

**GOLDEN EAGLE AREA DEVELOPMENT ASSET
HISTORICAL FINANCIAL INFORMATION**

FOR THE THREE MONTHS ENDED 31 MARCH 2021

GOLDEN EAGLE AREA DEVELOPMENT ASSET

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Accountant's report on the historical financial information

The Board of Directors
on behalf of EnQuest plc
5th Floor, Cunard House
15 Regent Street
London
SW1Y 4LR

J.P. Morgan Securities plc
25 Bank Street
London
E14 5JP

20 October 2021

Dear Sirs/Mesdames

Golden Eagle Asset (“Target”)

We report on the financial information of the Target for the three months ended 31 March 2021 set out in Part 2 of the Supplementary Prospectus relating to re-admission of ordinary shares of EnQuest plc (the “Company”) dated 20 October 2021 (the “Prospectus”). This report is required by Annex 1 item 18.3.1 of the UK version of the Commission delegated regulation (EU) No 2019/980 (the “Prospectus Delegated Regulation”) and the Prospectus Delegated Regulation as applied by Listing Rule 13.5.21R and is given for the purpose of complying with these requirements and for no other purpose.

We have not audited or reviewed the financial information for the three month period ended 31 March 2020 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Target as at 31 March 2021 and of its profits and cash flows for the three months ended 31 March 2021 in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the Historical Financial Information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 1 item 1.3 of the Prospectus Delegated Regulation, consenting to its inclusion in the Prospectus.

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Basis of preparation

This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in Note 3 of the Historical Financial Information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council (“FRC”) in the United Kingdom. We are independent of the Company and the Target in accordance with the FRC’s Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Target’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

In performing this engagement on the financial information, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial information is appropriate.

Based on the work we have performed, we have not identified any material uncertainties related to events or conditions that, individually or collectively, may cast significant doubt on the Target’s ability to continue as a going concern for a period of at least twelve months from the date of this opinion.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this report as part of the Prospectus and declare that to the best of our knowledge the information contained in this report is, in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1 item 1.2 of the Prospectus Delegated Regulation and for no other purpose.

Yours faithfully

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, slightly slanted style.

Deloitte LLP

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GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information For the three months ended 31 March 2021

Income statement

	Note	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 March 2020 \$000
Turnover	5	51,187	35,826
Cost of sales	6	(25,321)	(18,432)
Gross profit		<u>25,866</u>	<u>17,394</u>
Unwinding of discount on decommissioning	12	(1,083)	(924)
Profit before taxation		<u>24,783</u>	<u>16,470</u>
Tax on profit	7	(9,682)	(6,639)
Profit and comprehensive income for the financial period		<u><u>15,101</u></u>	<u><u>9,831</u></u>

The Golden Eagle Asset's results are derived from continuing activities in all periods.

There are no material differences between the profit before taxation and the retained profit for the financial period stated above and their historical cost equivalents.

The accompanying notes are an integral part of this historical financial information.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information For the three months ended 31 March 2021

Balance sheet

	Note	31 March 2021 \$000	31 December 2020 \$000
Non-current assets			
Intangible assets	8	512	502
Tangible assets	8	127,805	131,191
Deferred tax asset	13	3,984	2,209
		<hr/>	<hr/>
		132,301	133,902
Current assets			
Inventory	9	14,007	13,411
Trade and other receivables	10	9,379	11,123
		<hr/>	<hr/>
		23,386	24,534
		<hr/>	<hr/>
Total assets		<u>155,687</u>	<u>158,436</u>
Current liabilities			
Trade and other payables	11	(15,951)	(14,040)
		<hr/>	<hr/>
Net current assets		<u>7,435</u>	<u>10,494</u>
Non-current liabilities			
Provisions for liabilities	12	(142,421)	(138,740)
		<hr/>	<hr/>
		(142,421)	(138,740)
		<hr/>	<hr/>
Total liabilities		<u>(158,372)</u>	<u>(152,780)</u>
		<hr/>	<hr/>
Net (liabilities)/assets		<u>(2,685)</u>	<u>5,656</u>

The accompanying notes are an integral part of this historical financial information.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information

