect participants must rely on the procedures of Euroclear and Clearstream, Luxembourg and the participants through which they own Book-Entry Interests to exercise any rights of holders under the Indenture.

None of the Company, any Guarantor or the Trustee under the indenture governing the Notes, nor any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of definitive registered notes

Under the terms of the indenture governing the Notes, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream, Luxembourg notifies the Company that it is unwilling or unable to continue to act as depository and the Company does not appoint a successor depository within 120 days;
- if the Company, at its option but subject to Euroclear and Clearstream Luxembourg's rules, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes; or
- if Euroclear or Clearstream, Luxembourg so requests the Trustee following an event of default under the Indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream, Luxembourg or the Company, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Notice to investors", unless that legend is not required by the indenture governing the Notes or applicable law.

Redemption of global notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, Luxembourg in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and/or Clearstream, Luxembourg if fewer than all of the Notes are to be redeemed at any time, Euroclear and/or Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate. Notes can be redeemed in part in integral multiples of $1, provided the Global Note shall be in a principal amount of $1,000 or an integral multiple of $1 above $1,000 at its stated maturity.

Payments on global notes

The Company will make payments of amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) to Deutsche Bank Trust Company Americas (the "**Principal Paying Agent**"). The Principal Paying Agent will, in turn, make such payments to Euroclear or Clearstream, Luxembourg or their nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the indenture governing the Notes, the Company and the Trustee will treat the registered holder of the Global Notes (i.e., the nominee for Euroclear or Clearstream, Luxembourg) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of maintaining, supervising or reviewing the records of the relevant clearing system or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- the relevant clearing system or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

To tender Book-Entry Interests in the change of control offer, the holder of the applicable Global Note must, within the period specified in such offer, give notice of such tender to the Principal Paying Agent and specify the principal amount of Book-Entry Interests to be tendered.

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream, Luxembourg in dollars.

Action by owners of book-entry interests

Euroclear and Clearstream, Luxembourg have advised the Company that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream, Luxembourg will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, the relevant clearing system reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream, Luxembourg will be done in accordance with the relevant clearing system's rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of the relevant Clearing System and in accordance with the provisions of the indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth in "Notice to investors". Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to investors".

Subject to the foregoing, and as set forth in "Notice to investors", Book-Entry Interests may be transferred and exchanged as described under the Indenture governing the Notes.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "Description of Notes—Transfer and exchange" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture governing the Notes) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to investors".

Information concerning the clearing systems

All Book-Entry Interests will be subject to the operations and procedures of the relevant clearing system. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. The Company is not responsible for those operations or procedures.

Global clearance and settlement under the book-entry system

The Notes represented by the Global Notes are expected to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trade in the Euro MTF Market, and any permitted secondary market trading activity in such Notes will therefore be required by Euroclear and/or Clearstream/Luxembourg to be settled in immediately available funds. You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through the relevant clearing system on days when such system is open for business. Such system may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Euroclear and/or Clearstream, Luxembourg on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Brussels or Luxembourg, depending on whether Euroclear or Clearstream, Luxembourg is used.

Although Euroclear and Clearstream, Luxembourg currently follow the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in their systems, they is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, any Guarantor, the Trustee, the Principal Paying Agent or any of their respective agents will have any responsibility for the performance by Euroclear and/or Clearstream, Luxembourg or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear and/or Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Certain United Kingdom Tax Considerations

The following is a general description of certain UK tax considerations including the United Kingdom withholding tax treatment of payments of interest in respect of the Notes and is based on current UK law and published HM Revenue & Customs (''HMRC'') practice (which may not be binding on HMRC), both of which are subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all tax considerations relating to the Notes. It relates to the position of persons who are the absolute beneficial owners of the Notes and some aspects do not apply to certain classes of persons (such as brokers, dealers and Noteholders who are connected or associated with the Company for relevant tax purposes) to whom special rules may apply.

This description does not purport to constitute legal or tax advice, and prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice as to the consequences of the purchase, ownership and disposal of the Notes in light of their particular circumstances.

Interest on the Notes

Payment of interest on the Notes

Payments of interest on the Notes may be made without withholding or deduction for or on account of U.K. income tax provided that the Notes are and continue to be listed on a ''recognized stock exchange'' within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognized stock exchange. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Euro MTF Market in accordance with the rules of the Luxembourg Stock Exchange. Provided, therefore, that the Notes are and remain so listed and admitted, interest on the Notes will be payable without withholding or deduction for or on account of U.K. tax.