For the three months ended 31 March 2021

Statements of directly attributable cash flows

	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 March 2020 \$000
Cash flows from operating activities		
Gross profit for the financial period	25,866	17,394
<i>Adjustments for:</i>		
Depreciation, depletion and amortisation	16,209	14,261
(Increase)/decrease in debtors	1,931	37,666
(Increase)/decrease in stocks	(342)	(465)
Increase/(decrease) in trade creditors	1,633	155
Directly attributable cash flows from operating activities	<u>45,297</u>	<u>69,011</u>
Cash flows from investing activities		
Purchases of fixed assets	<u>(10,440)</u>	<u>(128)</u>
Directly attributable cash flows from investing activities	<u>(10,440)</u>	<u>(128)</u>
Directly attributable net cash flows	<u><u>34,857</u></u>	<u><u>68,883</u></u>

The accompanying notes are an integral part of this historical financial information. Refer to Note 2.1(b) for the basis of preparation of this statement of directly attributable cash flows.

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Historical financial information

For the three months ended 31 March 2021

Notes to the financial information

1. General information

The Golden Eagle Area is an asset owned by North Sea (Golden Eagle) Resources Limited, a limited liability company, incorporated and domiciled in England and Wales. Suncor Energy UK Limited is indirectly owned by Suncor Energy Inc. (“Suncor”). The principal activities of the Golden Eagle Asset are oil and gas development and production within the UK North Sea.

EnQuest plc (“EnQuest”) signed an agreement on 4 February 2021 to purchase Suncor’s entire 26.69%, non-operated equity interest in the Golden Eagle Area Development Asset. The asset was transferred into a shell legal entity, North Sea (Golden Eagle) Resources Limited, on 1 October 2021 and EnQuest will purchase that entity. The acquisition will be funded from cash raised as part of the new debt arrangement, the successful equity raise and existing cash balances.

2. Basis of preparation and departures from IFRS

The Golden Eagle Asset does not constitute a legal entity that has prepared financial statements throughout the period from 1 January 2021 to 31 March 2021, and the comparative period. As such this financial information has been prepared on a carve-out basis, reflecting the assets, liabilities and transactions directly attributable to the Golden Eagle Asset and specifically for this document. The financial information has been prepared on the basis that the relevant periods are full accounting periods and therefore the requirements of IAS34 *Interim Financial Reporting* have not been applied. The financial information has been prepared in accordance with the requirements of the Listing Rules and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, except as described in this note.

2.1 Accounting principles

IFRSs do not provide for the specific accounting treatments set out below, and accordingly in preparing the financial information certain accounting conventions commonly used for the presentation of historical financial information for inclusion in investment circulars, as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS as set out in this Note 2.1. In other respects, IFRSs as applied by EnQuest in the preparation of its annual report and accounts for the year ended 31 December 2020 have been applied.

(a) Statement of directly attributable cash flows

No cash or funding balances are directly attributable to the Golden Eagle Asset, and therefore a full statement of cash flows in accordance with IAS 7 *Statement of Cash Flows* cannot be prepared. However, certain cashflow transactions can be allocated to the Golden Eagle Asset, in particular the following:

- Revenue from the sale of hydrocarbons;
- Operating and capital expenditure costs, which are paid directly to the operator of the Golden Eagle Asset;
- Other operating costs, such as insurance and marketing fees, that are not billed directly by the operator of the Golden Eagle Asset; and
- Changes in working capital balances associated directly with the Golden Eagle Asset.

Accordingly, cashflow information, set out on page [5] has been presented for all directly attributable cashflow transactions within the financial information, but because funding and other cashflow balances are excluded from the financial information, full IFRS cashflow information cannot be included.

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Historical financial information

For the three months ended 31 March 2021

2. Basis of preparation and departures from IFRS (continued)

2.1 Accounting principles (continued)

(b) Equity and funding

The presented financial information represents the assets and liabilities which can be directly attributed to the Golden Eagle Asset. All funding for the Golden Eagle Asset was provided centrally by Suncor to the host legal entity and was not attributed to specific assets. Therefore, the financial information presented excludes any cash and funding balances which would otherwise be included within net assets. As the financial information is for the Golden Eagle Asset, and not a legal entity, there is no associated issued share capital. The effective funding of net assets (i.e. total equity) is therefore representative of balances which could otherwise include share capital, other invested equity, retained earnings and funding to / from the Golden Eagle Asset, and any cash balances that might otherwise be attributable to the entity. However, as none of these items are specific to the Golden Eagle Asset, no breakdown of this funding of the Golden Eagle Asset can be provided, and therefore no statement of movements of this funding of the net assets can be shown, as would be required by IAS 1 *Presentation of Financial Information*.

For the reasons set out above it is not possible to allocate any funding charges directly to the Golden Eagle Asset and therefore the income statement set out on page 3 does not include any interest or other funding costs.

2.2 Other information relevant to the basis of preparation

(a) Allocation of corporate overheads

Under the ownership of Suncor, certain corporate overheads have been allocated to the host legal entity which owned the Golden Eagle Asset in the period which financial information is being presented. Such corporate overheads relate to costs for central functions such as HR, finance, legal, supply chain and IT. The overheads were allocated to the legal entity based on the headcount of the legal entity. However, the headcount of the legal entity is not specific to the Golden Eagle Asset, or to the other assets within the legal entity. Therefore, the corporate overheads cannot be allocated to the Golden Eagle Asset based on headcount, and other bases of allocation are not meaningful. As a result, no Suncor or entity overheads have been allocated to the Golden Eagle Asset for the purposes of the financial information, for any of the periods reported. Under the ownership of EnQuest, Suncor overheads would not be relevant to the financial performance of the Golden Eagle Asset.

(b) Taxation

The accounting policy adopted in the preparation of this financial information for taxation is included in Note 3 to the financial information.

The accounting for deferred taxation for the Golden Eagle Asset is specific to the Golden Eagle Asset, and therefore deferred tax balances and movements are shown within the financial information on this basis.

Corporation tax is generally levied at an entity basis, not at an asset level, and therefore for the purposes of the financial information, corporation tax has been estimated as follows:

- For the income statement, current tax is calculated by applying the statutory rate of tax applicable to North Sea oil and gas assets, being 40% for each of the periods. Adjustments have been made for any factors specific to the Golden Eagle Asset, including relevant adjustments in respect of prior period.
- For the purposes of the cashflow statement, the payment of corporation tax is undertaken at the corporate entity level and is therefore excluded from the cash flow statement.
- Within the balance sheet, any corporation tax due is treated as part of the general funding of the Golden Eagle Asset, and is therefore excluded from the allocated assets and liabilities.

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Historical financial information

For the three months ended 31 March 2021

2. Basis of preparation and departures from IFRS (continued)

2.2 Other information relevant to the basis of preparation (continued)

(c) Going concern

The Golden Eagle Asset has its own direct cashflows associated with revenue and certain operating and capital costs. However, the Golden Eagle Asset does not have allocable funding and certain corporate overheads are not attributed, and therefore no assessment can be made of the ability of the Golden Eagle Asset to continue as a going concern, in the absence of the wider Suncor Group Companies, or EnQuest Group. Accordingly, no assessment has been made of the going concern status of the Golden Eagle Asset.

However, the financial information has been drawn up on a going concern basis of accounting, assuming that the EnQuest's acquisition of the Golden Eagle Asset by EnQuest completed. No assessment has been made of whether this basis of accounting would be appropriate if the acquisition by EnQuest is not completed.

When considering whether the going concern basis of accounting is appropriate assuming that EnQuest's acquisition of the Golden Eagle Asset completes, the directors of EnQuest have prepared cash flow forecasts for the twelve month period from the date of approval of these statements, covering the enlarged EnQuest group. In making their assessment, the directors have evaluated the group's forecast production, likely oil prices and the group's operating and capital expenditure requirements in the forecast period.

On 10 June 2021, EnQuest entered into a \$750m multicurrency revolving credit facility, with a maturity date not expected to arise before October 2023. As detailed in Note 1, it is expected that the facility will be used to fund the acquisition of the Golden Eagle Asset, having already been used to repay prior secured debt facilities.

After making enquiries, the directors have a reasonable expectation that EnQuest has adequate resources to continue in operational existence for the foreseeable future, being at least a twelve month period from the date of approval of this financial information. Accordingly, they believe that the going concern basis of preparation is appropriate for the financial information in respect of the Golden Eagle Asset.

(d) Foreign currency

The functional currency of the host legal entity is Great British Pounds, and the functional currency of the Golden Eagle Asset is therefore assumed to also be the Great British Pound. For the purpose of this financial information, US Dollars has been adopted as the presentational currency.