Interest on the Notes may also be paid without withholding or deduction for or on account of U.K. income tax where interest on the Notes is paid by a company and, at the time the payment is made, the Company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to U.K. corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid subject to deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of U.K. income tax at the basic rate (currently 20%). However, where an applicable double taxation treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a noteholder, HMRC can (subject to the completion of relevant procedural formalities) issue a direction to the Company to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double taxation treaty).

Any premium payable on redemption may be treated as a payment of interest for U.K. tax purposes and may accordingly be subject to the withholding tax treatment described above.

Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or in respect of other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) such payments may be subject to U.K. withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. Such payments by a Guarantor may not, however, be eligible for the exemptions from the obligation to withhold tax described in the paragraphs above.

The references to ''interest'' above are to ''interest'' as understood for the purposes of U.K. tax law which would include, for example, the issue of a PIK note. They do not take into account any different definition of ''interest'' that may prevail under any other tax law or that may apply under the terms and conditions of the Notes or any related document.

Stamp duty and stamp duty reserve tax

No U.K. stamp duty or stamp duty reserve tax should be payable on the issue of any Note or Additional Note.

Notice to Investors

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Note Guarantees have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes may not be offered or sold within the United States except pursuant to an exemption from the Securities Act, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the Securities Act, or in a transaction not subject to, the registration requirements of the Securities Act

Each recipient of Notes pursuant to the Scheme, by its acceptance thereof, was deemed to have acknowledged, represented to and agreed with the Company as follows:

(1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being issued in transactions not requiring registration under the Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs 2 and 3 below.

(2) You acknowledge that none of the Company or the Guarantors, nor any person representing any of them, has made any representation to you with respect to the Company or the issue of Notes, other than the information contained in this prospectus, which Prospectus has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You have had access to such financial and other information concerning the Company and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Company.

(3) You agree on your own behalf and on behalf of any investor account or accounts for which you are receiving the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes in the United States only (i) pursuant to a registration statement that has been declared effective under the Securities Act, (ii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iii) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (iv) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the our and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing in the Indenture is completed and delivered by the transferor to the Trustee**.**

Each recipient acknowledged that each Note contained a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HOLDING THIS SECURITY TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (B) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A **"QUALIFIED INSTITUTIONAL BUYER"** AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE

WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (D) PURSUANT TO AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING IN THE INDENTURE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(4) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(5) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Company and the Registrar that the restrictions set forth therein have been complied with.

(6) You understand that no action has been taken in any jurisdiction (including the United States) by the Company that would result in a public offering of the Notes or the possession, circulation or distribution of this prospectus or any other material relating to the Company or the Notes in any jurisdiction where action for such purpose is required.

(7) You acknowledge that the Company and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, you shall promptly notify the Company. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make, and do make, the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Listing and General Information

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be traded on the Luxembourg Stock Exchange's Euro MTF Market.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market and the rules of such exchange shall so require, (i) copies of the Company's articles of association and those of the Guarantors, (ii) the Indenture and (iii) the remaining documents incorporated by reference will be available at the offices of the Luxembourg Listing Agent at 2, Boulevard Konrad Adenauer, 1115 Luxembourg Luxembourg. All documents incorporated by reference will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu.

3. The Company accepts responsibility for the information contained in this prospectus. To the best of the Company's knowledge, except as otherwise noted, the information contained in this prospectus is in accordance with the facts and does not omit anything likely to affect the import of this prospectus.

4. Except as disclosed in this prospectus, there has been no material adverse change in the financial condition of the Company since the date of its last financial statements included in this prospectus.

5. Neither the Company nor any of its subsidiaries is a party to any litigation that, in its judgment, is material in the context of the issue of the Notes, except as disclosed herein.

6. Ernst & Young LLP, the Company's registered auditor, has audited the annual consolidated financial statements of the Group for the last three financial years. Ernst & Young LLP's address is 1 More London Place. London SE1 2AF United Kingdom.

7. The Scheme, including the issuance of the Notes, was passed by the Scheme Creditors on 14 November 2016 and the Scheme was granted Chapter 15 recognition on 17 November 2016.