(e) Disclosure requirements

The financial information does not include certain disclosures which could be required for conformity with IFRS or the UK Companies Act 2006. Disclosures have been provided where relevant and possible in the context of the basis of preparation of the financial information, as set out in this Note 2 to the financial information.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of this financial information are set out below. These policies have been consistently applied to all periods presented. The historical financial information has been prepared in accordance with the basis of preparation set out in Note 2 to the historical financial information, and following the recognition and measurement principles of International Financial Reporting Standards as endorsed by the EU and applied by EnQuest plc in its annual report and accounts for the year ended 31 December 2020.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information

For the three months ended 31 March 2021

3. Summary of significant accounting policies (continued)

Changes in reserves estimates, estimated decommissioning costs, price and exchange rate assumptions and other variables used in unit of production calculations are accounted for prospectively over the remaining commercially recoverable reserves of the field.

3.1 Foreign currency translation

Functional and presentation currency

Items included in the financial information of the Golden Eagle Asset are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is the Great British Pound (GBP). The financial information is presented in US dollars (USD), which is the presentational currency of EnQuest.

Transactions in currencies other than the functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At the period end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange at the dates of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the rate of exchange at the date the fair value was determined.

For the purposes of presenting the financial information in US dollars, the income statement and cashflow is translated at the average exchange rate for the applicable period, and the balance sheet is translated at the rate applicable to the balance sheet date. The relevant exchange rates are shown below:

	31 March 2021	31 December 2020	31 March 2020
US dollar exchange rate			
Average	1.36	1.28	1.31
Closing	1.38	1.35	1.24

3.2 Fixed assets

Intangible fixed assets

The costs to acquire non-producing oil and gas properties or licenses to explore, drill exploratory wells and the costs to evaluate the commercial potential of underlying resources are initially capitalised as intangible fixed assets. Certain exploration costs, including geological, geophysical and seismic expenditures and delineation on oil sands properties, are charged to Exploration expense as incurred.

Intangible fixed assets are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. If an area or exploration well is no longer considered commercially viable, the related capitalised costs are charged to Exploration expense.

When management determines with reasonable certainty that the intangible asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is transferred to tangible fixed assets.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

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For the three months ended 31 March 2021

3. Summary of significant accounting policies (continued)

3.2 Fixed assets (continued)

Tangible fixed assets

Tangible fixed assets are initially recorded at cost.

The costs to acquire developed or producing oil and gas properties, and to develop oil and gas properties, and drilling development wells, and the costs to construct and install development infrastructure, such as wellhead equipment, well platforms, well pairs, offshore platforms, subsea structures and an estimate of decommissioning costs, are capitalised within tangible fixed assets.

Depreciation, depletion and amortisation

Intangible fixed assets are not subject to depreciation, depletion and amortisation. Once transferred to producing fields within tangible fixed assets and commercial production commences, these costs are depleted on a unit-of-production basis over proved developed reserves.

Capital expenditures are not depleted until assets are substantially completed and ready for their intended use.

Costs to develop oil and gas properties are depleted on a unit-of-production basis over proved developed reserves. A portion of these costs may not be depleted if they relate to undeveloped reserves. Costs related to offshore facilities are depleted over proved and probable reserves.

Depreciation, depletion and amortisation rates are reviewed annually or when events or conditions occur that impact capitalised costs, reserves or estimated service lives.

3.3 Impairment of non-financial assets

Assets that have an indefinite life are not subject to amortisation and are tested at each reporting period for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.4 Financial instruments

The Golden Eagle Asset classifies its financial instruments into one of the following categories: fair value through profit or loss (FVTPL) or at amortised cost. This determination is made at initial recognition. All financial instruments are initially recognised at fair value on the balance sheet, net of any transaction costs except for financial instruments classified as fair value through profit and loss, where transaction costs are expensed as incurred. Subsequent measurement of financial instruments is based on their classification. The Golden Eagle Asset classifies accounts receivable as financial assets at amortised cost, and accounts payable and accrued liabilities and other long-term liabilities as financial liabilities at amortised cost.

The fair value of a financial instrument is determined, whenever possible, based on observable market data. If not available, the Golden Eagle Asset uses third party models and valuation methodologies that utilise observable market data that includes forward commodity prices, foreign exchange rates and interest rates to estimate the fair value of financial

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Historical financial information

For the three months ended 31 March 2021

3. Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

instruments. In addition to market information, the Golden Eagle Asset incorporates transaction-specific details that market participants would utilise in a fair value measurement, including the impact of non-performance risk.

3.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.6 Impairment of financial assets

At each reporting date, the Golden Eagle Asset assesses the expected credit losses associated with its financial assets measured at amortised cost. Expected credit losses are measured as the difference between the cash flows that are due to the Golden Eagle Asset and the cash flows that the Golden Eagle Asset expects to receive, discounted at the effective interest rate determined at initial recognition. For trade accounts receivable, the Golden Eagle Asset applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. To measure expected credit losses, accounts receivable are grouped based on the number of days the receivables have been outstanding and the internal credit assessments of the customers. Credit risk for longer-term receivables is assessed based on an external credit rating of the counterparty. For longer-term receivables with credit risk that has not increased significantly since the date of recognition, the Golden Eagle Asset measures the expected credit loss as the 12-month expected credit loss. Expected credit losses are recognised in profit for the financial period.

3.7 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost represents the purchase price of spare parts and consumables. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete or dispose. Provision is made for obsolete, slow-moving or defective items where appropriate.

3.8 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

3.9 Current and deferred income tax

The reported tax amounts for the Golden Eagle Asset are allocations, as taxes are calculated on a legal entity basis.

Current tax is calculated by applying the applicable statutory tax rate to taxable profits for the period, which is calculated in accordance with the tax laws of the country in which the Golden Eagle Asset is tax resident. Tax rates applied are those which are enacted or substantively enacted at each balance sheet date. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other accounting periods and it further excludes items of income or expenses that are never taxable or deductible.

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. Deferred tax is measured at

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Historical financial information

For the three months ended 31 March 2021

3. Summary of significant accounting policies (continued)

3.9 Current and deferred income tax (continued)

the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at each balance sheet date.

Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences will be utilised in the future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and all available evidence is considered in evaluating the recoverability of these deferred tax assets. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities relating to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.10 Provisions

Decommissioning costs

The Golden Eagle Asset recognises liabilities for the future decommissioning and restoration of exploration and evaluation assets. These provisions are based on estimated costs, which take into account the anticipated method of decommissioning. Estimated decommissioning costs are discounted to present value. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in the income statement. The discounted present value is capitalised in fixed assets and depreciated on a unit of production basis. These costs are assumed to be eligible for tax relief, based on current tax legislation.

3.11 Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Revenue is recorded when control passes to the customer, in accordance with specified contract terms. All operating revenue is earned at a point in time and is based on the consideration that the Asset expects to receive for the transfer of the goods to the customer.

3.12 Petroleum over-lifts and under-lifts

The quantities of oil and other hydrocarbons actually lifted may differ from the Golden Eagle Asset's entitlements. This gives rise to over-lift or under-lift which is accounted for at the lower of cost or net realisable value (NRV). Under-lift is shown in debtors, and over-lift is shown in creditors. This movement is presented within cost of sales.

4. Critical accounting estimates and judgements

The preparation of financial information in accordance with the measurement and recognition principles of IFRS requires management to make estimates and judgments that affect reported assets, liabilities, revenues, expenses, gains, losses, and disclosures of contingencies. These estimates and judgments are subject to change based on experience and new information.

On 30 January 2020, the World Health Organisation declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on 10 March 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. Whilst a number of these

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4. Critical accounting estimates and judgements (continued)

restrictions remain in place, in recent months the demand for commodities and related prices have increased as restrictions have been relaxed.

The operations and business of the Golden Eagle Asset are particularly sensitive to changes in the demand for, and prices of, commodities that are closely linked to the Golden Eagle Asset's financial performance, including crude oil. The potential direct and indirect impacts of the economic instability have been considered in management's estimates, and assumptions at the period end have been reflected in the results with any significant changes described in the relevant financial information notes.

The financial information areas that require significant judgement or represent key sources of estimation uncertainty are as follows:

(a) Asset impairment and reversals

Management applies judgement in assessing the existence of impairment and impairment reversal indicators based on various internal and external factors. Management did not identify any such indicators in the period.

(b) Decommissioning and restoration costs

The Golden Eagle Asset recognises liabilities for the future decommissioning and restoration of intangible and tangible assets based on estimated future decommissioning and restoration costs. Management applies judgment in assessing the existence and extent, as well as, the expected method of reclamation of the Golden Eagle Asset's decommissioning and restoration obligations. Management also uses judgment to determine whether the nature of the activities performed is related to decommissioning and restoration activities or normal operating activities.