8. The Company has appointed Deutsche Bank Trust Company Americas as its Principal Paying Agent, Transfer Agent and Luxembourg Listing Agent. The Company reserves the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or the Luxembourg Stock Exchange's website. Information on the Luxembourg Stock Exchange's website does not form part of this prospectus. The Trustee will act as intermediary between the holders of the Notes and the Company so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market.

9. The Notes have been accepted for clearance through the facilities of Euroclear and/or Clearstream, Luxembourg . The Global Notes have a Common Code of 151793258 and an ISIN of XS1517932585.

10. The Company was incorporated and registered on 29 January 2010 as a public limited company under the laws of England and Wales with registered number 07140891. Both its registered office and its principal place of business are located at 5th Floor, Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom and its telephone number is +44 20 7925 4900.

11. The following is a brief description of the Guarantors that will guarantee the Notes from the date on which the Notes are issued:

Company	**Jurisdiction**	**Principal Activity**	**Registered Office**
EnQuest NWO Limited	England and Wales	Exploration, extraction and production of hydrocarbons	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom

Company	Jurisdiction	Principal Activity	Registered Office
EnQuest Heather Limited	England and Wales	Exploration, extraction and production of hydrocarbons	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom
EnQuest Britain Limited	England and Wales	Intermediate holding company and provision of Group manpower and contracting/procurement services	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom
EnQuest Heather Leasing Limited	England and Wales	Leasing	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom
EnQuest ENS Limited	England and Wales	Exploration, extraction and production of hydrocarbons	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom
EnQuest Global Limited	England and Wales	Intermediate holding company	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom
EQ Petroleum Sabah Ltd	England and Wales	Exploration, extraction and production of hydrocarbons	5th Floor, Cunard House 15 Regent Street London, SW1Y 4LR United Kingdom

12. For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, unless it is then subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to EnQuest PLC, 5th Floor, Cunard House, 15 Regent Street, London SW1Y 4LR, United Kingdom.

13. The Company is not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. The Company is a listed company on the Official List of the London Stock Exchange and while it remain

listed on the Official List of the London Stock Exchange, it must comply with the reporting requirements established by the Companies Act 2006, as amended, and the Disclosure & Transparency Rules of the United Kingdom Listing Authority. In addition to the Company's ongoing reporting obligations under these regulations, the Company must send the United Kingdom Listing Authority its preliminary annual results and the Company's annual financial report. The Company must also send semi-annual financial reports, along with interim management statements. Pursuant to the indenture that will govern the Notes, the Company will agree to furnish periodic information to the holders of the Notes.

14. The Company is subject to the reporting requirements established by the laws of Sweden. The Company is a listed company on the Official List of NASDAQ OMX Stockholm and while it remains listed on the Official List of NASDAQ OMX Stockholm, it must comply with the report requirements established by Swedish disclosure regulation.

Glossary and Definitions

PART 1: Glossary of technical terms

The following technical terms apply throughout this prospectus, including the appendices thereto:

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 5,800cubic feet of natural gas;
boepd	barrels of oil equivalent 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	electrical 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;
kbbl	kilobarrel of oil or equivalent;
kilometre	kilometre;
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;
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 equivalent;
MMstb	million stock tank barrels;
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 *Glossary of 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 *Glossary of technical terms*;
S_o	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**	for oil: 1 tonne = 7.33 barrels of oil, for condensate: 1 tonne = 9 barrels of condensate;
topside	the superstructure of a platform;
upstream	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 2: Glossary and Definitions

The following definitions apply throughout this prospectus, including the appendices thereto, unless the context requires otherwise:

2013 Financial Statements	the audited consolidated financial statements of the Group prepared in accordance with IFRS as at and for the year ended 31 December 2013;
2014 Financial Statements	the audited consolidated financial statements of the Group prepared in accordance with IFRS as at and for the year ended 31 December 2014;
2015 Financial Statements	the audited consolidated financial statements of the Group prepared in accordance with IFRS as at and for the year ended 31 December 2015;
2016 Unaudited Interim Financial Statements	the unaudited condensed consolidated financial statements of the Group prepared in accordance with IFRS as at and for the six months ended 30 June 2016;
Ad Hoc Committee	the informal ad hoc committee of High Yield Noteholders from time to time;
Alma/Galia Farm-in Agreement	the farm-in agreement dated 29 May 2012 between EnQuest Heather and KUFPEC;
Amended Retail Notes	the Retail Notes as amended by the Scheme;
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;
Book Entry Interest	a beneficial interest in a Global Note (as defined in the High Yield Notes Indenture) by or through a Participant (as defined in the High Yield Notes Indenture);
Business Day	a day (other than a Saturday or Sunday) on which banks are open for general business in London and New York;
Cash Interest Payment Condition	has the meaning given to it in paragraph 5.1 of the "Restructuring" section of this prospectus;
CDIs	dematerialised, depositary interests in the Retail Notes issued, held, settled and transferred through CREST;
Chapter 15	chapter 15 of title 11 of the US Code, 11 U.S.C. §§ 101-1532;
Chapter 15 Filing	a petition filed for recognition of the Scheme under Chapter 15;
Chapter 15 Hearing	the hearing before the US Bankruptcy Court to obtain recognition of the Scheme pursuant to the Chapter 15 Filing;
Chapter 15 Recognition	the entry of an order by the US Bankruptcy Court granting recognition of the Scheme under Chapter 15;
Clearstream, Luxembourg	Clearstream Banking, société anonyme;
Companies Act	the Companies Act 2006, as modified, amended or re-enacted from time to time;
Company	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;

Court	the High Court of Justice of England and Wales;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations);
CREST Regulations	the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. No 68/1996) and the Uncertificated Securities Regulations 2001 (SI No. 2001/3755), including any modifications thereof or any regulations in substitution therefor and for the time being in force;
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 Executive and Non-Executive Directors;
DTC	the Depository Trust Company;
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, as set out above under the "*Presentation of financial and other information*" section of this prospectus;
EBT Trustee	the trustee(s) of the EnQuest EBT
EMTN Programme	the £500 million euro medium term note programme established by the Company on 24 January 2013
EnQuest EBT	the EnQuest PLC Employees' Benefit Trust;
EnQuest Heather	EnQuest Heather Limited;
EnQuest Producer FPSO	the FPSO for Alma/Galia;
EnQuest Thistle	Enquest Thistle Limited;
EP Development Malaysia	EQ Petroleum Developments Malaysia SDN BHD;
EP Malaysia	EQ Petroleum Production Malaysia Limited;
EU	the European Union;
Euroclear	Euroclear Bank S.A./N.V.;
Exchange Act	the US Securities Exchange Act 1934, as amended;
Executive Directors	the executive directors of the Company from time to time, which at the date of this document are Amjad Bseisu and Jonathan Swinney;
FSMA	the Financial Services and Markets Act 2000, as modified, amended or re-enacted from time to time;
GCA	Gaffney, Cline & Associates Ltd;
GKA	Greater Kittiwake Area;
Group	the Company and its directly and indirectly held subsidiaries;

Guarantors	EnQuest Britain Limited, EnQuest ENS Limited, EnQuest Global Limited, EnQuest Heather Leasing Limited, EnQuest Heather, EnQuest NWO Limited and EQ Petroleum Sabah Limited;
Hedging Banks	the Hedging Banks as defined in the RCF;
High Yield Notes	the US$650 million 7 per cent. senior notes due 15 April 2022 issued by the Company, with the following identification numbers: (i) in respect of the Rule 144A global notes: ISIN: US29357JAA43, CUSIP: 29357JAA4; and (ii) in respect of the Regulation S global notes: ISIN: USG315APAB40, CUSIP: G315APAB4;
Global Notes	the global notes representing the Notes;
High Yield Notes Indenture	the indenture dated 9 April 2014 between, among others, the Company as issuer and the High Yield Notes Trustee, governing the High Yield Notes;
High Yield Notes Registered Holder	DTC;
High Yield Notes Registered Holder Nominee	Cede & Co as nominee for the High Yield Notes Registered Holder;
High Yield Notes Scheme Claim	any claim in respect of any Liability of the Company to any person arising out of: (i) an interest in the High Yield Notes; and (ii) the High Yield Notes Indenture, in each case, arising on or before the Record Time or which may arise after the Record Time as a result of an obligation or Liability of the Company incurred or as a result of an event occurring or an act done on or before the Record Time (including, for the avoidance of doubt, the October Interest Payment and any other interest accruing on such claims up to the Restructuring Effective Date), excluding any Liability of the Company to the High Yield Notes Trustee other than in respect of the covenants to repay principal and interest on the High Yield Notes pursuant to the High Yield Notes Indenture;
High Yield Notes Trustee	Deutsche Trustee Company Limited in its capacity as trustee under the High Yield Notes Indenture and any successor appointed pursuant the High Yield Notes Indenture;
HMRC	HM Revenue & Customs;
HSE&A	health, safety, environment and assurance;
IFRS	International Financial Reporting Standards, as adopted by the EU;
Kraken	Kraken Oil Field, North Sea, UK;
Kraken FPSO	the FPSO for Kraken;
KUPFEC	KUPFEC UK Limited;
Liability	any debt, liability or obligation of a person whether it is present, future, prospective or contingent, whether or not it is fixed or undetermined, whether or not it involves the payment of money or