Actual costs are uncertain and estimates may vary as a result of changes to relevant laws and regulations related to the use of certain technologies, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and restoration may change due to certain factors, including reserves life. Changes to estimates related to future expected costs, discount rates, inflation assumptions, and timing may have a material impact on the amounts presented. However, changes in many of these estimates will be dealt with by a corresponding increase / decrease in the decommissioning asset within tangible fixed assets, and will not have a direct impact on the income statement prior to the recognition of a related DD&A charge. For this reason, and also given the number of individual assumptions underpinning the decommissioning estimates, it is not practical to disclose the impact on the income statement of a reasonably possible change in specific costs estimates.

A 1% variation in the discount rate would change the decommissioning liability by approximately \$13.6m before taxation (31 December 2020: \$13.3m).

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5. Turnover

The Golden Eagle Asset's activities arise predominantly from a single class of business, being oil and gas production. All production activities originate in the United Kingdom. The geographical analysis by destination is as follows:

	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 March 2020 \$000
Europe	455	35,826
China	50,732	-
	<u>51,187</u>	<u>35,826</u>

6. Cost of sales

	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 March 2020 \$000
Operating costs	5,948	6,105
Depreciation, depletion and amortisation (note 8)	16,209	14,261
Change in net underlift/overlift balance	1,706	(2,743)
Transportation	1,458	809
	<u>25,321</u>	<u>18,432</u>

The Golden Eagle Asset does not have any direct employees.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information

For the three months ended 31 March 2021

7. Tax on profit

	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 March 2020 \$000
Current tax		
Current tax charge on profits of the period	11,396	12,265
Deferred tax		
Deferred tax credit (note 13)	<u>(1,714)</u>	<u>(5,626)</u>
Total tax charge	<u>9,682</u>	<u>6,639</u>

The amount of tax on the Golden Eagle Asset's profit before taxation differs from the theoretical amount that would arise by applying the applicable rate of tax and is reconciled as follows:

	3 months ended 31 March 2021 \$000	Unaudited 3 months ended 31 31 March 2020 \$000
Profit before taxation	24,783	16,470
Tax on profit before taxation at UK tax rate of 40% applicable to a North Sea oil and gas producer (2020: 40.00%)	9,913	6,588
Effects of		
Investment allowance	(261)	(3)
Other	<u>30</u>	<u>54</u>
	<u>9,682</u>	<u>6,639</u>

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information For the three months ended 31 March 2021

8. Fixed assets

	31 March 2021 \$000	31 December 2020 \$000	
Intangible assets – oil and gas exploration assets			
At beginning of period – 1 January	502	487	
Exchange difference	<u>10</u>	<u>15</u>	
	<u>512</u>	<u>502</u>	
Tangible assets			
	Producing fields \$000	Decommiss- ioning \$000	Total \$000
Cost			
At 31 December 2019	812,088	79,090	891,178
Additions/changes in decommissioning	15,813	18,739	34,552
Exchange difference	<u>25,535</u>	<u>2,399</u>	<u>27,934</u>
At 31 December 2020	853,436	100,228	953,664
Additions/changes in decommissioning	10,440	-	10,440
Exchange difference	<u>16,026</u>	<u>1,868</u>	<u>17,894</u>
At 31 March 2021	<u>879,902</u>	<u>102,096</u>	<u>981,998</u>
Accumulated depreciation			
At 31 December 2019	673,298	70,918	744,216
Charge	48,936	3,734	52,670
Exchange difference	<u>23,222</u>	<u>2,365</u>	<u>25,587</u>
At 31 December 2020	745,456	77,017	822,473
Charge	13,558	2,651	16,209
Exchange difference	<u>14,046</u>	<u>1,465</u>	<u>15,511</u>
At 31 March 2021	<u>773,060</u>	<u>81,133</u>	<u>854,193</u>
Net book value			
At 31 March 2021	<u>106,842</u>	<u>20,963</u>	<u>127,805</u>
At 31 December 2020	<u>107,980</u>	<u>23,211</u>	<u>131,191</u>

At 31 March 2021 December 2020, the balance of assets under construction included in tangibles and not subject to depreciation or depletion was \$5.0 million (31 December 2020 – \$10.7m).