	performance of an act or obligation and whether it arises at common law, in equity or by statute, in England and Wales or any other jurisdiction, or in any manner whatsoever;
Lock-up Agreement	the agreement between the Company, certain RCF Lenders, certain High Yield Noteholders and certain Hedging Banks, pursuant to which those RCF Lenders, High Yield Noteholders and Hedging Banks agreed, among other things and subject to certain conditions, to consummate the Restructuring;
London Stock Exchange	London Stock Exchange plc;
Lundin	Lundin Petroleum AB;
Malaysian OSP	the Malaysian Crude Oil Official Selling Price;
NASDAQ Stockholm	NASDAQ Stockholm AB's main market;
New High Yield Notes or **Notes**	the 7 per cent. PIK Toggle senior notes with a scheduled maturity in 2022 to be issued by the Company to High Yield Noteholders in exchange for the release in full of such High Yield Noteholder's High Yield Notes Scheme Claims pursuant to clause 4.1 of the Scheme and to be governed by the Notes Indenture;
Notes Indenture or the **Indenture**	the indenture to be entered into on or about the Scheme Effective Date between, among others, the Company as issuer and the New High Yield Notes Trustee, governing the New High Yield Notes;
New Ordinary Shares	the new Ordinary Shares issued by the Company pursuant to the Placing and Open Offer;
Non-Executive Directors	the non-executive directors of the Company from time to time, which at the date of this document are Philip Holland, Helmut Langanger, Jock Lennox and Philip Nolan;
Notes	the High Yield Notes and the Retail Notes;
Notes Changes	has the meaning given to it in paragraph (b) of part 1 (Background and rationale to the Restructuring), section 5 (Restructuring Overview) of this prospectus
Noteholders or **New High Yield Noteholders**	a person with a Book Entry Interest in the New High Yield Notes at the Record Time;
NSPCC	the National Society for the Prevention of Cruelty to Children charity, registered charity number 216401 (and SC037717, in Scotland)
October Interest Payment	the US$22.75 million interest payment under the High Yield Notes due on 17 October 2016 and as described in paragraph 4.4 of part 1 (Background and rationale to the Restructuring) of this prospectus;
OPEC	the Organization of Petroleum Exporting Countries;
Open Offer	the offer to qualifying holders of existing Ordinary Shares of the Company, constituting an invitation to apply for the Open Offer Shares on the terms and subject to the conditions set out in the Prospectus;
Ordinary Shares	the ordinary shares of 5 pence each in the capital of the Company;
PEDL	Petrofac Energy Developments Limited;
PETRONAS	Petroliam Nasional Behad;
PIK	payment in kind;