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information

For the three months ended 31 March 2021

8. Fixed assets (continued)

For impairment testing purposes, where required the recoverable amount of cash generating units (CGU's) and individual assets is determined based on the higher of fair value less costs of disposal or value-in-use calculations. The key estimates the Golden Eagle Asset applies in determining the recoverable amount normally include estimated future commodity prices, discount rates, expected production volumes, future operating and development costs and tax rates. In determining the recoverable amount, management may also be required to make judgements regarding the likelihood of occurrence of a future event.

Changes to these estimates and judgements will affect the recoverable amounts of CGU's and individual assets and may then require a material adjustment to their related carrying value.

9. Inventory

	31 March 2021 \$000	31 December 2020 \$000
Materials and supplies	<u>14,007</u>	<u>13,411</u>

The inventory value includes \$9.8 million (31 December 2020 \$9.4 million) of inventory for current and future development wells and \$4.2 million (31 December 2020: \$4.0 million) for pipeline stock.

10. Trade and other receivables

	31 March 2021 \$000	31 December 2020 \$000
Underlift	8,995	10,641
Accrued income	119	39
Other debtors	<u>265</u>	<u>443</u>
	<u>9,379</u>	<u>11,123</u>

The carrying value of the trade and other receivables as stated above are considered to be a reasonable approximation to their fair value due to their short-term maturities. As disclosed in Note 3, underlift is valued at the lower of cost and NRV at the prevailing balance sheet date.

11. Trade and other payables

	31 March 2021 \$000	31 December 2020 \$000
Trade payables	-	953
Accrued expenses	<u>15,951</u>	<u>13,087</u>
	<u>15,951</u>	<u>14,040</u>

The carrying value of the trade and other payables as stated above is considered to be a reasonable approximation to their fair value largely due to the short-term maturities. Trade payables are non-interest bearing and settled on terms within 15 days.

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information For the three months ended 31 March 2021

12. Provisions for liabilities

	31 March 2021 \$000	31 December 2020 \$000
Decommissioning costs	142,421	138,740

The movement on decommissioning costs comprises:

	31 March 2021 \$000	31 December 2020 \$000
At beginning of period – 1 January	138,740	112,689
Changes	-	18,739
Unwinding of discount	1,083	3,684
Exchange difference	2,598	3,628
	<u>142,421</u>	<u>138,740</u>

Decommissioning estimates are based on the latest technical assessments available of the costs involved and the date at which they will be incurred. Based on the latest estimate, decommissioning is expected to commence in 2027. A weighted average credit-adjusted risk-free interest rate of 3.1% was used to discount the provision recognised at 31 March 2021 (31 December 2020 – 3.10%). The credit-adjusted risk-free interest rate used reflects the expected time frame of the provisions.

13. Deferred tax (asset)/liability

Deferred tax relates to the following:

	Accelerated capital allowances \$000	Decommiss- ioning provision \$000	Other \$000	Total \$000
At 31 December 2019	58,980	(45,075)	294	14,199
Charge/(credit) to income statement	(7,652)	(8,563)	289	(15,926)
Exchange difference	1,350	(1,858)	26	(482)
	<u>52,678</u>	<u>(55,496)</u>	<u>609</u>	<u>(2,209)</u>
At 31 December 2020	52,678	(55,496)	609	(2,209)
(Credit) to income statement (note 7)	(2,307)	(434)	1,027	(1,714)
Exchange difference	956	(1,039)	22	(61)
	<u>51,327</u>	<u>(56,969)</u>	<u>1,658</u>	<u>(3,984)</u>
At 31 March 2021	51,327	(56,969)	1,658	(3,984)

GOLDEN EAGLE AREA DEVELOPMENT ASSET

Historical financial information For the three months ended 31 March 2021

14. Financial commitments

Capital commitments

	31 March 2021 \$000	31 December 2020 \$000
Commitments for the acquisition of intangible and tangible fixed assets	2,715	5,947

Capital commitments predominately relate to the infill drilling.

15. Subsequent events

Subsequent to 31 March 2021, and in accordance with the agreement between EnQuest and Suncor to purchase Suncor's entire 26.69% non-operated equity interest in the Golden Eagle Area Development Asset signed on 4 February 2021, the Golden Eagle Asset was transferred into a shell legal entity, North Sea (Golden Eagle) Resources Limited, on 1 October 2021 with the intention that EnQuest will purchase that entity.