PIK Amount	has the meaning given to it in paragraph 5.4(d)(iii) of part 1 (Background and rationale to the Restructuring), section 5 (Restructuring Overview) of this prospectus;
PIK Amount Interest	has the meaning given to it in paragraph 5.4(d)(iii) of part 1 (Background and rationale to the Restructuring), section 5 of this prospectus;
PIK Margin	has the meaning given to it in paragraph 5.4(d)(iii) of part 1 (Background and rationale to the Restructuring), section 5 (Restructuring Overview) of this prospectus;
Placee	any person who has agreed or shall agree to subscribe for Open Offer Shares pursuant to the Placing subject to clawback to satisfy valid applications by holders of existing Ordinary Shares in the Company pursuant to the Open Offer;
Placing	the conditional placing of the Open Offer Shares with Placees, subject to clawback to satisfy valid applications by holders of existing Ordinary Shares of the Company;
Placing and Open Offer	the Placing and Open Offer of, in aggregate, 356,738,114 New Ordinary Shares at an issue price of 23 pence per new ordinary share to raise gross proceeds of, in aggregate, £82.0 million, with admission taking place on 21 November 2016;
PM8/Seligi	the PM8/Seligi PSC assets and the Seligi oil field;
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 16.5(l)(ii) of appendix 16 (Additional information') to this prospectus;
Prospectus	this prospectus dated 25 November 2016;
Prospectus Directive	the EU Prospectus Directive (Directive 2003/71/EU and amendments thereto, including Directive 2010/73/EU);
PRT	Petroleum Revenue Tax;
PSC	product sharing contract;
PSP	the Enquest PLC Performance Share Plan;
RCF	the up to US$1,700,000,000 senior secured revolving credit facility agreement between, amongst others, the Company as an "Original Borrower" and BNP Paribas as "Facility Agent" dated 6 March 2012 as amended from time to time;
RCF Amendments	the amendments detailed in paragraph 5.4(d) of part 1 (Background and rationale to the Restructuring), section 5 (Restructuring Overview) of this prospectus;
RCF Lenders	the Lenders as defined in the RCF;
Record Time	5.00 p.m. (New York time) on 10 November 2016;
Registrar of Companies	the Registrar of Companies of England and Wales;
Remuneration Committee	the remuneration committee of the Company;
Restructuring	the restructuring of the Company described the "Restructuring"

	section of this prospectus;
Restructuring Effective Date	the date on which each of the Scheme Conditions has been satisfied;
Retail Notes	the £155 million 5.50 per cent. notes due 15 February 2022 issued by the Company under its £500,000,000 Euro medium term note programme, (ISIN XS0880578728; Common Code: 088057872);
Retail Notes Amendments	the amendments to the terms and conditions governing the retail notes to be effected pursuant to the Scheme;
Retail Notes Depositary	Société Générale Bank and Trust as the common depositary for Euroclear and Clearstream, Luxembourg;
Retail Notes Scheme Claim	any claim in respect of any Liability of the Company to any person arising out of: (i) an interest in the Retail Notes; and (ii) the Retail Notes Trust Deed, in each case, arising on or before the Record Time or which may arise after the Record Time as a result of an obligation or Liability of the Company incurred or as a result of an event occurring or an act done on or before the Record Time, excluding: (A) the Company's Liabilities in respect of the covenant to repay principal and to pay interest arising out of the Retail Notes Trust Deed and/or the Retail Notes and the Guarantors' obligations as surety in respect of such Liabilities; and (B) any Liability of the Company to the Retail Notes Trustee in its personal capacity;
Retail Notes Supplemental Trust Deed	a supplemental deed to the Retail Notes Trust Deed in a form substantially as set out in appendix 4 (Form of Retail Notes Supplemental Trust Deed) to the Scheme;
Retail Notes Trust Deed	the trust deed dated 24 January 2013 between, among others, the Company as issuer and the Retail Notes Trustee, pursuant to which the Retail Notes were issued, as amended, novated, supplemented, extended and/or restated from time to time;
Retail Notes Trustee	US Bank Trustees Limited in its capacity as trustee under the Retail Notes Trust Deed and any successor appointed pursuant the Retail Notes Trust Deed;
Risk Committee	the risk committee of the Company;
RRBV	the Reserve and Resource Base Value;
RSC	risk service contract;
RSP	the EnQuest PLC Restricted Share Plan;
Scheme	the scheme of arrangement under Part 26 of the Companies Act between the Company and the Scheme Creditors;
Scheme Claim	a High Yield Notes Scheme Claim or a Retail Notes Scheme Claim;
Scheme Conditions	(i) Chapter 15 Recognition being granted; (ii) the Placing and Open Offer becoming unconditional and admission having occurred; (iii) save for any condition in respect of: (A) the Scheme; (B) admission; and (C) the renewal of the Surety Bond Facilities, there are no further conditions required to be satisfied in order for the RCF Amendments to become effective; and

	(iv) save for any condition in respect of: (A) the Scheme; (B) admission; (C) the RCF Amendments; (D) any letter of commitment to renew any other existing Surety Bond Facility by any other Surety Bond Provider becoming unconditional; (E) there being no outstanding event of default in connection with the RCF, the New High Yield Notes or the Amended Retail Notes on the date that the written request for renewal is provided in respect of each Surety Bond Facility and at 5.30 p.m. on 31 December 2016; (F) each Surety Bond Facility being renewed on its same terms as at the date of the relevant renewal commitment letter save in accordance with the terms of the relevant renewal commitment letter; and (G) there being no insolvency of the Company or EnQuest Heather Limited on or before 5.30 p.m. on 31 December 2016, there being no further conditions required to be satisfied in order for the Surety Bond Providers to be obliged to renew the existing Surety Bond Facilities for one year from 31 December 2016 under any renewal commitment letter;
Scheme Creditors	(i) the High Yield Notes Trustee; (ii) the High Yield Notes Registered Holder, as the registered holder of the High Yield Notes Global Notes; (iii) the High Yield Notes Registered Holder Nominee; (iv) the High Yield Noteholders, as contingent creditors; (v) the Retail Notes Trustee; (vi) the Retail Notes Depositary; (vii) the Retail Noteholders, as contingent creditors; and (viii) Euroclear UK & Ireland Limited (or its nominee) in its capacity as the holder (through its account(s) in Euroclear) of underlying Retail Notes which are represented by CDIs;
Scheme Effective Date or **Effective Date**	the date on which an office copy of the Scheme Sanction Order has been delivered to the Registrar of Companies;
Scheme Meeting	the meeting of the Scheme Creditors convened in accordance with the permission of the Court pursuant to section 896 of the Companies Act to consider, and if thought fit, to approve the Scheme, including any adjournment thereof;
Scheme Sanction Date	the date on which the Scheme Sanction Order is granted;
Scheme Sanction Hearing	the hearing at which the Scheme Sanction Order will be sought;
Scheme Sanction Order	the order of the Court sanctioning the Scheme under section 899 of the Act;
SCT	supplementary corporation taxation in the UK;
SEC	the US Securities and Exchange Commission;
Securities Act	the US Securities Act of 1933, as amended;
Senior Managers	the persons named as senior managers in paragraph 4.3 (Senior Managers) of appendix 16 (Additional information) to this prospectus;
SFRSC	small field risk service contract;
Share Option Plans	the DBSP, RSP, PSP and Sharesave Plan;

Shareholders	the holders of shares in the Company from time to time;
Sharesave Plan	the Enquest PLC 2012 Sharesave Scheme;
Sullom Voe Terminal or **SVT**	the oil terminal located in the Shetland Islands that receives oil from the Brent and Ninian pipeline systems;
Surety Bond Facilities	the surety bond agreements entered into between the Surety Bond Providers and the Company and renewed from time to time;
Surety Bond Providers	HCC International Insurance Company PLC and Liberty Mutual Insurance Europe;
Tanjong Baram	the Tanjong Baram field, located offshore Sarawak, Malaysia;
Tanjong Baram Facility	the limited recourse US$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;
Term Facility	has the meaning given to it in paragraph 5.4(d)(ii) of section 5 (Restructuring Overview) of part 1 (Background and Rationale to the Restructuring);
Trustee	Deutsche Bank Trust Company Americas;
UK	United Kingdom;
UK Corporate Governance Code	"The UK Corporate Governance Code" published in September 2014 by the UK Financial Reporting Council;
UKCS	UK Continental Shelf;
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 Bankruptcy Court	the US Bankruptcy Court for the Southern District of New York or other appropriate forum in a case filed under Chapter 15 of Title 11 the US Code;
US Code	the United States Code, being a consolidation and codification by subject matter of the general and permanent laws of the United States of America;
UZMA	Uzma Energy Venture (Sarawak) Sdn Bhd;
VAT	value added tax;

Head Office of the Company
EnQuest PLC
Fifth Floor
Cunard House
15 Regent Street
London SW1Y 4LR
United Kingdom

Trustee, Principal Paying Agent, Transfer Agent and Registrar
Deutsche Bank Trust Company Americas
Trust & Agency Services
60 Wall Street, MS NYC60-1630
New York, New York 10005
USA

Luxembourg Listing Agent
Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer, 1115 Luxembourg
Luxembourg

Legal Advisers to the Company as to English Law and United States Law
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA
United Kingdom

Auditors of the Company
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom