

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

This document comprises (i) a circular prepared in accordance with the Listing Rules of the FCA made under section 73A of the FSMA and (ii) a prospectus for the purposes of the UK version of Regulation (EU) 2017/1129 which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”) relating to EnQuest PLC (the “**Company**”) prepared in accordance with the UK Prospectus Regulation Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the FSMA. This document has been approved by the FCA (as competent authority under the UK Prospectus Regulation). The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the ordinary shares in the capital of the Company.

This document together with the documents incorporated into it by reference (as set out in Part 14 (“*Documents Incorporated by Reference*”)) will be made available to the public in accordance with UK Prospectus Regulation Rule 3.2.1 by the same being made available, free of charge, at [www.EnQuest.com](http://www.EnQuest.com).

If you sell or have sold or otherwise transferred or do transfer all your Existing Ordinary Shares before 8.00 a.m. (London time) on 1 July 2021, being the date the shares are treated as “ex” the entitlement to the Open Offer, please forward this document together with, if relevant, the Application Form that you may receive as soon as possible to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee except that, subject to certain exceptions, **such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities law or regulation, including, but not limited to, the United States and the Excluded Territories**. If you have sold or otherwise transferred part of your holding of Existing Ordinary Shares prior to such date, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the Application Form. If your registered holding(s) of Existing Ordinary Shares which were sold or transferred were held in uncertificated form and were sold or transferred before 6.00 p.m. on 28 June 2021, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee. Instructions regarding split applications are set out in the Application Form.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List maintained by the FCA (the “**Official List**”) and traded on the London Stock Exchange’s main market for listed securities (the “**Main Market**”) and the Existing Ordinary Shares registered in the VPC System are admitted to trading on NASDAQ Stockholm. Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market (“**Admission**”) and to NASDAQ Stockholm AB for the New Ordinary Shares to be admitted to trading on NASDAQ Stockholm. It is expected that Admission will become effective and that dealings on the Main Market will commence in the New Ordinary Shares at 8.00 a.m. (London time) on 26 July 2021.

As the Acquisition constitutes a reverse takeover under the Listing Rules, the admission of the Ordinary Shares in issue immediately prior to Completion to the premium listing segment of the Official List and to trading on the Main Market will be cancelled on Completion. Further applications will be made to the FCA and the London Stock Exchange, respectively, for those Ordinary Shares, including the New Ordinary Shares, to be re-admitted to the premium listing segment of the Official List and to trading on the Main Market (“**Re-admission**”).

It is currently expected that Re-admission will become effective, and that dealings in the Ordinary Shares on the Main Market, will commence at 8.00 a.m. on the day of Completion (whereupon an announcement will be made by the Company to a Regulatory Information Service).

**The distribution of this document and/or any documents issued by the Company in connection with the Capital Raising and/or the accompanying documents, and/or the transfer of New Ordinary Shares in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or any accompanying documents come should inform themselves about and observe such restrictions. Any failure to comply with any of these restrictions may constitute a violation of the securities law of any such jurisdiction. In particular, subject to certain exceptions, this document and any documents issued by the Company in connection with the Capital Raising should not be distributed, forwarded or transmitted in or into the United States or any Excluded Territory. All Overseas Shareholders and any person (including, without limitation, agents, custodians, nominees or trustees) who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Capital Raising, if and when received, to a jurisdiction outside the United Kingdom should read paragraph 7 of Part 13 (“*Terms and Conditions of the Open Offer*”).**

The Company and the Directors, whose names appear on page 51 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

Unless expressly stated otherwise, references to an EU regulation shall be to that regulation as it forms part of the law of England and Wales by virtue of the European Union (Withdrawal) Act 2018 (as amended) and as the law of England and Wales is amended or re-enacted as at the date of this document.

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# EnQuest PLC



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

## **Proposed Acquisition of North Sea (Golden Eagle) Resources Ltd**

### **Proposed Firm Placing of up to 94,852,612 New Ordinary Shares at 19 pence per New Ordinary Share**

### **Proposed Placing and Open Offer of in aggregate up to 95,269,772 New Ordinary Shares at 19 pence per New Ordinary Share**

### **Related Party Transactions**

### **Re-admission of Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities**

**and**

### **Notice of General Meeting**

**J.P. Morgan Cazenove**

*Sponsor and Bookrunner*

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The whole of the text of this document should be read in its entirety. Your attention is drawn to the letter from the Chairman of EnQuest PLC which is set out in Part 1 (*"Letter from the Chairman of EnQuest PLC"*). Your attention is also drawn, in particular, to the section headed *"Risk Factors"* at the beginning of this document which sets out certain risks and other factors that should be taken into account by Shareholders when deciding on what action to take in relation to the Transaction, and by others when deciding whether or not to purchase New Ordinary Shares. **YOU SHOULD NOT RELY SOLELY ON INFORMATION SUMMARISED IN THE SECTION OF THIS DOCUMENT ENTITLED "SUMMARY"**.

The Capital Raising is conditional, *inter alia*, on (i) the passing without amendment of Resolutions 1 and 4 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner, at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force; (ii) the Company having complied with its obligations under the Sponsor and Placing Agreement and under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission save as otherwise agreed by the Bookrunner; (iii) Admission becoming effective by not later than 8.00 a.m. on 26 July 2021 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021); (iv) the Call Option Deed, Asset Transfer SPA, Second Lien Financing and associated Letter of Credit having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and (v) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission. The New Ordinary Shares will, on Admission, rank in full for all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission and will otherwise rank *pari passu* with the Existing Ordinary Shares.

In addition to this document, subject to the passing of the Resolutions, Qualifying Non-CREST Shareholders will be sent an Application Form by 1 July 2021. Qualifying CREST Shareholders, none of whom will receive an Application Form, will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlements which will be enabled for settlement at 8.00 a.m. on 1 July 2021. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding action to be taken in connection with this document and the Open Offer. Applications under the Open Offer may only be made by Qualifying Shareholders originally entitled to or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Existing Ordinary Shares prior to the date on which the Existing Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. (London time) on 22 July 2021. The procedures for acceptance and payment are set out in Part 13 (*"Terms and Conditions of the Open Offer"*) and, where relevant, in the Application Form.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Fractional entitlements will not be allotted to Qualifying Shareholders and, where applicable, fractional entitlements will be rounded down to the nearest whole number of Open Offer Shares.

Notice of the General Meeting, to be held at 9.30 a.m. on 23 July 2021 at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW, is set out at the end of this document. In response to the coronavirus (**"COVID-19"**) pandemic, the UK Government has introduced a number of measures in England aimed at controlling the spread of the COVID-19 virus. The Board has been closely monitoring the ongoing COVID-19 situation and, on the basis of the UK government's roadmap out of lockdown, the General Meeting has been arranged

on the assumption that the General Meeting will be able to be held as an open, physical meeting. If the position changes, the Company will communicate any updates on its website at <https://www.enquest.com/investors/shareholder-information/general-meetings> and, where appropriate, through an announcement to the market, before the General Meeting.

A hard copy form of proxy will not accompany this document as Shareholders are encouraged to appoint a proxy electronically to vote via their Signal Shares account using the link [www.signalshares.com](http://www.signalshares.com), or equivalent. Alternatively, Shareholders may request a hard copy form of proxy by calling the Registrar, Link Group, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Shareholders are also encouraged to submit any questions that they would like to be answered at the General Meeting by sending it, together with your name as shown on the Company's register of members, to the following email address: [CompanySecretariat@enquest.com](mailto:CompanySecretariat@enquest.com) so that it is received no later than 2.00 p.m. on 21 July 2021. The Company will arrange for Shareholders to be able to listen to the General Meeting by joining the live webcast that will be accessible via the EnQuest website at <https://www.enquest.com/investors/shareholder-information/general-meeting>. Please note that Shareholders will not be able to use the webcast to actively participate in the General Meeting by voting on the resolutions or asking questions. Given the uncertainty around whether Shareholders will be able to attend the General Meeting in person due to a potential change in the COVID-19 situation, it is recommended that Shareholders vote on the resolutions using their Signal Shares account and submit any questions prior to the General Meeting.

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

Apart from the responsibilities and liabilities, if any, which may be imposed upon J.P. Morgan Cazenove by the FSMA or the regulatory regime established thereunder, J.P. Morgan Cazenove do not accept any responsibility and disclaim any liability for the accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Ordinary Shares, the Open Offer Entitlements, the Capital Raising, Admission in this document. No representation or warranty, express or implied, is made by J.P. Morgan Cazenove as to the accuracy, completeness or verification of the information set forth in this document and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. J.P. Morgan Cazenove accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

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

#### Overseas Territories

SUBJECT TO CERTAIN EXCEPTIONS, THE CAPITAL RAISING DESCRIBED IN THIS DOCUMENT IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN THE UNITED STATES OR ANY EXCLUDED TERRITORY. Neither this document nor the Application Form constitutes or forms part of any offer to sell or issue, or any solicitation of any offer to acquire, the New Ordinary Shares offered to any person with a registered address, or who is resident or located in, any jurisdiction in which such an offer or solicitation is unlawful.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered under the applicable securities laws of any Excluded Territory. Accordingly, subject to certain exceptions, the New Ordinary Shares and the Open Offer Entitlements may not be offered or sold in such jurisdictions or to, or for the account or benefit of, any resident of such jurisdictions. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements in any of the Excluded Territories, including Sweden. Swedish Shareholders and any other Shareholders resident in Sweden are not eligible to participate in the Open Offer. Neither the Company nor the Bookrunner have delivered or will deliver or have arranged or will arrange for the delivery of any New Ordinary Shares in the VPC System by virtue of the Capital Raising or otherwise.

All Overseas Shareholders and any person (including, without limitation, an agent custodian, nominee, or trustee) who is holding Existing Ordinary Shares for the benefit of such persons or who has a contractual or other legal obligation to forward any documents issued by the Company in connection with the Open Offer including this document or any Application Form, if and when received, to a jurisdiction outside the United Kingdom, should read paragraph 7 of Part 13 ("*Terms and Conditions of the Open Offer*") entitled "*Overseas Shareholders*".

Subject to certain exceptions, this document and the Application Form should not be distributed, forwarded or transmitted in or into the United States or the Excluded Territories or in or into any jurisdiction or to any person where the extension or availability of the Capital Raising would breach any applicable law.

The New Ordinary Shares and the Open Offer Entitlements have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, in, into or within the United States. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements in the United States. The New Ordinary Shares made available pursuant to the Capital Raising outside the United States are being offered and sold in offshore transactions in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of the New Ordinary Shares and the distribution of this document, see paragraph 7.2 of Part 13 ("*Terms and Conditions of the Open Offer*").

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

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

The New Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions that apply to the New Ordinary Shares as described in paragraph 7 of Part 13 (*“Terms and Conditions of the Open Offer”*). Each purchaser of the New Ordinary Shares outside the United States will be deemed to have made the relevant representations in paragraphs 5.2(i) and 8 of Part 13 (*“Terms and Conditions of the Open Offer”*).

## General Notice

In connection with the Capital Raising, J.P. Morgan Cazenove and/or any of its affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares in the Capital Raising as a principal position and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in relation to the New Ordinary Shares and/or related instruments in connection with the Capital Raising or otherwise. Accordingly, references in this document to New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, J.P. Morgan Cazenove and/or any of its affiliates acting in such capacity. In addition, J.P. Morgan Cazenove and/or any of its affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which J.P. Morgan Cazenove and/or any of its affiliates may from time to time acquire, hold or dispose of New Ordinary Shares. None of J.P. Morgan Cazenove and/or any of its affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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

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

The Company will publish a supplement to this prospectus if a significant new factor, material mistake or material inaccuracy relating to the information in this document that may affect the assessment of the securities and which arises or is noted between the time when this prospectus was approved and the close of the Open Offer. This document and any supplement will be made public in accordance with the UK Prospectus Regulation by publication on the Company’s website at <https://www.enquest.com/investors/>. In accordance with the UK Prospectus Regulation, if a supplement to the prospectus is published, prospective investors may have a right to withdraw their acceptances, as referred to in paragraph 9 of Part 13 (*“Terms and Conditions of the Open Offer”*). Without limitation, the contents of the EnQuest Group’s websites (other than the information as set out in Part 14 (*“Documents Incorporated by Reference”*)) do not form part of this document.

## Information to Distributors

Solely for the purposes of the product governance requirements contained within Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the **“UK MiFIR Product Governance Requirements”**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK MiFIR Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of retail clients (as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended and as such law is amended) and investors who meet the criteria of eligible counterparties, as defined in the FCA Handbook Conduct of Business Rules and professional clients as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended and as such law is amended; and (ii) eligible for distribution through all distribution channels as are permitted by the UK MiFIR Product Governance Requirements (the **“Target Market Assessment”**). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the offer of the New Ordinary Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Bookrunner will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

This document is dated 30 June 2021.



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# SUMMARY

Section A – Introduction and warnings	
Name and international securities identification number (ISIN) of the securities	EnQuest PLC ordinary shares, ISIN: GB00B635TG28
Identity and contact details of the issuer, including its legal entity identifier (LEI)	<p>The issuer is EnQuest PLC (“<b>EnQuest</b>” or the “<b>Company</b>”), incorporated in England and Wales with registered number 07140891.</p> <p>The Company’s registered office is at 5th Floor Cunard House, 15 Regent Street, London, SW1Y 4LR. The telephone number is +44 (0)20 7925 4900 and the Legal Entity Identifier number of the Company is 2138008LJU6WFQWOXJ73.</p>
Identity and contact details of the competent authority approving the prospectus	This document has been approved by the FCA, as competent authority in the United Kingdom, under the UK Prospectus Regulation. The head office of the FCA is at 12 Endeavour Square, London, E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000.
Date of approval of the prospectus	30 June 2021
Warnings	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on a consideration of the prospectus as a whole by the investor, including the information incorporated by reference. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

Section B – Key information on the issuer																																														
The issuer’s domicile and legal form, its LEI, the law under which it operates and its country of incorporation	<p><b>Who is the issuer of the securities?</b></p> <p>EnQuest was incorporated on 29 January 2010 as a public limited company in England and Wales and registered under the Companies Act with registered number 07140891. The principal legislation under which the Company operates is the Companies Act and regulations thereunder.</p>																																													
The issuer’s principal activities	<p>EnQuest is a significant independent UK oil and gas producer operating in the UK North Sea and Malaysia. As of 31 December 2020, it had interests in 20 UK production licences, 18 of which it operates, covering 31 blocks or part blocks in the UKCS. In January 2021, it acquired a 40.8 per cent operating interest in the Bressay oil field in the UK North Sea. The EnQuest Group also has interests in two production licences in Malaysia.</p> <p>EnQuest’s strategy is to turn opportunities into value by targeting and acquiring maturing and underdeveloped hydrocarbon assets and associated infrastructure, enhancing hydrocarbon recovery and extending the useful lives of assets in a profitable and responsible manner.</p> <p>The EnQuest Group’s average daily production on a working interest basis for the year ended 31 December 2020 was 59,116 boepd (93.6 per cent. liquids and 6.4 per cent. gas). Since its inception, the EnQuest Group has increased its net 2P reserves to 189 MMboe as of 31 December 2020, representing a growth of approximately 8 per cent. per annum. As of 31 December 2020, the EnQuest Group’s assets had a reserve life of 9 years.</p> <p>On 3 February 2021, EnQuest Heather entered into the Call Option Deed to acquire from Suncor 100 per cent. of the issued share capital in Golden Eagle, which will, at Completion, hold a 26.69 per cent. non-operated working interest in the area comprising the Golden Eagle, Peregrine and Solitaire fields located in the Golden Eagle Area Licences (the “<b>Golden Eagle Area Development</b>”).</p>																																													
The issuer’s major shareholders, including whether it is directly or indirectly owned or controlled and by whom	<p>So far as the Company is aware, as at the Latest Practicable Date, the following persons had notifiable interests, directly or indirectly, in three per cent. of the issued share capital of the Company:</p> <table><tr><th>Shareholder</th><th>Ordinary Shares held at the Latest Practicable Date</th><th>Percentage of issued Ordinary Share capital at the Latest Practicable Date (%)</th><th>Ordinary Shares held immediately after Admission<sup>(2)</sup></th><th>Percentage of issued Ordinary Share capital immediately after Admission (%)<sup>(2)</sup></th></tr><tr><td>Bseisu consolidated interests<sup>(1)</sup> .....</td><td>182,102,434</td><td>10.7</td><td>202,518,584</td><td>10.7</td></tr><tr><td>Aberforth Partners LLP .....</td><td>140,690,662</td><td>8.3</td><td>148,594,631</td><td>7.9</td></tr><tr><td>Schroders plc .....</td><td>107,195,054</td><td>6.3</td><td>113,217,247</td><td>6.0</td></tr><tr><td>Baillie Gifford &amp; Co Ltd.....</td><td>104,994,289</td><td>6.2</td><td>110,892,844</td><td>5.9</td></tr><tr><td>Hargreaves Lansdown Asset Management .</td><td>90,586,549</td><td>5.3</td><td>95,675,680</td><td>5.1</td></tr><tr><td>Dimensional Fund Advisors .....</td><td>63,690,537</td><td>3.8</td><td>67,268,657</td><td>3.6</td></tr><tr><td>Avanza Fonder AB .....</td><td>51,677,351</td><td>3.0</td><td>54,580,572</td><td>2.9</td></tr><tr><td>EnQuest EBT .....</td><td>40,328,705</td><td>2.4</td><td>42,594,362</td><td>2.3</td></tr></table>	Shareholder	Ordinary Shares held at the Latest Practicable Date	Percentage of issued Ordinary Share capital at the Latest Practicable Date (%)	Ordinary Shares held immediately after Admission <sup>(2)</sup>	Percentage of issued Ordinary Share capital immediately after Admission (%) <sup>(2)</sup>	Bseisu consolidated interests <sup>(1)</sup> .....	182,102,434	10.7	202,518,584	10.7	Aberforth Partners LLP .....	140,690,662	8.3	148,594,631	7.9	Schroders plc .....	107,195,054	6.3	113,217,247	6.0	Baillie Gifford & Co Ltd.....	104,994,289	6.2	110,892,844	5.9	Hargreaves Lansdown Asset Management .	90,586,549	5.3	95,675,680	5.1	Dimensional Fund Advisors .....	63,690,537	3.8	67,268,657	3.6	Avanza Fonder AB .....	51,677,351	3.0	54,580,572	2.9	EnQuest EBT .....	40,328,705	2.4	42,594,362	2.3
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	<p><b>Notes:</b></p> <p>(1) 161,380,583 shares are held by Double A Limited, a discretionary trust in which the extended family of Amjad Bseisu has a beneficial interest. 20,554,304 shares are also held by The Amjad &amp; Suha Bseisu Foundation and 167,547 shares are held directly by Amjad Bseisu.</p> <p>(2) Assuming that (i) no Ordinary Shares have been acquired or disposed of by these shareholders other than in connection with the Capital Raising; (ii) other than the New Ordinary Shares, no further Ordinary Shares have been issued by the Company between the posting of this document and Admission; (iii) the maximum number of New Ordinary Shares have been issued pursuant to the Capital Raising; (iv) all of the Shareholders listed in the table above take up their Open Offer Entitlement in full; (v) that none of the Shareholders listed above will take up any New Ordinary Shares pursuant to the Firm Placing or Placing save for the 10,185,677 Firm Placing Shares and 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Firm Placing and Open Offer respectively; and (vi) that none of the 10,230,474 Open Offer Shares that Double A Limited has agreed to subscribe for pursuant to the Placing are clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.</p> <p>The Company is not aware of any person who either as at the date of this document or immediately following completion of the Capital Raising exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.</p> <p>None of the major shareholders referred to above have different voting rights from other shareholders of the Company.</p>																																																																																																				
The identity of the issuer’s key managing directors	Amjad Bseisu (Chief Executive) Jonathan Swinney (Chief Financial Officer)																																																																																																				
The identity of the issuer’s statutory auditors	Deloitte LLP, 1 New Street, London, EC4A 3HQ, United Kingdom																																																																																																				
Key financial information	<p><b>What is the key financial information regarding the issuer?</b></p> <p><b>EnQuest Group</b></p> <p>The tables below set out the EnQuest Group’s summary financial information for the periods indicated. The financial information has been extracted without material adjustment from the 2018 Financial Statements, 2019 Financial Statements and 2020 Financial Statements, which are incorporated by reference into this document.</p> <p><b>Group Statement of Comprehensive Income</b></p> <table><tr><th></th><th colspan="3">Year ended 31 December</th></tr><tr><th></th><th>2020</th><th>2019</th><th>2018</th></tr><tr><th></th><th>(Audited)</th><th>(Audited)</th><th>(Audited)</th></tr><tr><th></th><th>US\$’000</th><th>US\$’000</th><th>US\$’000</th></tr><tr><td>Revenue and other operating income .....</td><td>865,648</td><td>1,646,459</td><td>1,298,437</td></tr><tr><td>Cost of sales .....</td><td>(799,081)</td><td>(1,243,948)</td><td>(924,302)</td></tr><tr><td>Gross profit .....</td><td>66,567</td><td>402,511</td><td>374,135</td></tr><tr><td>Profit/(loss) from operations before tax and finance income/(costs) .....</td><td>(310,069)</td><td>(467,768)</td><td>326,738</td></tr><tr><td>Profit/(loss) before tax .....</td><td>(565,975)</td><td>(729,113)</td><td>93,985</td></tr><tr><td>Income tax .....</td><td>(59,827)</td><td>279,812</td><td>33,293</td></tr><tr><td>Profit/(loss) for the year attributable to owners of the parent .....</td><td>(625,802)</td><td>(449,301)</td><td>127,278</td></tr><tr><td>Total comprehensive income for the year, attributable to the owners of the parent .....</td><td>(625,802)</td><td>(449,301)</td><td>127,278</td></tr></table> <p><b>Group Balance Sheet</b></p> <table><tr><th></th><th colspan="3">As at 31 December</th></tr><tr><th></th><th>2020</th><th>2019</th><th>2018</th></tr><tr><th></th><th>(Audited)</th><th>(Audited)</th><th>(Audited)</th></tr><tr><th></th><th>US\$’000</th><th>US\$’000</th><th>US\$’000</th></tr><tr><td><b>Assets</b></td><td></td><td></td><td></td></tr><tr><td>Non-current assets.....</td><td>3,299,816</td><td>4,188,931</td><td>4,978,376</td></tr><tr><td>Current assets .....</td><td>406,930</td><td>587,685</td><td>683,540</td></tr><tr><td><b>Total assets</b> .....</td><td><b>3,706,746</b></td><td><b>4,776,616</b></td><td><b>5,661,916</b></td></tr><tr><td><b>Total equity</b> .....</td><td><b>(64,640)</b></td><td><b>559,061</b></td><td><b>983,552</b></td></tr><tr><td>Non-current liabilities .....</td><td>2,857,524</td><td>3,347,132</td><td>3,693,649</td></tr><tr><td>Current liabilities .....</td><td>943,682</td><td>870,423</td><td>984,715</td></tr><tr><td><b>Total liabilities</b> .....</td><td><b>3,771,386</b></td><td><b>4,217,555</b></td><td><b>4,678,364</b></td></tr><tr><td><b>Total equity and liabilities</b> .....</td><td><b>3,706,746</b></td><td><b>4,776,616</b></td><td><b>5,661,916</b></td></tr></table>		Year ended 31 December				2020	2019	2018		(Audited)	(Audited)	(Audited)		US\$’000	US\$’000	US\$’000	Revenue and other operating income .....	865,648	1,646,459	1,298,437	Cost of sales .....	(799,081)	(1,243,948)	(924,302)	Gross profit .....	66,567	402,511	374,135	Profit/(loss) from operations before tax and finance income/(costs) .....	(310,069)	(467,768)	326,738	Profit/(loss) before tax .....	(565,975)	(729,113)	93,985	Income tax .....	(59,827)	279,812	33,293	Profit/(loss) for the year attributable to owners of the parent .....	(625,802)	(449,301)	127,278	Total comprehensive income for the year, attributable to the owners of the parent .....	(625,802)	(449,301)	127,278		As at 31 December				2020	2019	2018		(Audited)	(Audited)	(Audited)		US\$’000	US\$’000	US\$’000	<b>Assets</b>				Non-current assets.....	3,299,816	4,188,931	4,978,376	Current assets .....	406,930	587,685	683,540	<b>Total assets</b> .....	<b>3,706,746</b>	<b>4,776,616</b>	<b>5,661,916</b>	<b>Total equity</b> .....	<b>(64,640)</b>	<b>559,061</b>	<b>983,552</b>	Non-current liabilities .....	2,857,524	3,347,132	3,693,649	Current liabilities .....	943,682	870,423	984,715	<b>Total liabilities</b> .....	<b>3,771,386</b>	<b>4,217,555</b>	<b>4,678,364</b>	<b>Total equity and liabilities</b> .....	<b>3,706,746</b>	<b>4,776,616</b>	<b>5,661,916</b>
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	<b>Group Statement of Cash Flows</b>		
	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash generated from operations .....	567,830	994,618	788,629
Net cash flows from operating activities .....	522,085	962,271	794,432
Net cash flows used in investing activities .....	(120,597)	(257,838)	(318,613)
Net cash flows used in financing activities .....	(401,014)	(729,996)	(403,560)
Net increase/(decrease) in cash and cash equivalents	474	(25,563)	72,258
Cash and cash equivalents at 31 December .....	221,155	218,199	237,200
<b>Golden Eagle Area Development</b>			
The tables below set out the summary financial information of Suncor's 26.69 per cent. non-operated working interest in the Golden Eagle Area Development (the "Golden Eagle Asset") for the periods indicated. The financial information has been extracted without material adjustment from the historical financial information of the Golden Eagle Asset for the relevant periods. From Completion, the EnQuest Group will account for the Golden Eagle Asset in US dollars as a single cash-generating unit.			
<b>Income statement</b>			
	<b>Year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Turnover .....	95,413	209,292	334,419
Cost of sales .....	(66,630)	(95,393)	(136,111)
Gross profit .....	28,783	113,899	198,308
Unwinding of discount on decommissioning .....	(3,684)	(3,594)	(4,447)
Profit before tax .....	25,099	110,305	193,861
Tax on profit .....	(10,359)	(42,988)	(79,376)
Profit and comprehensive income for the financial year	14,740	67,317	114,485
<b>Balance Sheet</b>			
	<b>As at 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Assets			
Non-current assets .....	133,902	147,449	195,420
Current assets .....	24,534	53,848	50,201
<b>Total assets</b> .....	<b>158,436</b>	<b>201,297</b>	<b>245,621</b>
Current liabilities .....	(14,040)	(6,350)	(10,195)
Net current assets .....	10,494	47,498	40,006
Total assets less current liabilities .....	144,396	194,947	235,426
Total liabilities .....	(152,780)	(133,238)	144,350
<b>Net assets</b> .....	<b>5,656</b>	<b>68,059</b>	<b>101,271</b>
<b>Statement of directly attributable cash flows</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>			
Gross profit for the financial year .....	28,783	113,899	198,308
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation .....	52,670	65,647	90,486
(Increase)/decrease in debtors .....	29,826	(3,000)	13,736
(Increase)/decrease in stocks .....	(554)	996	(641)
Increase/(decrease) in trade creditors .....	(7,091)	4,037	3,546
Directly attributable cash flows from operating activities .....	103,634	181,579	305,435
<b>Cash flows from investing activities</b>			
Purchases of fixed assets .....	(15,813)	(250)	(14,747)
Directly attributable cash flows from investing activities .....	(15,813)	(250)	(14,747)
<b>Directly attributable net cash flows</b> .....	<b>87,821</b>	<b>181,329</b>	<b>290,688</b>
<i>Pro forma</i> financial information	The pro forma financial information covers the unaudited pro forma income statement for the year ended 31 December 2020 as if the Transaction and an RBL drawdown of \$600 million had occurred on 1 January 2020 and the unaudited statement of assets and liabilities that has been prepared to illustrate the effect on the consolidated assets and liabilities of EnQuest as at 31 December 2020 as if the Transaction and an RBL drawdown of \$600 million had taken place on that date.		



The unaudited pro forma financial information has been prepared for illustrative purposes only. The hypothetical financial position and results included in the pro forma financial information may differ from the Enlarged Group's actual financial position or results.

#### Unaudited pro forma income statement for the year ended 31 December 2020

	Adjustments					Pro forma total
	Consolidated EnQuest PLC results for the year ended 31 December 2020	Golden Eagle Asset results for the year ended 31 December 2020	Increase in DD&A	Deferred tax recognition	Refinancing	
<b>\$ 000's</b>						
Revenue and other operating income.....	865,648	95,413	–	–	–	961,061
Cost of sales.....	(799,081)	(66,630)	(16,226)	–	–	(881,937)
<b>Gross profit.....</b>	<b>66,567</b>	<b>28,873</b>	<b>(16,226)</b>	<b>–</b>	<b>–</b>	<b>79,124</b>
Net impairment to oil and gas assets.....	(422,495)	–	–	–	–	(422,495)
General and administrative expenses.....	(6,105)	–	–	–	–	(6,105)
Other income.....	154,553	–	–	–	–	154,553
Other expenses.....	(102,589)	–	–	–	–	(102,589)
<b>(Loss)/profit from operations before tax and finance income.....</b>	<b>(310,069)</b>	<b>28,783</b>	<b>(16,226)</b>	<b>–</b>	<b>–</b>	<b>(297,512)</b>
Finance costs.....	(257,077)	(3,684)	–	–	1,959	(258,802)
Finance income.....	1,171	–	–	–	–	1,171
<b>(Loss)/profit before tax.....</b>	<b>(565,975)</b>	<b>25,099</b>	<b>(16,226)</b>	<b>–</b>	<b>1,959</b>	<b>(555,143)</b>
Income tax.....	(59,827)	(10,359)	–	299,900	–	229,714
<b>(Loss)/profit for the year attributable to owners of the parent.....</b>	<b>(625,802)</b>	<b>14,740</b>	<b>(16,226)</b>	<b>299,900</b>	<b>1,959</b>	<b>(325,429)</b>
<b>Total comprehensive (loss)/profit for the year, attributable to owners of the parent.....</b>	<b>(625,802)</b>	<b>14,740</b>	<b>(16,226)</b>	<b>299,900</b>	<b>1,959</b>	<b>(325,429)</b>

#### Unaudited pro forma statement of assets and liabilities at 31 December 2020

	Adjustments					Pro forma total
	Consolidated EnQuest assets and liabilities as at 31 December 2020	Golden Eagle Asset assets and liabilities as at 31 December 2020	Acquisition	Deferred tax recognition	Refinancing	
<b>\$ 000's</b>						
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment.....	2,633,917	131,191	333,602			3,098,710
Goodwill.....	134,400					134,400
Intangible oil and gas assets.....	27,546	502				28,048
Deferred tax assets..	503,946	2,209		299,900		806,055
Other financial assets.....	7					7
<b>Total non-current assets.....</b>	<b>3,299,816</b>	<b>133,902</b>	<b>333,602</b>	<b>299,900</b>	<b>0</b>	<b>4,067,220</b>
<b>Current assets</b>						
Inventories.....	59,784	13,411				73,195
Trade and other receivables.....	118,715	11,123				129,838
Current tax receivable.....	5,601					5,601
Cash and cash equivalents.....	222,830		(319,558)		53,812	2,460
<b>Total current assets.....</b>	<b>406,930</b>	<b>24,534</b>	<b>(319,558)</b>	<b>0</b>	<b>53,812</b>	<b>211,094</b>
<b>Total assets.....</b>	<b>3,706,746</b>	<b>158,436</b>	<b>14,044</b>	<b>299,900</b>	<b>53,812</b>	<b>4,278,314</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Borrowings.....	414,430				(405,193)	9,237
Leases liability.....	99,439					99,439
Contingent consideration.....	73,877				(27,626)	46,251
Provisions.....	98,954					98,954
Trade and other payables.....	255,155	14,040				269,195
Other financial liabilities.....	2,007					2,007
Current tax payable.....	0	0				0
<b>Total current liabilities.....</b>	<b>943,862</b>	<b>14,040</b>	<b>0</b>	<b>0</b>	<b>(432,819)</b>	<b>525,085</b>

	Consolidated EnQuest assets and liabilities as at 31 December 2020	Adjustments					Pro forma total
		Golden Eagle Asset assets and liabilities as at 31 December 2020	Acquisition	Deferred tax recognition	Refinancing	Capital Raising net of fees	
<b>Non-current liabilities</b>							
Borrowings.....	37,854				533,145		570,999
Bonds .....	1,045,041						1,045,041
Leases liability .....	548,407						548,407
Contingent consideration.....	448,384		19,700		(44,589)		423,495
Provisions.....	741,453	138,740					880,193
Deferred tax liabilities.....	6,385						6,385
<b>Total non-current liabilities.....</b>	<b>2,827,524</b>	<b>138,740</b>	<b>19,700</b>	<b>0</b>	<b>488,556</b>	<b>0</b>	<b>3,474,520</b>
<b>Total liabilities .....</b>	<b>3,771,386</b>	<b>152,780</b>	<b>19,700</b>	<b>0</b>	<b>55,737</b>	<b>0</b>	<b>3,999,603</b>
<b>Net (liabilities)/ assets.....</b>	<b>(64,640)</b>	<b>5,656</b>	<b>(5,656)</b>	<b>299,900</b>	<b>(1,925)</b>	<b>45,376</b>	<b>278,711</b>
Key risks that are specific to the issuer	<p><b>What are the key risks that are specific to the issuer?</b></p> <p>Key information on the key risks relating to the EnQuest Group and, following Completion, the Enlarged Group or its industry are:</p> <ul style="list-style-type: none"> <li>Completion is subject to a number of conditions which may not be satisfied or waived. If Completion does not occur, the EnQuest Group will experience a delay in the achievement of its strategic objectives and could suffer a significant impact on its reputation. The EnQuest Group would also be unable to draw down a larger amount available under the RBL, which is conditional on Completion;</li> <li>the Capital Raising is not conditional upon Completion; if the Acquisition does not complete, the Directors will evaluate how best to proceed and may not return the net proceeds of the Capital Raising to Shareholders;</li> <li>the Enlarged Group may fail to realise, or it may take longer than expected to realise, the anticipated benefits of the proposed Acquisition, including the perceived tax benefits;</li> <li>historically crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil, or subject to sharp price movements. No assurance can be given that oil prices will remain at levels which will enable the EnQuest Group to do business profitably or at levels that make it economically viable to produce from certain wells;</li> <li>continued political, societal and commercial attention to climate change, the UK's transition to a 'net zero' economy by 2050 and the associated mitigation through regulation of greenhouse gases may result in reduced demand for oil and suppressed oil prices; substantial capital, compliance, operating and maintenance costs for the EnQuest Group or its customers;</li> <li>the levels of the EnQuest Group's 2P reserves and contingent resources and their quality may be lower than estimated or expected. If the assumptions upon which the estimates of the EnQuest Group's oil reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to the EnQuest Group are otherwise less than the current estimates or of lesser quality than expected, the EnQuest Group may be unable to recover and produce the estimated levels or quality of oil and other hydrocarbons;</li> <li>the EnQuest Group faces drilling and production risks and hazards, including those caused by a failure to maintain operability and operations integrity, that may affect the EnQuest Group's ability to produce oil at expected levels, quality and costs and that may result in additional liabilities to the EnQuest Group;</li> <li>the EnQuest Group faces significant uncertainty as to the success of project execution and delivery. Much of the EnQuest Group's success is dependent on the EnQuest Group bringing both re-developments and new developments of oil fields to production on budget and on schedule as well as successful execution and delivery of development and decommissioning projects and short-cycle, quick payback projects;</li> <li>if the EnQuest Group is unable to replace the 2P reserves that it produces, whether through further appraising and developing its existing assets or through the award or acquisition of additional assets, the EnQuest Group's reserves and revenues will decline;</li> <li>the EnQuest Group may not be able to generate sufficient cash, including through hedging, to comply with its financial covenants, fund its capital expenditures or sustain its operations. The EnQuest Group is subject to financial covenants and liquidity testing in its senior debt arrangements and its operating performance and ability to generate cash from operations is subject, in large part, to general competitive, legislative, regulatory and economic factors that are beyond its control, including the price of crude oil;</li> <li>the EnQuest Group may not be able to repay the Notes currently scheduled to be repayable in 2023, or refinance or amend and extend both series of Notes on acceptable terms, which depends on a number of factors, including the financial condition and prospects of the EnQuest Group at the time, market conditions at the time and the ability</li> </ul>						

	<p>of the EnQuest Group to obtain holders' consent to any such extensions and amendment and/or successfully complete a new bond offering on terms attractive to investors; and</p> <ul style="list-style-type: none"> <li>all of the EnQuest Group's production comes from 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.</li> </ul>
<b>Section C – Key information on the securities</b>	
Type, class and ISIN of the securities	<p><b>What are the main features of the securities?</b></p> <p>The New Ordinary Shares will be fully paid ordinary shares traded on the Main Market under the ticker symbol "ENQ". On Admission, the New Ordinary Shares will be registered with an ISIN of GB00B635TG28. The ISIN for the Open Offer Entitlements will be GB00BN2WDM76.</p>
Currency of the securities	The New Ordinary Shares will be denominated in pounds sterling.
Number of issued and fully paid securities	Pursuant to the Capital Raising, the Company will issue in aggregate up to 190,122,384 New Ordinary Shares of which up to 94,852,612 are proposed to be issued under the Firm Placing and up to 95,269,772 are proposed to be issued under the Placing and Open Offer. As at the Latest Practicable Date, there were 1,695,801,955 Existing Ordinary Shares in issue.
Rights attaching to the securities	<p>The New Ordinary Shares issued under the Capital Raising, when issued and fully paid, will be identical to, and rank <i>pari passu</i> with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission.</p> <p>On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New Ordinary Share.</p>
Description of restrictions on free transferability of the securities	The New Ordinary Shares are freely transferable and there are no restrictions on transfer.
Rank of securities in the Company's capital structure in the event of insolvency	The New Ordinary Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law. The New Ordinary Shares and the Existing Ordinary Shares will rank <i>pari passu</i> in all respects.
Dividend policy	The Company has not declared or paid any dividends since incorporation in January 2010 and does not currently intend to pay dividends in the near future. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and on such other factors as the Directors of the Company consider appropriate.
Admission	<p><b>Where will the securities be traded?</b></p> <p>Application will be made for the New Ordinary Shares to be admitted to the premium listing segment of the Official List of the FCA and to trading on the Main Market.</p> <p>As the Acquisition constitutes a reverse takeover under the Listing Rules, upon Completion the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market will be cancelled. Further application will be made for the immediate re-admission of those Ordinary Shares (including the New Ordinary Shares) to the premium segment of the Official List and to trading on the Main Market.</p> <p>Application will be made for the New Ordinary Shares to be admitted to trading on NASDAQ Stockholm. The admission to trading of Existing Ordinary Shares registered in the VPC System on NASDAQ Stockholm will not be affected by the Transaction or Re-admission.</p>
Key risks that are specific to the securities	<p>The key risks specific to Ordinary Shares are:</p> <ul style="list-style-type: none"> <li>the market value of the New Ordinary Shares and/or Ordinary Shares may fluctuate and may not reflect the underlying asset value of the EnQuest Group.</li> <li>there is no guarantee that there will be an active trading market for the Ordinary Shares.</li> <li>Shareholders who do not acquire New Ordinary Shares in the Open Offer will experience dilution in their ownership of approximately 10.1 per cent. and Shareholders who take up their Open Offer Entitlement in full will experience a dilution of approximately 5.0 per cent. as a result of the Firm Placing.</li> </ul>
<b>Section D – Key information on the offer of securities to the public and/or the admission to trading on a regulated market</b>	
Terms and conditions of the offer	<p><b>Under which conditions and timetable can I invest in this security?</b></p> <p>It is expected that Admission of the New Ordinary Shares will become effective, and that dealings in the New Ordinary Shares on the London Stock Exchange, will commence, at 8.00 a.m. on 26 July 2021.</p> <p>The Company is proposing, subject to certain conditions, to issue in aggregate up to 190,122,384 New Ordinary Shares through the Capital Raising, raising gross proceeds of up to approximately £36.1 million (approximately £33.7 million (net of expenses)). The Capital Raising will comprise a Firm Placing of up to 94,852,612 New Ordinary Shares and a Placing and Open Offer of, in aggregate, up to 95,269,772 New Ordinary Shares.</p> <p>Each Qualifying Shareholder is being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their <i>pro rata</i> entitlement which shall be calculated on the basis of:</p> <p><b>5 Open Offer Shares for every 89 Existing Ordinary Shares</b></p>

	<p>registered in the name of the Qualifying Shareholder on the Record Date and so in proportion to any other number of Existing Ordinary Shares then registered.</p> <p>The Capital Raising is conditional upon, among other things:</p> <ul style="list-style-type: none"> <li>(a) the passing without amendment of Resolutions 1 and 4 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner, at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force;</li> <li>(b) the Company having complied with its obligations under the Sponsor and Placing Agreement or under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission and such agreement having become unconditional save as otherwise agreed by the Bookrunner and the Sponsor and Placing Agreement not having been terminated prior to Admission;</li> <li>(c) Admission becoming effective by not later than 8.00 a.m. on 26 July 2021 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021);</li> <li>(d) the Call Option Deed, Asset Transfer SPA, Second Lien Financing and associated Letter of Credit having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and no right to terminate or rescind such agreements having arisen before Admission; and</li> <li>(e) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission.</li> </ul> <p>The Bookrunner will, pursuant to the Sponsor and Placing Agreement, use reasonable endeavours to procure Firm Placees for the Firm Placing Shares (other than 10,185,677 Firm Placing Shares which Double A Limited has agreed to subscribe for pursuant to the Double A Irrevocable Undertaking) and Placees for the Open Offer Shares (other than the Committed Shares which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer), in each case at the Issue Price. The commitments of the Placees will be subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Firm Placing Shares will be issued to the Firm Placees on a non-pre-emptive basis and will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders. Subject to waiver or satisfaction of the conditions and the Capital Raising not being terminated, any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to the Placees at the Issue Price. If any Firm Placee or Placee (other than Double A Limited) fails to pay for any of the New Ordinary Shares for which it has agreed to subscribe, the Bookrunner will subscribe for such New Ordinary Shares subject to the terms and conditions of the Sponsor and Placing Agreement. For the avoidance of doubt, the Bookrunner is not underwriting New Ordinary Shares which are not conditionally placed with Firm Placees or Placees or the New Ordinary Shares to be subscribed for by Double A Limited in the Capital Raising.</p> <p>It is intended that:</p> <ul style="list-style-type: none"> <li>(a) Application Forms in respect of the New Ordinary Shares to be offered under the Open Offer will be despatched to Qualifying Non-CREST Shareholders at their own risk by 1 July 2021;</li> <li>(b) the Receiving Agent will instruct Euroclear UK &amp; Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders' entitlements to the Open Offer Entitlement with effect from 8.00 a.m. on 1 July 2021;</li> <li>(d) the relevant Open Offer Shares will be credited to the stock accounts in CREST of relevant Qualifying CREST Shareholders who validly apply for Open Offer Shares as soon as practicable after 8.00 a.m. on 26 July 2021; and</li> <li>(e) share certificates for the Open Offer Shares to be held in certificated form will be despatched to relevant Qualifying Non-CREST Shareholders, who validly take up their Open Offer Entitlements by not later than 6 August 2021 at their own risk.</li> </ul> <p><b>Why is this prospectus being produced?</b></p> <p>This document has been prepared in connection with the Transaction and Re-admission.</p> <p>Pursuant to the Capital Raising, the Company proposes to issue up to 190,122,384 New Ordinary Shares to raise net proceeds of up to approximately £33.7 million. The Company intends to use the entire proceeds raised from the Capital Raising to partly fund the acquisition of Golden Eagle.</p> <p>Save in respect of the Second Lien Financing, there are no material conflicts of interest pertaining to the Capital Raising, Admission or Re-admission.</p>
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## RISK FACTORS

*The Acquisition, the Capital Raising and any investment in the New Ordinary Shares are subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in Ordinary Shares, the EnQuest Group's business and the industry in which the EnQuest Group operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their personal circumstances prior to making any investment decision. Some of the following factors relate principally to the EnQuest Group's business. Other factors relate principally to the proposed Acquisition, the Capital Raising and an investment in Ordinary Shares.*

*The EnQuest Group's business, prospects, financial condition and results of operations could be materially adversely affected by any of the risks described below. Prospective investors should note that each of these risks will continue to be relevant to the Enlarged Group following Completion.*

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

*The Directors consider the following risks to be material for prospective investors in the Company. However, the following is not an exhaustive list or explanation of all risks which investors may face when making an investment in Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the EnQuest Group that are not currently known to the EnQuest Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations. If any such risk, or any of the risks described below, should materialise, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

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

### 1. RISKS RELATING TO THE ACQUISITION

#### 1.1 Completion is subject to a number of conditions which may not be satisfied or waived

Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, some of which are outside of the parties' control, including:

- completion of the transfer of the Golden Eagle Asset from Suncor to Golden Eagle;
- the release of any guarantees given by Suncor with respect to the Golden Eagle Asset and the provision of any required replacement by EnQuest Heather;
- the approval (without amendment) of Resolutions 1 and 4 and, except with the prior written agreement of the Bookrunner, Resolution 5 by Shareholders at the General Meeting;
- the release of certain guarantees given by Suncor Group Companies to the OGA in relation to the Golden Eagle Asset;
- securing the consideration through debt and equity funding arrangements; and
- other customary regulatory and third party consents (including the relevant consents of the existing Golden Eagle joint venture partnership).

If Completion does not occur, the EnQuest Group will experience a delay in the achievement of its strategic objectives and could suffer a significant impact on its reputation. The EnQuest Group would also be unable to draw down a larger amount available under the RBL, which is conditional on Completion, as described in more detail in risk factor 3.1 entitled “*The EnQuest Group may not be able to generate sufficient cash to comply with its financial covenants, fund its capital expenditures or sustain its operations*”. In the event that Completion does not occur in certain circumstances, such as the failure by the Company to obtain approval of the Acquisition from its Shareholders, the Company will also forfeit a deposit of \$3 million which will be retained by Suncor.

**1.2 The Capital Raising is not conditional upon completion of the Acquisition; if the Capital Raising completes but the Acquisition does not, the net proceeds of the Capital Raising may be retained by the Company**

It is possible that the Acquisition could cease to be capable of completion, in particular if any of the conditions precedent to Completion are not satisfied in accordance with the Call Option Deed even following Admission of the New Ordinary Shares. In this case, as the Capital Raising is not conditional upon completion of the Acquisition, the Capital Raising would still be completed and funds would be raised by the Company.

Completion under the Call Option Deed is subject to, and can only occur upon satisfaction or waiver of, a number of conditions, details of which are set out in risk factor 1.1 entitled “*Completion is subject to a number of conditions which may not be satisfied or waived*”. These conditions may not be fulfilled (or waived, where capable of being waived) and the Acquisition may not be completed.

In the event that the Capital Raising proceeds but the Acquisition does not complete, EnQuest will have raised proceeds pursuant to the Capital Raising which will not subsequently be used to fund the Acquisition. In these circumstances, the Directors will evaluate how best to proceed and may not return the net proceeds of the Capital Raising to Shareholders, given potential tax treatment for Shareholders and the Company, restrictive covenants under the EnQuest Group’s senior debt facilities and/or applicable securities laws. Therefore, if the Acquisition does not proceed, it would also mean that costs would have been incurred by the EnQuest Group with none of the potential benefits of the Acquisition having been achieved and that time spent by management in connection with the Acquisition will not have been spent productively.

**1.3 The Capital Raising may not raise sufficient capital to fund the Acquisition which would require the Company to draw down further on its debt facilities**

If the Capital Raising does not raise sufficient proceeds to enable the EnQuest Group to fund the consideration for the Acquisition, the EnQuest Group will have to rely on the provision of a second lien loan of up to \$50 million by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and Signal Alpha. As Amjad Bseisu is a Director and, in aggregate, is indirectly interested in 10.7 per cent. of the Company’s Existing Issued Share Capital, such a loan would constitute a “related party transaction” for the purposes of Chapter 11 of the Listing Rules and therefore requires the approval of Shareholders. If such Shareholder approval is not obtained, there will be insufficient funds in place to complete the Acquisition.

In the event that Shareholder approval is obtained and the EnQuest Group draws on the Second Lien Financing, the Second Lien Financing will rank senior to the rights of the Company’s Shareholders. In addition, the incurrence of additional borrowings, which would also rank in priority to the unsecured Notes, may make the refinancing of the Notes more difficult as investors may see this as a less attractive investment or otherwise impact the EnQuest Group’s ability to raise further second lien borrowings from third parties. The EnQuest Group will also become further leveraged which could have a material adverse effect on the EnQuest Group’s business, financial condition, prospects or results of operations. For further details on the indebtedness of the EnQuest Group, please see risk factor 3.1 entitled “*The EnQuest Group may not be able to generate sufficient cash to comply with its financial covenants, fund its capital expenditures or sustain its operations*”.

**1.4 The Enlarged Group may fail to realise, or it may take longer than expected to realise, the anticipated benefits of the proposed Acquisition**

The EnQuest Group believes that completion of the Acquisition will provide the EnQuest Group with a number of benefits, including significant organic growth, an immediate incremental production increase and around \$170 million of net present value to the EnQuest Group. Although the EnQuest Group will seek to capitalise on the significant remaining development potential in the Golden Eagle Area Development following the Acquisition, its ability to influence the development will be limited given it is acquiring a non-operating interest. The EnQuest Group may also face unexpected challenges or costs, including higher than anticipated remedial capital expenditure and operating expenditure costs and lower than anticipated production efficiency. The EnQuest Group may also be challenged by major failures in infrastructure of the Golden Eagle Asset, which may require extended shut-downs for repair work. The occurrence of any of these events may impair or delay the EnQuest Group's ability to realise the anticipated potential of the Golden Eagle Asset, which could have a material adverse effect on the EnQuest Group's business, financial condition, prospects or results of operations.

In order to fully realise the perceived tax benefits of the Acquisition, the Enlarged Group will need to transfer the Golden Eagle Asset to another entity in the EnQuest Group post-Completion. If the Enlarged Group is unable to complete this transfer, it may have a material adverse effect on the Enlarged Group's business, financial condition, prospects or results of operations.

**1.5 If the EnQuest Group fails to integrate the Golden Eagle Asset or other acquisitions successfully, its financial condition and future performance could be adversely affected**

Integrating operations, technology, systems, management, personnel and pre or post-completion costs for the Acquisition or future acquisitions may prove more difficult or expensive than anticipated, thereby rendering the value of the Golden Eagle Asset or any other company or assets acquired less than the amount paid. Integration of new businesses can be difficult and disrupt the EnQuest 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 integration of acquired businesses requires significant time and effort on the part of the EnQuest Group's management and the EnQuest Group will need to allocate resources appropriately to ensure that it can collaborate effectively with its joint venture partners at the Golden Eagle Area Development.

Historically, the EnQuest Group has acquired interests in additional assets on a regular basis. The EnQuest Group will continue to consider acquisition opportunities that fit within the EnQuest Group's overall strategy but there can be no assurances that the EnQuest Group will be successful in identifying and completing further acquisitions. The EnQuest Group could experience difficulties in successfully integrating the Golden Eagle Asset and future acquisitions, which could materially adversely affect its business, prospects, financial condition and results of operations. For further details on how the EnQuest Group may fail to integrate the Golden Eagle Asset pursuant to the Acquisition, please see risk factor 1.4 entitled "*The Enlarged Group may fail to realise, or it may take longer than expected to realise, the anticipated benefits of the proposed Acquisition*".

**1.6 There are risks inherent in the EnQuest Group's acquisitions of appraisal, development and production properties, including the proposed Acquisition**

Prior to entering into an agreement to acquire an oil and gas asset (or companies holding such assets), the EnQuest 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 EnQuest Group or by third parties on its behalf in connection with the Acquisition or any other acquisition will reveal all of the risks associated with the relevant assets or company, or the full extent of such risks. To the extent that the EnQuest Group or third parties acting on the EnQuest Group's behalf underestimate or fail to identify risks and liabilities associated with the Acquisition or any other acquisition or overestimate the value of the Acquisition or any other acquisition to the EnQuest 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 EnQuest 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 EnQuest Group's strategy or that fail to perform in accordance with the EnQuest Group's expectations.

The EnQuest Group has historically undertaken a number of acquisitions of oil and gas assets (and of companies holding such assets) as part of its strategy in maintaining and growing the EnQuest Group's reserves. In addition to the Acquisition, the Directors may consider further acquisition opportunities inside and outside of the UKCS and Malaysia, in respect of assets that fit within the EnQuest Group's overall strategy or which enhance the EnQuest Group's overall reserve base and production capability. However, there can be no assurances that the EnQuest Group will be successful in identifying and completing further acquisitions. For example, the EnQuest Group, or following Completion, the Enlarged 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. In addition, equity or debt financing may not be available to the EnQuest Group in order to complete acquisitions in the future. There may also be additional risks associated with any acquisitions outside the EnQuest Group's, or following Completion the Enlarged Group's, core geographies in the UKCS and Malaysia, such as a potential lack of synergies with existing operations or regulatory or production risks associated with a new geography.

If the Acquisition or any other historic or future acquisitions of the EnQuest Group or the Enlarged Group (as applicable), fail to perform as expected, or give rise to significant unforeseen costs or liabilities, this could have a material adverse effect on the business, prospects, financial condition and results of operations of the EnQuest Group and, following Completion, the Enlarged Group.

#### **1.7 Upon Completion, the Enlarged Group will own a non-operating minority interest in the Golden Eagle Area Development**

The Enlarged Group will own a non-operating minority stakeholder in the Golden Eagle Area Development and therefore will 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, and will not have veto rights over most matters concerning the operation of the Golden Eagle Area Development. There could therefore be a delay in taking certain actions in order to ensure full operational and production capabilities of the Golden Eagle Asset which could have a material adverse effect on the Enlarged Group's business, prospects, financial condition and results of operations. For further details, please see risk factor 3.7 entitled "*The EnQuest 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 EnQuest Group's assets and, following Completion, the Golden Eagle Asset*".



## 2. RISKS RELATING TO THE OIL AND GAS INDUSTRY

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

The EnQuest 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 is a commodity for which prices are determined based on world demand, supply and other factors, all of which are beyond the EnQuest 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 due to increased climate change legislation and regulation imposing limits on carbon emissions;
- decrease in demand in countries with weak macro-economic growth;
- evolution of stocks of oil and related products;
- increased production due to new extraction developments and improved extraction and production methods;
- geopolitical uncertainty, including trade disputes and independence movements;
- 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 the Organization of Petroleum Exporting Countries ("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.

Historically, crude oil prices have been highly volatile and subject to large fluctuations in response to relatively minor changes in the demand for oil, or subject to sharp price movements, such as that which coincided with the onset of the COVID-19 pandemic. Dated Brent crude oil averaged \$42/bbl in 2020, reaching a low of \$9/bbl on 21 April 2020, compared to an average of \$64/bbl in 2019. Although the price of Dated Brent crude oil recovered briefly to above \$70/bbl in March 2021, oil prices are expected to remain volatile for the near future 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 the OPEC and ongoing global credit and liquidity concerns. It is also expected that the increased focus of governments, regulators and consumers on the impact of climate change and reducing carbon emissions could reduce demand for oil and suppress oil prices. There can be no assurances as to the level of oil prices that will be achievable in the future.

The EnQuest Group's, revenues, operating results, profitability, future production capabilities and the carrying value of its oil properties depend heavily on the prices the EnQuest Group receives for oil

sales. Substantially all of the EnQuest Group's reserves are constrained by a commercial materiality threshold and therefore are impacted by changes in oil prices. In particular, decreases to oil prices could lead to reductions in the economic life of a field, which would, in turn, lead to a decrease in the EnQuest Group's reserves. For example, during 2019 the EnQuest Group recorded downward revisions to the EnQuest Group's reserves at Heather/Broom and Thistle/Deveron, following safety-related shutdowns at those fields in the fourth quarter of 2019, and in light of the low oil price environment in the first half of 2020, the EnQuest Group decided not to re-start production at those fields following an analysis that the costs and risks of remediation and restarting production outweighed the economic benefits of doing so. Going forward, the EnQuest Group may elect not to continue production from certain of the EnQuest Group's assets in the event of further decreases in oil price, or the EnQuest Group's license partners may not want to continue production, regardless of the EnQuest Group's position, and subsequently may seek to sell their interest in a particular licence, which could have a material adverse impact on the EnQuest Group's results of operations.

Although oil prices have shown signs of recovery in the early months of 2021, the EnQuest Group believes that low oil prices, as experienced in 2020, may return and endure in the future due to climate change driving a reduced demand for oil. Lower oil prices typically result in significant reductions in capital expenditure budgets, cancellation or deferral of projects and reductions in discretionary expenditures. For example, in response to the deterioration in the oil price environment in 2020, the EnQuest Group reviewed its spending plans and implemented a material operating cost and capital expenditure reduction programme, including an acceleration of cessation of production at a number of the EnQuest Group's highest cost assets, a significant reduction in the EnQuest Group's workforce and deferral or cancellation of drilling and other discretionary activities, which in turn resulted in a reduction in the EnQuest Group's costs and improved cash flow. Certain development projects could become unprofitable as a result of oil price declines, which could in turn result in the EnQuest Group postponing or cancelling a planned project or, if it is not possible to cancel the project, carrying out the project with negative economic impact. In addition, the EnQuest Group may face property impairments if prices fall significantly. No assurance can be given that oil prices will remain at levels which will enable the EnQuest Group to do business profitably or at levels that make it economically viable to produce from certain wells and any material decline in such prices could result in a reduction of the EnQuest Group's net production volumes and revenue and a decrease in the EnQuest Group's reserves and a decrease in the valuation of the EnQuest Group's exploration, appraisal, development and production properties.

A significant and prolonged decline in the price of oil may also impact the EnQuest Group's ability to comply with its financial covenants, as described in more detail in risk factor 3.1 entitled "*The EnQuest Group may not be able to generate sufficient cash to comply with its financial covenants, fund its capital expenditures or sustain its operations*".

To mitigate oil price volatility, the EnQuest Group monitors oil price sensitivity relative to its capital commitments and has a policy which allows hedging of its production to try to ensure that it receives a minimum oil price. However, there can be no assurance that the EnQuest Group's existing hedging arrangements will be effective or sufficient, or that the EnQuest Group will be able to effectively hedge declines in oil prices in the future. For further details, please see risk factor 3.11 entitled "*The EnQuest Group's commodity hedging activities may not be effective*". If prices for the oil the EnQuest Group produces fall, this could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations.

## **2.2 Climate change legislation, the transition to net zero greenhouse gas emissions by 2050 and/or protests and shareholder actions against fossil fuel extraction may have a material adverse effect on the EnQuest Group's industry**

Continued political, societal and commercial attention to climate change, the UK's transition to a 'net zero' economy by 2050 and the associated mitigation through regulation of greenhouse gases as part of this transition could have a material adverse effect on the EnQuest Group's prospects, financial condition and results of operations.

There have been numerous developments in climate change laws in recent years, at both international, regional and national level.

The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change, sets the overall framework for coordinated global action in relation to climate change mitigation and adaptation. The Paris Agreement aims to limit global temperature increase to well below 2 °C compared to pre-industrial levels, and commits the parties to pursue efforts to limit the temperature increase to 1.5 °C. The IPCC's Sixth Assessment Report is currently underway and is due for release in 2022. This, in conjunction with the stocktake mechanism under the Paris Agreement, may create further pressure for mitigation action by parties to the Paris Agreement.

At the UK level, in June 2019, the UK amended the legally binding target set out in the Climate Change Act 2008 in order to implement the UK's 2050 net-zero target. Further to this, the UK's Sixth Carbon Budget was published by the Climate Change Committee ("CCC"), the government's independent advisor on climate change, in December 2020. The Sixth Carbon Budget provides the UK government with advice on the budget of greenhouse gases the UK can emit during the period 2033-2037. In addition to the 2050 net zero target, the CCC's recommended pathway requires a 78 per cent. reduction in UK territorial emissions between 1990 and 2035. The CCC state that meeting the Sixth Carbon Budget requires action across four key areas, namely (1) the expansion of low-carbon energy supplies (including the complete decarbonisation of electricity by 2035 in a balanced net zero pathway), (2) the take-up of low-carbon solutions (including low carbon or electric boilers and vehicles), (3) reducing demand for carbon-intensive activities, and (4) land (and removals). The Oil and Gas Authority has also recently published its response to the consultation to revise the Maximising Economic Recovery Strategy for the UK in light of the UK's net zero target.

Taken together, these international, regional and national climate change laws and regulations establish the framework for the transition to net zero greenhouse gas emissions in the UK by 2050. However, the Committee on Climate Change note that a major strengthening of UK policies is required to reduce emissions and achieve net zero.

Accordingly, additional laws and regulations are highly likely to be introduced to, amongst other things, reduce greenhouse gas emissions and the demand for fossil fuels and fossil fuel technologies, incentivise renewable and low-carbon energy and electric and low-carbon technologies, and transition to a net zero economy. For example, in relation to the EnQuest Group's operational emissions, there may be additional restrictions and/or a prohibition on the flaring or venting of gas in non-emergency situations. The UK government has recently announced that it will introduce a "climate compatibility checkpoint" to determine whether future applications for oil and gas licenses in the North Sea align with wider climate change objectives, such as the reduction of emissions and sustainability. This may make it more difficult for the EnQuest Group to procure licences in the future or make it more expensive or onerous to comply with existing licences. While conventional oil and gas activities will play a role in the energy transition, laws, policies and regulations introduced to deliver net zero by 2050 may either directly or indirectly impact the demand for oil and gas and/or fossil fuel based technologies and products and have a material adverse effect on the EnQuest Group. Such laws and regulations may result in substantial capital, compliance, operating and maintenance costs for the EnQuest Group or its customers.

Legal and regulatory changes may also increase the price of, or increase the scope and rate of relevant levies, charges or taxes on carbon, oil and gas, oil and gas products, or other greenhouse gases. It may also be the case that, owing to such laws and regulations, the EnQuest Group may not be able to fully exploit all of the EnQuest Group's reserves. Furthermore, recent regulatory changes, such as the introduction of new Listing Rule 9.8 will require the EnQuest Group to include a statement in its annual financial report for the accounting period from 1 January 2021 onwards setting out whether its disclosures are consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), and to explain if it has not done so. The implementation of TCFD recommendations on governance, strategy, risk management and metrics and targets across the EnQuest Group could materially adversely affect the EnQuest Group's cost structure. Increased

reporting on the EnQuest Group's exposure to climate change-related risks could also make the EnQuest Group less attractive to potential investors or lenders, making it more difficult or costly to raise capital. At this stage, while the net zero target is established, the rate of legislative change and the potential impact of such a broad range of laws, policies and regulations is difficult to accurately predict. For further details on how climate change legislation could impact the price of oil and the EnQuest Group's business, please see risk factor 2.1 entitled "*Volatility and decreases in oil prices could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations*".

For example, as a company with operations in the United Kingdom, the EnQuest Group is currently subject to the UK Emissions Trading Scheme ("UK ETS"). Under the UK ETS 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) are regulated. As the UK ETS is a smaller carbon market than the European Union Emissions Trading Scheme, there is concern that there may be greater carbon price volatility in the UK ETS.

In addition, the EnQuest 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 EnQuest Group's operations and increase its cost structure. Additional requirements may also be enacted in the jurisdictions in which the EnQuest Group chooses to operate in the future.

In addition, the EnQuest Group may be subject to activism, including from groups campaigning against fossil fuel extraction and climate change, which could negatively affect its reputation, dissuade investors from investing in the EnQuest Group's business, persuade shareholders to sell their holdings, encourage or require the EnQuest Group to take decisions to reduce emissions or change business strategy in light of climate change concerns, dissuade contractors from working with the EnQuest Group, reduce demand for EnQuest's products, disrupt the EnQuest Group's operations or development programmes, induce the EnQuest Group's employees and/or directors to cease working or acting for the EnQuest Group or otherwise negatively impact the EnQuest Group's business. The EnQuest Group may also be the subject of legal proceedings and strategic litigation, including that designed to constrain the extraction of oil and gas, impact on the EnQuest Group's various licences, permissions or consents to operate or seek reparations for loss and damage in respect of climate change. Shareholders may also bring action, for example demanding greater transparency and fuller disclosures on climate change related risks, and requiring the EnQuest Group to adapt its business strategy to mitigate these risks and provide a more resilient investment for shareholders.

### **2.3 The levels of the EnQuest Group's 2P reserves and contingent resources and their quality may be lower than estimated or expected**

The 2P reserves and contingent resources set forth in this document represent estimates only and are based on the EnQuest Group's internal assessments as audited by GaffneyCline. The standards utilised to prepare the 2P reserves and contingent resources information set forth in this document, for both the EnQuest Group's existing assets and the Golden Eagle Asset, 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, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists & Engineers in June 2018 in the "Petroleum Resources Management System", which may be different from the standards of reporting adopted in the United States and other jurisdictions. Investors, therefore, should not assume that the data found in the reserves and resources information set forth in this document is directly comparable to similar



information that has been prepared in accordance with the reserve and resource reporting standards of other jurisdictions.

In general, estimates of economically recoverable oil reserves are based on a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the properties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, 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;
- future hydrocarbon sales prices; and
- decommissioning costs.

Many of the factors in respect of which assumptions are made when estimating reserves are beyond the EnQuest Group's control and therefore these estimates may prove to be incorrect over time, including any estimations made by the EnQuest Group in connection with the Golden Eagle Asset. 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. Drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in the EnQuest 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 EnQuest Group's oil reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to the EnQuest Group are otherwise less than the current estimates or of lesser quality than expected, the EnQuest Group may be unable to recover and produce the estimated levels or quality of oil and other hydrocarbons set out in this document and this may materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations.

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

The EnQuest Group's oil exploration and production operations are subject to numerous risks common to the 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 EnQuest 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 frequency and severity of which may be impacted by climate change. The offshore drilling the EnQuest 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 EnQuest Group's hub-based model requires that substantially all the EnQuest Group's production is produced through a limited number of offshore facilities, so any technical failure or accident involving these facilities could have a material adverse effect on the EnQuest Group's production from multiple fields and its resulting cash flow therefrom. Unplanned partial or full shutdowns could adversely impact the EnQuest Group's financial performance if such shutdowns require substantial costs to remediate or continue for an extended period of time and such outages coincide with a period of relatively higher prices with production only returning in a period of relatively lower prices. For example, in 2019, the EnQuest Group's Heather platform experienced a small fire while shut-down for repair work on the facility's compressors and, following an analysis that the costs and risks of remediation and restarting production outweighed the economic benefits of doing so, the EnQuest Group decided not to re-start production at the platform, leading to shut-downs at the Heather and Broom fields. Similarly, following a precautionary shutdown and down-man for safety reasons at the Thistle platform, the EnQuest Group decided not to re-start production at the platform, leading to shut-downs at the Thistle and Deveron fields. In 2020 the EnQuest Group experienced an incident at PM8/Seligi whereby a detached riser resulted in a release of gas and a fire which initiated an emergency shutdown of this field. While partial operations resumed within two days, production is not expected to return to normal levels until the second half of 2021 when the damaged riser and pipeline is expected to be replaced. Such hazards could have a material adverse effect on the EnQuest's Group's business, prospects, financial condition and results of operations.

The EnQuest Group seeks to maintain a high degree of operational control over production assets in its portfolio and it continually assesses the condition of its assets and operates extensive maintenance and inspection programmes designed to minimise the risk of unplanned shutdowns and expenditure. However, if an accident or failure occurs, environmental damage, including biodiversity loss or

habitat destruction, injury to persons and other species and organisms, loss of life, failure to produce oil in commercial quantities or an inability to fully produce discovered reserves could result. Such technical failure or accident may also result in unplanned expenditure, in particular where remediation may be dependent on suitable weather conditions offshore. Furthermore, the EnQuest Group is not the operator of its Alba asset and the Enlarged Group will not be the operator of the Golden Eagle Asset, limiting the ability of the EnQuest Group, and following Completion the Enlarged Group, to direct or control operations, the timing and performance of activities or the costs thereof. There could therefore be a delay by the relevant operator in responding to risks or hazards at Alba or in respect of the Golden Eagle Asset which could have a material adverse effect on the EnQuest's Group's and the Enlarged Group's business, prospects, financial condition and results of operations.

These events could also cause substantial damage to the EnQuest Group's property and the EnQuest Group's reputation and put at risk some or all of the EnQuest Group's interests in licences, which enable it to explore and produce, and could result in the EnQuest Group incurring fines or penalties, criminal sanctions against the EnQuest Group and its management and other governmental and third-party claims and potentially the seizure of operating licences. 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 EnQuest 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 EnQuest 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 EnQuest Group's operations.

## **2.5 The EnQuest Group faces significant uncertainty as to the success of project execution and delivery**

The EnQuest Group's success depends in part upon the successful execution and delivery of development and decommissioning projects and the efficient delivery of short-cycle, quick payback projects is a key feature of the EnQuest Group's long-term strategy. Oil development activities are capital intensive and subject to financing limitations and successful outcomes cannot be assured. Development activities may also be subjected to unexpected problems and delays, and incur significant costs which can differ significantly from estimates, with no guarantee that such expenditure will result in the recovery of oil in sufficient quantities to justify the EnQuest Group's investments. The EnQuest 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. Many of the EnQuest Group's assets have future development potential which may expose the EnQuest Group to risks.

In addition, the EnQuest Group's appraisal activities may not be successful or incur unexpected costs that differ significantly from estimates. 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 EnQuest 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.

Much of the EnQuest Group's success is dependent on the EnQuest Group bringing both re-developments and new developments of oil fields to production on budget and on schedule. Even if the EnQuest 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 EnQuest 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.

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

The EnQuest Group's future success depends, in part, on its ability to develop its existing 2P reserves, including those it matures from its 2C resources, or acquire additional 2P reserves that are economically recoverable, which depends on oil prices (for further details, please see risk factor 2.1 entitled "*Volatility and decreases in oil prices could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations*"). While well supervision and effective maintenance operations can contribute to sustaining production rates over time, production delays and declines from even normal field operating conditions cannot be eliminated and the EnQuest Group targets maturing fields that typically have fewer reserves than could be expected in new discoveries. Without continued successful development and acquisition activities, the EnQuest Group's reserves and revenues will decline over time as a result of the EnQuest Group's current reserves being depleted by production.

Future increases in the EnQuest Group's reserves will depend not only on its ability to appraise and develop the EnQuest Group's existing assets but also on the EnQuest Group's ability to select and acquire suitable assets through acquisitions or through awards at licensing rounds. The EnQuest Group faces significant competition for acquisition and licensing opportunities, as set out in more detail in risk factor 2.7 below entitled "*The EnQuest Group carries out business in a highly competitive industry*". Any failure to successfully replace reserves could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations. The EnQuest Group's long-term strategy largely centres on increasing its 2P reserves and contingent resources through acquisitions and potential life extensions of relatively mature assets. Although the EnQuest Group continues to actively evaluate further acquisition opportunities, it will be highly selective in the acquisitions it pursues and over the medium term, particularly in light of the low oil-price environment, the EnQuest Group intends to focus on strengthening its balance sheet.

As part of the EnQuest Group's strategy of acquiring relatively mature assets, the EnQuest Group frequently holds assets with declining production that, prior to the EnQuest Group's ownership, have not been drilled, developed or maintained for significant periods of time. The EnQuest Group uses 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 EnQuest Group's improved recovery methods do not allow for the extraction of oil in the manner or to the extent that the EnQuest Group anticipates, its future results of operations and financial condition could be materially adversely affected.

Successful acquisitions require an assessment of a number of factors, including estimates of recoverable reserves and resources, development potential, future oil prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and cannot be made with a high degree of accuracy. While the EnQuest 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, in certain circumstances, excluding in connection with the Acquisition, the EnQuest Group's review may not permit it to become sufficiently familiar with the assets or properties to fully assess their deficiencies and capabilities. There can be no assurances that the EnQuest Group

will be successful in identifying and completing further acquisitions. For further details, please see risk factor 1.6 entitled “*There are risks inherent in the EnQuest Group’s acquisitions of appraisal, development and production properties, including the proposed Acquisition*”.

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

## **2.7 The EnQuest Group carries out business in a highly competitive industry**

The oil and gas industry is highly competitive, including in the EnQuest Group’s key jurisdictions of operation, the UKCS and Malaysia. The key areas in respect of which the EnQuest 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 and bond market capacity.

Competition in the EnQuest 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 EnQuest Group operates in a mature industry and its competitors include well-established entities with greater technical, physical and financial resources. When looking at acquisition opportunities, the EnQuest Group also competes with major national and state-owned enterprises and may also compete with private equity backed companies, which typically possess significant financial resources and are able to offer attractive and favourable prices to sellers. The EnQuest Group relies on equity and debt financing to fund acquisitions, which may not always be available and larger and better capitalised competitors may be in a position to outbid the EnQuest 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 EnQuest 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 EnQuest Group, which would adversely affect the EnQuest Group’s competitive position. In addition, many of the EnQuest Group’s competitors have been operating for a much longer time and have demonstrated the ability to operate through industry cycles.

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



## **2.8 The EnQuest Group may not be able to keep pace with technological developments in its industry**

The oil industry is characterised by significant technological advancements and introductions of new services using new technologies. As others use or develop new technologies, the EnQuest 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 EnQuest Group can. The EnQuest Group may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost, particularly due to the EnQuest Group's strategy of acquiring relatively mature assets. If one or more of the technologies the EnQuest Group uses now or in the future were to become obsolete, the EnQuest Group's business, prospects, financial condition and results of operations could be materially adversely affected. In addition, any new technology that the EnQuest Group implements may have unanticipated or unforeseen adverse consequences, either to the EnQuest Group's business or the industry as a whole.

## **3. RISKS RELATING TO THE ENQUEST GROUP'S BUSINESS**

### **3.1 The EnQuest Group may not be able to generate sufficient cash to comply with its financial covenants, fund its capital expenditures or sustain its operations**

Historically, significant leverage has been required to fund the EnQuest Group's growth in recent periods of low oil prices. The EnQuest Group currently has a significant amount of outstanding debt with substantial debt service requirements. The EnQuest Group has entered into a new up to \$750 million senior secured revolving borrowing base facility agreement entered into by the Company and certain of its subsidiaries on 10 June 2021 (the "RBL") for the purposes of repaying a large portion of the EnQuest Group's outstanding debt (including the SFA, the BP Vendor Loan and the Sculptor Facility) out of the proceeds of drawdowns under the RBL. The RBL is also to be used to provide debt financing for the Acquisition. As of 31 December 2020, as adjusted to give effect to the Transaction and an RBL drawdown of \$600 million as if both had occurred on 31 December 2020, the EnQuest Group's total indebtedness would have been approximately \$4 billion.

The RBL contains financial covenants, being: (a) the ratio of consolidated net financial indebtedness to EBITDA is <3.5x; and (b) a minimum working capital cash balance of \$75 million, in each case to be tested every six months, and a semi-annual group liquidity test, which, prior to the occurrence of the Bond Refinancing, only relates to a test period up to 1 October 2023. The EnQuest Group believes that, even under a reasonable worst-case scenario, it will be able to comply with the financial covenants and liquidity testing in its senior debt arrangements for at least 12 months from the date of this document but if market conditions or production volumes deteriorate over the longer term, this could impact the EnQuest Group's ability to service its debt in the longer term.

The EnQuest Group's liquidity requirements also arise from its need to fund capital expenditure and working capital. A significant part of the EnQuest Group's capital expenditures are contracted or necessary in order to maintain its business. For the year ending 31 December 2020, the EnQuest Group's capital expenditures were \$131.4 million.

The EnQuest Group's ability to make payments on and refinance its indebtedness and to fund its capital expenditures, working capital requirements and other expenses will depend on the EnQuest Group's future operating performance and ability to generate cash from operations. The EnQuest Group's ability to generate cash from operations is subject, in large part, to general competitive, legislative, regulatory and economic factors that are beyond its control, including the price of crude oil. This risk is not expected to inhibit the EnQuest Group's or the Enlarged Group's ability to meet its present working capital requirements or its working capital requirements for at least 12 months from the date of this document but may impact the EnQuest Group or Enlarged Group over the longer term.

The EnQuest Group is continuing to enhance its financial position through maintaining a focus on controlling and reducing costs through supplier renegotiations, assessing counterparty credit risk, hedging and trading, shutting down uneconomic operations and rationalisation. However, if market conditions deteriorate or production falls below expectations, this could affect the EnQuest Group's ability to fund financial commitments, maintain adequate cash flow and liquidity and/or reduce costs in the longer term which could have a material adverse effect on the EnQuest Group's business, financial condition, prospects and/or results of operations.

### 3.2 **The EnQuest Group may not be able to repay the Notes currently scheduled to be repayable in 2023**

The RBL includes a 'springing maturity' provision which applies if, by 1 October 2023, either (i) the High Yield Notes (which have in principal (in aggregate) an outstanding amount of \$796.8 million as at 31 March 2021 and a final maturity date of 15 October 2023) have not been refinanced with new debt ranking junior to the claims of lenders under the RBL with a scheduled maturity falling due after the final maturity date of the RBL or (ii) the currently scheduled maturity of the High Yield Notes has not been amended and extended such that the High Yield Notes only fall due for repayment after the final maturity date of the RBL (the "**Bond Refinancing**"). Accordingly, if the Bond Refinancing has not been achieved by 1 October 2023, the RBL will mature on 1 October 2023; moreover, the final maturity date of the RBL will only be extended to seven years after its signing date (or when the reserves are forecast to be 25 per cent. of the original reserves, if earlier) if the Bond Refinancing has been achieved prior to 1 October 2023.

In addition to the High Yield Notes, the Retail Notes have a final maturity date of 15 October 2023 and as at 31 March 2021, the Retail Notes had in principal (in aggregate) an outstanding amount of \$262.1 million.

In addition to the springing maturity provision, certain terms of the RBL are more onerous than market standard terms generally applicable to reserve based lending facilities for comparable borrowers and comparable assets in the period before the Bond Refinancing is achieved. Such terms include mandatory prepayment from excess cash, expenditure only to be made in accordance with an approved cash flow forecast, mandatory commodity price hedging being set at a higher level of forecast production and a higher level of required cash collateral for letters of credit.

The amount capable of being drawn by the EnQuest Group under the RBL increases subject to the satisfaction of certain conditions. The full total commitments are available from signing, but for drawings in loans (not letters of credit), subject to an initial (amortising) utilisation limit of \$439 million until Completion and then an initial (amortising) utilisation limit of \$600 million until the Bond Refinancing. Moreover, drawings for loans and for non-eligible letters of credit, may never exceed the applicable borrowing base amount, which will increase upon Completion when the Golden Eagle Asset is included in the calculation of the borrowing base amount. It is intended that the first drawdown under the RBL, which is conditional on customary conditions precedent, will be used to repay the SFA, the BP Vendor Loan and the Sculptor Facility in full. Drawing under the RBL to fund the Acquisition is conditional upon the raising of \$50 million by way of the Capital Raising or the Second Lien Financing. In the event that the amount raised by the Capital Raising is less than \$50 million, any shortfall will be met by the Second Lien Financing, which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and Signal Alpha have committed to provide conditional only on customary conditions and the approval of Resolution 5 at the General Meeting. In the event that the Resolutions are not approved at the General Meeting and Completion does not occur, the EnQuest Group will only be able to drawdown up to the initial utilisation limit under the RBL.

The ability of the EnQuest Group to refinance or amend and extend both series of Notes on acceptable terms or at all is not assured. The success of any such refinancing or amendment and extension will depend on a number of factors, including the financial condition and prospects of the EnQuest Group at the time, market conditions at the time and the ability of the EnQuest Group to obtain holders' consent to any such extensions and amendment and/or successfully complete a new bond offering on

terms attractive to investors, taking account of the willingness of investors to subscribe for new bonds which will rank junior to the rights of lenders under the RBL and with a maturity date such that they will only be repayable after the RBL.

**3.3 All of the EnQuest Group's production comes from 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 EnQuest Group's assets are concentrated in the UKCS and Malaysia around a limited number of infrastructure hubs and existing production (principally only oil) is from mature fields. This amplifies the EnQuest Group's exposure to key infrastructure (including aging pipelines and terminals), political/fiscal changes and oil price movements.

The EnQuest Group's UKCS assets accounted for 89.1 per cent. (52,680 boepd) and its assets in Malaysia accounted for 10.9 per cent. (6,436 boepd), respectively, of its production in the year ended 31 December 2020. On Completion, it is expected that the Enlarged Group's UKCS assets will account for approximately 91 per cent. of its production. A significant proportion of the EnQuest Group's current production is, and the EnQuest Group expects that a significant future proportion from the Enlarged Group will also substantially be, from Kraken and Magnus. In the year ended 31 December 2019, Kraken and Magnus produced 25,172 and 18,267 net daily average boepd, respectively, comprising 36.7 per cent. and 26.6 per cent., respectively, of its total production. These proportions increased in the year ended 31 December 2020, when Kraken and Magnus produced 26,450 and 17,416 net daily average boepd, respectively, comprising 44.7 per cent. and 29.5 per cent., respectively, of the EnQuest Group's total production.

The Acquisition will reduce the Enlarged Group's reliance on Kraken and Magnus as the Golden Eagle Area Development is expected to account for approximately 20 per cent. of total production following Completion. Therefore the EnQuest Group is, and the Enlarged Group will still continue to be, disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells 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 as a result of the EnQuest Group's geographic concentration of assets, particularly in the UKCS. The UKCS and Malaysia are prone to difficult weather conditions that can in some cases prevent the EnQuest Group from shipping supplies, personnel and fuel to the EnQuest Group's facilities, each of which can cause production shut downs or slowdowns.

Unusually difficult weather conditions may lead to a heightened risk of the floating facility at Kraken detaching from its moorings and difficulties in supplying this facility with fuel and there can be no assurances that the floating facility 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 EnQuest Group's vessels resulting in delays or suspension in the EnQuest Group's operations. In addition, if mechanical problems, storms or other events curtail a substantial portion of the EnQuest Group's production in the UKCS or cause damage to any of the EnQuest Group's facilities, the EnQuest Group's results of operations and financial condition could be adversely affected.

Mechanical problems, accidents, oil leaks or other events at any of the EnQuest Group's installations, floating facility or the related pipeline systems or subsea infrastructure or third-party operated-infrastructure on which the EnQuest Group relies, may cause a widespread, unexpected production shut down of the EnQuest Group's operations in the UKCS. The EnQuest 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 EnQuest Group's producing assets in the UKCS are connected via pipeline systems or subsea tieback so that the EnQuest Group exports oil from multiple fields to shore. For example, in 2019 the EnQuest Group's Heather platform experienced a small fire while shut-down for repair work on the facility's compressors and, following an analysis that the costs and risks of remediation and restarting production outweighed the economic

benefits of doing so, the EnQuest Group decided not to re-start production at the platform, leading to shut-downs at the Heather and Broom fields. Similarly, following a precautionary shutdown and down-man for safety reasons at the Thistle platform, the EnQuest Group decided not to re-start production at the platform, leading to shut-downs at the Thistle and Deveron fields.

Due to the concentration of the EnQuest Group's assets in two regions, a number of its assets could experience any of the above conditions at the same time, resulting in a relatively greater impact on the EnQuest Group's results of operations than might be experienced by companies that have a more diversified portfolio of producing assets and wider geographic exposure. The EnQuest Group would also be disproportionately affected by a decrease in production volumes or reserve estimates at one of its assets. Such circumstances could have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations. For further details please see risk factor 3.6 entitled "*The EnQuest 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 EnQuest Group's failing to comply with relevant licences, agreements or other regulatory requirements*".

**3.4 The EnQuest Group is subject to counterparty credit risk in respect of its outstanding trade and other receivables**

The EnQuest Group is subject to agreements with a number of contractual counterparties in relation to the sale and supply of its production volumes. Therefore the EnQuest Group is subject to the risk of a counterparty not meeting its obligations under such agreements, such as delayed payment for delivered production volumes or counterparty default. Such delays or defaults could have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

**3.5 Significant expenditure is required to maintain operability and operations integrity, the EnQuest Group relies upon infrastructure which is old, and/or operated and owned by third parties and improper maintenance and repair could harm the EnQuest Group's operations**

As the EnQuest Group's strategy depends in part on acquiring relatively mature assets, the EnQuest Group frequently owns assets which utilise equipment that has had substantial prior use. In addition, many of the assets, prior to the EnQuest 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, be subject to a greater risk of failure and outage, 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 EnQuest Group's production in both UKCS and Malaysia. In addition, part of the EnQuest 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. There can be no assurances that such re-use, retrofitting or refurbishment will be commercially feasible to undertake in the future and there can be no assurances that it will not face unexpected costs during the re-use, retrofitting or refurbishment process. There can be no assurances that the Company will not be subject to such unexpected costs in the future and such costs could have a material adverse effect on the EnQuest Group's results of operation and financial condition.

The EnQuest Group's current production in the UKCS also relies on some third-party owned and controlled infrastructure that is old. The EnQuest Group's limited ability to maintain or repair infrastructure that it does not own or operate may exacerbate the risks of relying on mature assets described above. The Ninian pipeline system, for instance, was first constructed in the 1970s. The EnQuest Group relies on the Ninian pipeline system for transport of oil produced at Magnus. As the Ninian pipeline systems have been extensively used, it requires regular maintenance to maintain efficiency. The pipeline systems may also need to be shut down to stop hydrocarbon leaks. In



Malaysia, crude oil from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigal Sdn Bhd) for processing and sale to the domestic market or export. The EnQuest Group's ability to maintain and repair infrastructure which it does not operate is limited. If the owners or operators of these pipelines, as well as of other, old third-party infrastructure upon which the EnQuest Group's operations rely, fail to adequately maintain their integrity, the EnQuest Group may not be able to efficiently deliver oil to onshore terminals for sale.

There are also extensive maintenance obligations in respect of assets operated by the EnQuest Group. For example, a significant proportion of the EnQuest Group's current production in the UKCS passes through the SVT, an oil terminal located in the Shetland Islands that receives oil from more than thirty fields from the Brent, Ninian and Clair pipeline systems. The EnQuest Group also operates (on behalf of owner BP) gas reception facilities located at the SVT which receive gas produced from the BP operated Clair, Foinaven and Quad 204 fields. Gas is treated to grid specification and exported to market via the EnQuest Group operated East of Shetland Pipeline System ("EOSPS"). If the infrastructure which it relies on 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 EnQuest Group's ability to transport its oil could be severely affected.

Any decrease in the EnQuest Group's ability to transport its oil or the efficiency of its operations could have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

The EnQuest Group's use of infrastructure is also subject to tariff charges which are required to be paid in order to maintain continued operations. These charges can be substantial and the per barrel charge of third-party infrastructure is not subject to the EnQuest Group's direct control. The EnQuest Group's tariff costs have significantly decreased in recent years from approximately \$4.6/bbl on average in 2017 to \$2.9/bbl on average in 2020, in each case on a working interest basis. However, there can be no assurances tariffs will not increase. For example, the agreement for transporting and processing production from the Golden Eagle Area Development through the Flotta Facilities could terminate in 2022. The joint venture is currently negotiating terms of continued service with the Flotta Operator and considering alternative export options such as via the Forties Pipeline System, which could increase the EnQuest Group's tariff charges and have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

### **3.6 The EnQuest 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 EnQuest Group's failing to comply with relevant licences, agreements or other regulatory requirements**

The EnQuest 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 and other hydrocarbons, taxation and environmental and health and safety matters. Relevant legislation provides that fines may be imposed, enforcement action may be taken, an operator may be removed 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 EnQuest 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 EnQuest 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 EnQuest 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, fines may be imposed, enforcement action may be taken or the operator may be removed.

With regard to the EnQuest Group's operations in the UKCS, UK authorities are typically authorised to, and do from time to time, undertake inspections to verify compliance by the EnQuest Group or the EnQuest Group's commercial partners, as applicable, with relevant laws and the licences or the agreements pursuant to which the EnQuest Group conducts its business. The views of the relevant government agencies regarding the development and operation of the fields that the EnQuest Group or its commercial partners operate or the compliance with the terms of the licences pursuant to which the EnQuest Group conducts such operations may not coincide with the EnQuest Group's views, which might lead to disagreements that may not be resolved. The UK government has also recently announced that it will introduce a "climate compatibility checkpoint" prior to awarding future oil and gas licenses in the North Sea to ensure that licences awarded align with wider climate change objectives. This may make it more difficult for the EnQuest Group to procure licences in the future or make it more expensive or onerous to comply with existing licences.

With regard to the EnQuest 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, 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 contract areas, for any public announcement or for the sale or assignment of any of the interest in the PM8/Seligi PSC. The PM8/Seligi PSC and the PETRONAS Procedures and Guidelines for Upstream Activities contain strict provisions relating to procurement of goods and services. The Petroleum Regulations 1974 stipulate 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. All PSC accounts are subject to annual audits by PETRONAS. Any contractors or consultants hired by the EnQuest Group under a PSC who fail to fulfil their obligations could cause the EnQuest Group to be in breach under a PSC.

The EnQuest Group's rights to exploit many of the EnQuest Group's oil and gas assets are limited in time. There can be no assurance that such rights can be extended or that renewed rights can be obtained to replace any rights that expire. A portion of the licences pursuant to which the EnQuest 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 EnQuest 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 EnQuest Group or its commercial partners, as applicable, may be required to apply for a production licence before commencing production. If the EnQuest Group or its commercial partners, as applicable, comply with the terms of the relevant licence, the EnQuest 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 EnQuest 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 certain 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 EnQuest

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 EnQuest Group conducts business, as well as any delays in the continuous development of or production at the EnQuest 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 EnQuest 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 EnQuest 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 EnQuest Group's business, prospects, financial condition and results of operations.

Moreover, the EnQuest 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 other hydrocarbons 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 EnQuest 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 EnQuest Group does business or of governments of other countries in which the EnQuest Group may acquire assets in the future may materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations. For further details please see risk factor 2.2 entitled "*Climate change legislation, the transition to net zero greenhouse gas emissions by 2050 and/or protests and shareholder actions against fossil fuel extraction may have a material adverse effect on the EnQuest Group's industry*".

The EnQuest Group's operations are principally subject to the laws and regulations of the United Kingdom and Malaysia, including those relating to health and safety and the production, pricing and marketing of oil. The grant, continuity and renewal of the necessary approvals, permits, licences and contracts, including the timing of obtaining such licences and the terms on which they are granted, are subject to the discretion of the relevant governmental and local authorities in the United Kingdom and Malaysia.

The United Kingdom's transition to a 'net zero' economy by 2050 is likely to have an impact on the licensing and other regulatory requirements and obligations applying to oil and gas companies. In particular, a new legally binding strategy was adopted at the end of 2020, requiring oil and gas companies to take steps to assist the government to achieve the net zero carbon target, and the United Kingdom's government is currently undertaking a review of the oil and gas regime, which could result in further changes relating to decarbonisation and licensing or other regulatory requirements.

If the EnQuest 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 EnQuest 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 EnQuest Group's business, prospects, financial condition and results of operations.

### **3.7 The EnQuest 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 EnQuest Group's assets and, following Completion, the Golden Eagle Asset**

The EnQuest Group has entered into business ventures with commercial partners in respect of most of the EnQuest Group's assets. While the EnQuest Group is typically the operator of the EnQuest Group's assets, the EnQuest 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. Where there is a lack of cohesive collaboration between operators, such behaviour can lead to increased costs and delays and, ultimately, the poorer recovery of oil. There is also a risk that a commercial partner with interests in the EnQuest 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, decisions on 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 EnQuest Group alone or in conjunction with other commercial partners at the desired time or at all, or otherwise, to the extent permitted, such activities may be undertaken with the EnQuest Group bearing a greater proportion of the cost involved in the project.

Currently the EnQuest Group's only non-operated producing asset is Alba, in relation to which the EnQuest Group is dependent on its commercial partner, Ithaca Energy Limited, which acts as operator. Following Completion, the Enlarged Group will also be dependent on CNOOC as operator of the Golden Eagle Area Development. Thus the EnQuest Group is not, and the Enlarged Group will not be, able to direct or control operations, the timing and performance of activities or the costs thereof at Alba or the Golden Eagle Area Development as it often would if it were the operator. The terms of the EnQuest Group's agreements with operators generally impose standards and requirements in relation to the operatorship of the relevant oil field. However, there can be no assurance that the operator will observe such standards or requirements.

**3.8 The EnQuest Group's exit strategy in relation to any particular hydrocarbon interest may 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 which could affect the EnQuest Group's ability to sell or transfer an interest, including the Golden Eagle Asset.**

The EnQuest Group may suffer unexpected costs or other losses if a commercial partner does not meet obligations under agreements governing the EnQuest Group's relationship. For example, commercial partners who have invested in the EnQuest Group's properties may default in their obligations to fund capital, or other funding obligations, in relation to such properties. In such circumstances, the EnQuest 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 EnQuest 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 EnQuest Group's then-partner First Oil PLC going into administration, the EnQuest 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 EnQuest Group was required to bear. There are also credit risks of commercial counterparties including exposures in respect of outstanding receivables. As at 31 December 2020, there were \$2.5 million of joint venture receivables past due compared to \$0.1 million as at 31 December 2019, 16 per cent. of which were attributed to one of the EnQuest Group's joint venture partners. The EnQuest Group trades only with recognised international oil and gas operators and recognises that it must accept a degree of exposure to the creditworthiness of partners and evaluates this aspect carefully as part of every investment decision.

The EnQuest Group may also be subject to claims by its commercial partners regarding potential non-compliance with the EnQuest Group's obligations. It is also possible that the EnQuest 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 EnQuest 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 EnQuest Group's commercial partners becomes insolvent or otherwise unable to pay debts as they fall due, licences or agreements awarded to them

may revert to the relevant governmental authority who will then reallocate the licence. Although the EnQuest 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 EnQuest 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 EnQuest Group's operations or development and production schedule. The occurrence of any of the situations described above could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations.

In respect of the Golden Eagle Asset, the EnQuest Group will be subject to the terms of operating agreements which may contain provisions prohibiting a disposal of the Golden Eagle Asset without the consent of its commercial partners.

**3.9 Failure by the EnQuest Group, its contractors or its primary offtaker to obtain access to necessary equipment and transportation systems could materially adversely affect its business, prospects, financial condition and results of operations**

The EnQuest 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 EnQuest Group's business. Such equipment, personnel and services can be scarce and may not be readily available at the times and places required. Future increases could have a material adverse effect on the EnQuest Group's operating income, cash flows and borrowing capacity and may require a reduction in the carrying value of the EnQuest Group's properties, planned level of spending and the level of reserves. Prices for the materials and services that the EnQuest Group depends upon to conduct its business may not be sustained at levels that enable it to operate profitably. In certain cases, the EnQuest 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 appraisal 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 EnQuest Group's access to, such equipment and may delay the EnQuest Group's 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 EnQuest 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 EnQuest Group's business, prospects, financial condition and results of operations.

Any future offtakers will rely upon the availability of storage tanks and transportation systems, such as pipeline systems and oil tankers, including such infrastructure systems that are owned and operated by third parties. The EnQuest Group may be unable to access such infrastructure and systems that the EnQuest 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 EnQuest Group's projects thereby impacting its ability to deliver oil to commercial markets. For further details, please see risk factor 3.5 entitled "*Significant expenditure is required to maintain operability and operations integrity, the EnQuest Group relies upon infrastructure which is old, and/or operated and owned by third parties and improper maintenance and repair could harm the EnQuest Group's operations*".

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

The EnQuest Group is obliged under UK law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites. Although the EnQuest Group typically aims to and has contracted for limited decommissioning liabilities, typically assuming responsibility for a fraction of



the costs relative to the EnQuest Group's working interest, it may retain additional potential liability to third parties under applicable regulations. Once the EnQuest 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 EnQuest Group's commercial partners default on their obligations, the EnQuest 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.

The EnQuest Group is currently conducting decommissioning operations at Thistle/Deveron, Heather/Broom, Alma/Galia and The Dons. Any unanticipated increased or incremental costs in connection with such decommissioning obligations are likely to materially adversely affect the business, prospects, financial condition and results of operations of the EnQuest Group and, following Completion, the Enlarged Group.

In Malaysia, PETRONAS regulates decommissioning of oil and gas structures through PSCs and PETRONAS's Guidelines for Decommissioning of Upstream Installations as part of its Procedure and Guidelines for Upstream Activities. The EnQuest 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. No asset under the PM8/Seligi PSC is currently approved for decommissioning. The estimate of costs for the decommissioning of PM8/Seligi is reviewed annually, with the next review scheduled for 2021. 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 EnQuest Group is required to undertake decommissioning works during the term of the PM8/Seligi PSC, the EnQuest Group may request from PETRONAS an amount equal to the lower of the cumulative decommissioning fund paid by the EnQuest Group and the actual cost of the decommissioning operations. Under the PM8/Seligi PSC, the EnQuest Group is liable for any damages, costs, claims or expenses arising out of any decommissioning operations caused by its wilful misconduct or negligence.

Under the law of the jurisdictions in which the EnQuest Group operates, the United Kingdom included, the EnQuest 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 EnQuest Group's assets, the EnQuest Group may retain or be liable for decommissioning liabilities, even if it has not contractually agreed to accept these liabilities.

The EnQuest Group's financial statements for the year ended 31 December 2020 include a provision 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 2.0 per cent. and an annual discount rate of 2.0 per cent to its UK assets and 3.0 per cent. to its Malaysian assets. For the year ended 31 December 2020, the EnQuest Group recorded a decommissioning provision of \$778.2 million in respect of its decommissioning obligations under its licences. Separately, for the year ended 31 December 2020, the EnQuest Group recorded a decommissioning liability of \$53.1 million in respect of its agreement with BP for the decommissioning at Thistle/Deveron. The ultimate costs of decommissioning wells and sites are difficult to accurately predict and may depend on a number of factors such as competition for decommissioning equipment and services increasing as a result of activity in the oil and gas industry accelerating. The costs of decommissioning may also exceed the value of the long-term provision set aside to cover such decommissioning costs. The EnQuest 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 EnQuest Group is required to provide could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations.

Furthermore, surety bonds used for insuring decommissioning liabilities are becoming increasingly difficult to put in place and the EnQuest Group may be required to increase its reliance on letters of credit or escrow accounts. Letters of credit and escrow accounts, which, unlike surety bonds, require cash collateralisation and affect the EnQuest Group's debt capacity, could have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

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

### **3.11 The EnQuest Group's commodity hedging activities may not be effective**

The nature of the EnQuest Group's operations results in exposure to fluctuations in commodity prices. The EnQuest 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 EnQuest Group uses financial instruments and physical delivery contracts to hedge its exposure to these risks and may continue to do so in the future.

EnQuest has hedged a total of approximately 9.9 MMbbls for 2021 predominantly using costless collars, with an average floor price of approximately \$59/bbl and an average ceiling price of approximately \$68/bbl. For 2022, EnQuest has hedged a total of approximately 3.1 MMbbls using similar structures with an average floor price of approximately \$65/bbl and an average ceiling price of approximately \$76/bbl. However, hedging could fail to protect the EnQuest Group or could adversely affect the EnQuest 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 EnQuest Group's hedge counterparty defaulting on its obligation to pay the EnQuest Group;
- the credit quality of the EnQuest Group's hedge counterparty being downgraded to such an extent that it impairs the ability of the relevant member of the EnQuest 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 EnQuest 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 EnQuest Group's exposure to financial risks. There can be no assurance that the EnQuest Group will be able to enter into hedging contracts on suitable terms in the future.

If the EnQuest 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.

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

The EnQuest Group's future operating results depend in significant part upon the continued contribution of the EnQuest Group's board of directors, key senior management and technical, financial and operations personnel. As a low-cost, lean organisation, the EnQuest Group relies on certain key, high quality employees to achieve its targets and manage its risks. The loss of the services of any of these key personnel could have a material adverse effect on the EnQuest Group's business and prospects. Management of the EnQuest 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 EnQuest Group's board of directors and key management are important to the conduct of its business. If the EnQuest 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 EnQuest Group's business and results of operations could be materially adversely affected.

The EnQuest Group uses independent contractors to provide the EnQuest Group with certain technical assistance and services. In certain cases, the EnQuest 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 EnQuest 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 and continued development of the EnQuest Group's business. The EnQuest Group requires skilled personnel in the areas of exploration and development, operations, engineering, business development, oil marketing, finance and accounting relating to the EnQuest Group's projects. The competition for qualified personnel in the oil and gas industry was, and may be in the future, intense. The EnQuest Group may not successfully attract new personnel and retain the existing personnel required to continue to operate and expand its business and to successfully execute and implement its business strategy. Any inability to do so could have a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

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

The EnQuest 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 EnQuest Group may be subject to shareholder activism, which may have adverse consequences for its reputation and business.

The EnQuest Group has significant reputational and commercial exposures, including to a major offshore incident, allegations of improper business conduct or non-compliance with applicable law and regulation. Any damage to the EnQuest Group's reputation, whether arising from litigation, regulatory, supervisory or enforcement actions, matters affecting the EnQuest Group's financial reporting, alleged non-compliance with administrative agencies in the jurisdictions in which it does business, environmental or safety incidents, negative publicity, including from environmental activists, or the conduct of the EnQuest Group's business or otherwise, could materially adversely affect its business, prospects, financial condition and results of operations.

**3.14 The EnQuest 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 EnQuest 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 EnQuest Group's losses. In addition, the risks and hazards associated with the EnQuest Group's operations may not in all circumstances be insurable or, in certain circumstances, the EnQuest 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 EnQuest 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 EnQuest Group's global activities, in each case subject to excesses, exclusions and limitations. The EnQuest Group does not carry loss of production insurance other than for Kraken. There can be no assurance that the EnQuest Group's insurance will be adequate to cover any losses or exposure for liability, or that the EnQuest Group will continue to be able to obtain insurance to cover such risks.

The EnQuest 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 EnQuest Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The EnQuest Group is also subject to the future risk of unavailability of insurance, increased premiums or excesses, and expanded exclusions.

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

From time to time, the EnQuest Group may be subject to litigation or arbitration arising out of the EnQuest 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 EnQuest Group's business, results of operations and financial condition.

The EnQuest Group is currently engaged in a dispute with EMAS, one of its contractors on Kraken who performed the installation of a buoy and mooring system, in relation to the payment of approximately \$15 million which EMAS claims is due as a result of soil conditions at the work site being materially different from those reasonably expected to be encountered based on soil data previously provided.

The EnQuest Group is also currently engaged in a dispute with PBJV Group Sdn Bhd ("PBJV"), a contractor in Malaysia concerning approximately RM70 million (being approximately \$16.9 million) claimed by PBJV which the EnQuest Group does not accept is due. The dispute also involves the demobilisation by PBJV of personnel assigned to the contract, denial of entry to PBJV's onshore yard in breach of the contract, and the consequential termination by the EnQuest Group of the contract.

While the EnQuest Group assesses the merits of each lawsuit and defends accordingly, the EnQuest Group may be required to incur significant expenses in defending against such litigation or arbitration and if a court or tribunal fails to find in its favour, there could be a material adverse effect on the EnQuest Group's business, prospects, financial condition and results of operations.

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

Substantially all of the EnQuest Group's revenues are in, and most of its working capital is in, US dollars. However, the EnQuest Group's operations are entirely outside the United States and

substantially all of the EnQuest Group's operating costs, including labour and employee costs, are typically incurred in local currencies other than US dollars, in particular, pounds sterling and Malaysian ringgits.

The EnQuest Group's transactional foreign currency risk arises primarily from sales or purchases in currencies other than its functional currency, the US dollar. The EnQuest 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 proportion of the EnQuest Group's borrowings are denominated in currencies other than the US dollar. The Retail Notes and the SVT working capital facility are denominated in pounds sterling. The EnQuest 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 EnQuest Group's financial statements and results.

Exchange rates between pounds sterling and US dollars have fluctuated significantly in the past and may do so in the future, particularly in light of the United Kingdom's withdrawal from the European Union. As of the Latest Practicable Date, the exchange rate was £1.00/\$1.384. Consequently, construction, exploration, development, administration and other costs may be lower in terms of US dollars or other relevant currencies. However, if pounds sterling were to strengthen against US dollars, these costs would increase.

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

For the year ended 31 December 2020, gains totalling \$2.7 million were recognised in respect of commodity contracts designated as fair value through profit or loss. This included losses totalling \$6.1 million realised on contracts that matured during the year, and mark-to-market unrealised gains totalling \$8.8 million. Of the realised amounts recognised during the year, a gain of \$6.2 million was realised in business performance revenue in respect of the amortisation of premium income received on sale of these options. The premiums received are amortised into business performance revenue over the life of the option. The mark-to-market value of the EnQuest Group's open contracts as at 31 December 2020 was a liability of \$2.0 million.

As of 31 December 2020, approximately 8 per cent. of the EnQuest Group's sales and 86 per cent. of the EnQuest Group's costs (including operating and capital expenditure and general and administration costs) were denominated in currencies other than the US dollar. The EnQuest Group continually reviews its currency exposures and when appropriate looks at opportunities to enter into foreign exchange hedging contracts. However, the EnQuest Group's hedging activities do not cover the entirety of the currency exchange risks that the EnQuest Group faces, and there can be no guarantee that these hedging activities will be effective.

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

The EnQuest 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. The decision to dispose of an asset may be influenced by a variety of factors, including the EnQuest 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 EnQuest Group will be able to dispose of assets at the times it wants to do so, or that the EnQuest Group will be able to dispose of assets on attractive terms. The EnQuest 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 EnQuest Group. Further, sellers typically retain certain liabilities or agree to indemnify buyers for certain matters and

in order to divest certain assets the EnQuest 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 EnQuest Group from guarantees or other credit support provided by the EnQuest Group when it was the owner of the divested assets. As a result, after a sale, the EnQuest 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. For further details, please see risk factor 3.10 entitled “*The EnQuest Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*”.

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

The EnQuest Group operates in an industry that is inherently hazardous and consequently subject to comprehensive health and safety and environmental regulation, including those governing discharges of oil and other pollutants to air and water, the management of produced water and wastes, the cleaning of contamination and an installation’s safety case. Failure to adequately assess, mitigate and manage health and safety and environmental risks may result in loss of life, injury, or adverse impacts on the health of employees, contractors and third parties or the environment. Such failure, whether inadvertent or otherwise, by the EnQuest 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 at 28 February 2021, one instance of non-compliance with health and safety regulation has been reported, which was in respect of pipework at the SVT identified as susceptible to microbial corrosion. An improvement notice has been issued at the SVT to ensure that the issue is rectified in accordance with the accepted plan by 30 June 2021. However, there can be no assurances that the EnQuest Group will not incur material costs in the future, including clean-up costs, civil and criminal fines, penalties and sanctions and third-party claims, including for personal injury, wrongful death and environmental and property damages, and other environmental, health and safety claims under contract, as a result of violations of the EnQuest Group’s obligations under environmental, health and safety requirements.

Further, health and safety and environmental laws and regulations may expose the EnQuest 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 and safety and environmental laws and regulations when they were performed.

The terms and conditions of licences, permits, permissions or other authorisations necessary for the EnQuest Group’s operations may include more stringent environmental and/or health and safety requirements over time. Since the EnQuest 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 EnQuest 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 EnQuest Group to ensure compliance with all applicable requirements as the duty holder at many of the EnQuest Group’s operated interests. The EnQuest Group has taken over the duty holdership of many of the EnQuest Group’s operated interests. This has increased the EnQuest 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, penalties or sanctions or the payment of compensation to third parties which each could in turn have a material adverse effect on the EnQuest Group’s business, prospects, financial condition and results of operations. Although the EnQuest 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 EnQuest Group to more direct liability for HSE&A conditions. The EnQuest Group has also formed an asset integrity review team to investigate how safety improvements can be made in 2021 which could cause the EnQuest Group to incur substantial expenditure to ensure HSE&A compliance.

With regard to the EnQuest Group's operations in Malaysia, the PM8/Seligi PSC and the Block PM409 PSC requires the EnQuest 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 Block PM409 PSC, the EnQuest 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 EnQuest 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 DOSH and PETRONAS' environment, health and safety requirements and all safety manual policies and procedures. These requirements are subject to an annual audit by PETRONAS and/or Offshore Self-Regulation audit by the EnQuest Group, to the extent any gaps are identified, the EnQuest Group will be required to ensure that all such gaps are addressed to DOSH and/or 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 and health and safety regulations have not had a material adverse effect on the EnQuest Group's business, prospects, financial condition or results of operations to date, the costs of such measures and liabilities (including for any environmental damage caused by the EnQuest Group's operations in the future) may increase, which could materially adversely affect the EnQuest Group's business, prospects, financial condition and results of operations. In addition, it is not possible to predict with certainty what future environmental and health and safety regulations will be enacted or how current or future environmental and health and safety regulations will be applied or enforced in the future. Environmental and health and safety laws may result in a curtailment of production and/or a material increase in the cost of production, development or exploration activities.

The EnQuest Group is also affected by international treaties on the environment to which the United Kingdom is a party such as the OSPAR Convention. Controls on the quantities of oil that can be discharged in process waters in the course of offshore operations have been implemented in the United Kingdom by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005 (the "OPPC"). The OPPC was amended by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) (Amendment) Regulations 2011 which, among other things, extends the scope of the OPPC to apply to all emissions of oil from pipelines used for offshore oil and gas activities and for gas storage and unloading activities.

The Offshore Combustion Installations (Pollution Prevention and Control) Regulations 2013 (the "PPC") have been implemented in the United Kingdom and applies to all of the EnQuest Group's assets. Permits under the PPC have been issued to the EnQuest 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 EnQuest 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 EnQuest Group, which have been built into the assets' life-of-field opportunity registers maintained by it, for future investment opportunities for improved performance. The EnQuest Group has evaluated emission reduction opportunities and a number of these opportunities are expected to be implemented between 2021 and 2023. The costs associated with the PPC permit compliance and other measures to be undertaken may be material for the EnQuest Group.

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

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

Work stoppages or other labour disturbances, such as industrial action, with the EnQuest Group's employees or those of the EnQuest Group's contractors, suppliers and customers, may occur in the future. Such disturbances could have a material adverse effect on the EnQuest Group's production and development activities in the periods during which they occur. In addition, the EnQuest Group's employees, and those employed by the EnQuest Group's contractors, may become members of or represented by labour unions. If this occurred, the EnQuest 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 EnQuest Group has been the operator of the SVT since 1 December 2017 and the technicians employed at the SVT, comprising approximately 60 per cent. of the SVT employees, are covered by a collective agreement with the union UNITE. In March 2020, UNITE announced that 94 per cent. of members voted for strike action at the SVT in response to certain proposals, including changes to the pension scheme. The strike action was called off on March 20, 2020 but there can be no assurances that there will not be future work stoppages or labour disturbances.

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

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

In addition, confidential information that the EnQuest 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 EnQuest Group's information could result in it, among other

things, being in breach of certain data protection and related legislation. The EnQuest 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 EnQuest Group collects, stores and uses personal data in the ordinary course of its business operations, and is therefore subject to data protection legislation (including the General Data Protection Regulation (EU 2016/679)). Non-compliance or technical defects resulting in a leak or the misuse of such data could result in fines, damage to the EnQuest Group's reputation and/or otherwise harm its business.

**3.21 The EnQuest 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 EnQuest Group constitutes a significant part of its business. The EnQuest 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, there can be no assurances 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 EnQuest Group uses. Litigation may be necessary to enforce the EnQuest Group's intellectual property rights or to defend it against claimed infringement of the rights of third parties. If the EnQuest 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 EnQuest Group's future financial results and the EnQuest Group's ability to develop its business.

**3.22 The COVID-19 pandemic may adversely affect the EnQuest Group's business and exacerbate other risks set out in this section**

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced in Wuhan, China. The spread of this virus globally has caused significant business disruption, significant volatility in international debt and equity markets and significant disruption to the economy and a marked reduction in demand for oil. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the global economy.

The EnQuest Group continues to monitor the evolving COVID-19 pandemic and although the EnQuest Group's operations have not incurred any significant disruption related to COVID-19 yet, the situation is uncertain and could change quickly. In connection with COVID-19 or any governmental responses to COVID-19, the EnQuest Group may experience, among other risks:

- materially lower oil prices for an extended period of time due to reduced demand for oil;
- operational shutdowns due to the unavailability of qualified personnel, third party utilities or spare parts required to safely maintain operations due to outbreaks of COVID-19;
- delayed execution of projects or increased project costs due to governmental restrictions and measures put in place to safeguard employees and contractors, such as reducing personnel and deferring discretionary activities at its assets, which may cause delays in expected future cash flows; and
- a difficulty in attracting and retaining key personnel.

To the extent the COVID-19 pandemic adversely affects the EnQuest Group's business, prospects, financial condition and results of operations, it may also have the effect of heightening other risks described in this "Risk Factors" section.

**3.23 The EnQuest Group's tax liability is subject to estimation and the EnQuest 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 EnQuest Group is subject to corporate tax and production tax in the United Kingdom and petroleum income tax in Malaysia. Fluctuations in these tax rates can have an impact on projects and make certain projects less economically viable. The EnQuest 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 EnQuest 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 EnQuest 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 EnQuest 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 EnQuest Group's profits from activities in those jurisdictions in which the EnQuest 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 EnQuest Group's business, prospects, financial condition and results of operations. In addition, taxing authorities could review and question the EnQuest Group's tax returns leading to additional taxes and penalties which could be material.

Additionally, the EnQuest Group's tax provision is subject to estimation. In the UK, the EnQuest 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 EnQuest Group applies the appropriate statutory tax rate to each exceptional item to calculate the relevant tax charge. The EnQuest 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, there can be no assurances that it will not be required to pay taxes under current or future laws.

**3.24 The EnQuest 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 EnQuest Group currently operates its business in the United Kingdom and in Malaysia. Accordingly, the EnQuest Group is subject to political, economic and social factors affecting the United Kingdom, 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 EnQuest 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 regulations, including those governing tax, worker immigration and customs;
- expropriation, confiscatory taxation and nationalisation of the EnQuest Group's assets located in areas in which it operates;

- 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 EnQuest 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 EnQuest Group's long-term planning efforts and may create uncertainties in the EnQuest Group's operating environment. Additionally, the EnQuest Group's ability to compete in Malaysia 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 EnQuest Group's operations in Malaysia 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 EnQuest 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 EnQuest 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 EnQuest Group has assets).

### **3.25 The EnQuest Group and/or its field partners may not have good title to all their assets and licences**

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

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

## **4. RISKS RELATING TO THE ORDINARY SHARES**

### **4.1 The market value of listed securities may fluctuate and may not reflect the underlying asset value of the EnQuest Group**

Prospective investors should be aware that the value of an investment in EnQuest may go down as well as up. The market value of the New Ordinary Shares and/or the Ordinary Shares could be subject to significant fluctuations and may not always reflect the underlying value of the EnQuest Group. A number of factors outside the control of the EnQuest Group may impact on its performance and the price of the New Ordinary Shares and/or the Ordinary Shares. Such factors include the operating and share price performance of other companies in the industry and markets in which the EnQuest Group operates, speculation about the EnQuest Group's business in the press, media or investment community, market perceptions to changes affecting the EnQuest Group's operations or variations in



the EnQuest Group's profit estimates, the publication of research reports by analysts and general market or economic conditions. The market price of the New Ordinary Shares and/or the Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the EnQuest Group's actual results of operations and financial condition. Moreover, the financial results and prospects of EnQuest may be below the expectations of market analysts and investors from time to time. Any of these events could result in a decline in the market price of the New Ordinary Shares and/or the Ordinary Shares.

**4.2 Trading market for the Ordinary Shares**

Should the public trading market price decline below the Issue Price prior to the latest time and date for acceptance under the Open Offer, Shareholders who take up their Open Offer entitlements will suffer an immediate loss as a result. Furthermore, Shareholders may not be able to sell their Ordinary Shares at a price equal to or greater than subscription price for those shares.

**4.3 Upon the issuance of New Ordinary Shares pursuant to the Capital Raising, Shareholders who do not acquire New Ordinary Shares in the Open Offer or do not participate in the Firm Placing will experience dilution in their ownership**

A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer (or an Excluded Overseas Shareholder who is not eligible to participate) will experience a dilution of approximately 10.1 per cent. as a result of the Capital Raising assuming that the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising. A Qualifying Shareholder that takes up their Open Offer Entitlement in full will experience a dilution of approximately 5.0 per cent. as a result of the Firm Placing.

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

Other than pursuant to the Capital Raising, the EnQuest Group has no current plans for a subsequent offering of Ordinary Shares. However, it is possible that the EnQuest Group may decide to offer additional Ordinary Shares in the future. If Shareholders did not take up any such offer of Ordinary Shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in EnQuest would be reduced. An additional offering or a significant sale of Ordinary Shares by any of the EnQuest Group's major Shareholders, or the perception that sales of this type could occur, could have an adverse effect on the market price of the outstanding Ordinary Shares during their trading period on the London Stock Exchange.

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

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

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

The Ordinary Shares admitted to trading on Main Market for listed securities, and any dividends to be announced in respect of such shares, will be quoted in pounds sterling. An investment in Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.

**4.7 Admission of the New Ordinary Shares may not occur when expected**

It is expected that Admission of the New Ordinary Shares will become effective, and that dealings in the New Ordinary Shares on the London Stock Exchange, will commence, at 8.00 a.m. on 26 July 2021. Application for Admission of the New Ordinary Shares is subject to the approval (subject to satisfaction of any conditions to which such approval is expressed to be subject) of the FCA and Admission will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that the FCA will issue a dealing notice.

In addition, the Capital Raising is conditional upon, among other things:

- (a) the passing without amendment of Resolutions 1 and 4 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner, at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force;
- (b) the Company having complied with its obligations under the Sponsor and Placing Agreement or under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission and such agreement having become unconditional save as otherwise agreed by the Bookrunner and the Sponsor and Placing Agreement not having been terminated prior to Admission;
- (c) Admission becoming effective by not later than 8.00 a.m. on 26 July 2021 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021);
- (d) the Call Option Deed, Asset Transfer SPA, Second Lien Financing and associated Letter of Credit having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and no right to terminate or rescind such agreements having arisen before Admission; and
- (e) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission.

The Capital Raising will be made under the existing shareholder authorities that were granted at the Company's 2021 Annual General Meeting under resolutions 16 (authority to allot shares) and 17 (dis-application of pre-emption rights).

For details on the risks regarding Re-admission, please see risk factor 4.8 entitled "*Re-admission may not take place, or may not take place when expected*".

**4.8 Re-admission may not take place, or may not take place when expected**

As the Acquisition constitutes a reverse takeover under the Listing Rules, the admission of the Ordinary Shares in issue immediately prior to Completion to the premium listing segment of the Official List and to trading on the Main Market will be cancelled on Completion. An application for re-admission of such Ordinary Shares (including the New Ordinary Shares) will be made prior to

Completion but such re-admission is subject to the approval (subject to satisfaction of any conditions which are attached to such approval) of the FCA and the London Stock Exchange. There can be no guarantee that any conditions to which Re-admission is subject will be met or that the approvals of the FCA and the London Stock Exchange will be granted. Consequently, there can be no assurance that Re-Admission will take place, or that it will take place when anticipated.

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

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

#### **4.10 Pre-emptive rights may not be available to Overseas Shareholders**

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

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

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

## IMPORTANT INFORMATION

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

A letter from the Chairman of the Company, which contains the recommendation of the Board (except Amjad Bseisu in respect of the Related Party Resolutions) to vote in favour of the Transaction is set out in Part 1 (*“Letter from the Chairman of EnQuest PLC”*). A General Meeting to consider the proposals contained in this document will be held at 9.30 a.m. on 23 July 2021.

### Notice to all investors

The distribution of this document and/or the transfer of the New Ordinary Shares into jurisdictions other than the UK may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions and should consider (to the extent relevant to them) the notices to residents of various countries set out in paragraph 7 of Part 13 (*“Terms and Conditions of the Open Offer”*). Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, such documents should not be distributed, forwarded or transmitted in or into the United States or the Excluded Territories. The New Ordinary Shares are not transferable, except in accordance with, and the distribution of this document is subject to, the restrictions set out in paragraph 7 of Part 13 (*“Terms and Conditions of the Open Offer”*). No action has been taken by the Company or the Bookrunner that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

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

### Notice to investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a **“Relevant State”**), no New Ordinary Shares have been or will be offered pursuant to the Capital Raising to the public in that Relevant State prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that Relevant State, all in accordance with the EU Prospectus Regulation, except that the New Ordinary Shares may be offered to the public in that Relevant State at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2(e) of the EU Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of the Bookrunner for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall result in a requirement for the Company or the Bookrunner to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Bookrunner and the Company that it is a qualified investor.

For the purposes of this provision, the expression “an offer of New Ordinary Shares to the public” in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary Shares.

#### **Notice to Swedish Shareholders and other investors in Sweden**

No New Ordinary Shares have been or will be offered pursuant to the Capital Raising to the public in Sweden except that the New Ordinary Shares may be offered to the public in Sweden at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2(e) of the EU Prospectus Regulation, provided the offer is solely addressed to such qualified investors;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of the Bookrunner for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall result in an obligation of the Company or the Bookrunner to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Bookrunner and the Company that it is a qualified investor.

Swedish Shareholders and any other Shareholders resident in Sweden are not eligible to participate in the Open Offer.

Neither the Company nor the Bookrunner have delivered or will deliver or have arranged or will arrange for the delivery of any New Ordinary Shares in the VPC System by virtue of the Capital Raising or otherwise.

For the purposes of this provision, the expression “an offer of New Ordinary Shares to the public” in relation to any Ordinary Shares registered in the VPC System means the communication in any form and by any means of sufficient information on the terms of the Open Offer and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary Shares.

Despite the foregoing, the Company and the Bookrunner reserve the right to permit any Shareholder to participate in the Capital Raising on the terms and conditions set out in this document as if they were a Qualifying Shareholder if the Company and the Bookrunner in their absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Swedish Shareholders and any other Shareholders resident in Sweden who have any queries on the foregoing should contact Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m, Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **Information not contained in this document**

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

Recipients of this document acknowledge that (i) they have not relied on J.P. Morgan Cazenove or any person affiliated with them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or incorporated by reference into this document, and that no



person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, the Transaction or the New Ordinary Shares (other than as contained in or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or J.P. Morgan Cazenove.

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

#### **No incorporation of website information**

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

#### **Information regarding forward-looking statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". The words "believe", "estimate", "target", "anticipate", "expect", "could", "would", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" their negatives and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary", "Risk Factors", "Information on the EnQuest Group", "Overview of EnQuest's Market", "Operating and Financial Review of the EnQuest Group" regarding the Company's or the EnQuest Group's strategy, plans, objectives, goals and other future events or prospects are forward-looking statements. An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's or the EnQuest Group's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document and/or information incorporated by reference into this document. In addition, even if the Company's or the EnQuest Group's results of operation, financial position and growth, and the development of the markets and the industry in which the group operates, are consistent with the forward-looking statements contained in this document, these results or developments may not be indicative of results or developments in subsequent periods. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Factors that may cause the Company's, the EnQuest Group's, Golden Eagle's and/or the Enlarged Group's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "*Risk Factors*" on pages 9 to 44 of this document.

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

For the avoidance of doubt, nothing in this document constitutes a qualification of the working capital statement contained in paragraph 21 of Part 12 ("*Additional Information*").

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

### **Profit forecasts**

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

### **Presentation of financial information**

#### *EnQuest*

Unless otherwise indicated, financial information presented in this document relating to the EnQuest Group as at and for the years ended 31 December 2018, 31 December 2019, and 31 December 2020 is presented in US dollars, has been prepared in accordance with IFRS as adopted by the EU (and in the case of the 2020 Financial Statements, the requirements of the Companies Act 2006) and has been extracted without material adjustment from the published annual financial reports for the years ended 31 December 2018, 31 December 2019, and 31 December 2020.

### **Rounding**

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

### **Non-IFRS measures**

This document contains measures that are not recognised under IFRS as adopted by the EU, namely EBITDA, average unit operating costs (unit opex), free cash flow, and average realised prices (\$/boe).

The EnQuest Group uses non-IFRS measures when assessing and discussing the EnQuest Group's financial performance, balance sheet and cash flows that are not defined or specified under IFRS. The EnQuest Group uses these non-IFRS measures, which are not considered to be a substitute for or superior to IFRS measures, to provide stakeholders with additional useful information by adjusting for exceptional items and certain re-measurements which impact upon IFRS measures or, by defining new measures, to aid the understanding of the EnQuest Group's financial performance, balance sheet and cash flows.

Reconciliation of the non-IFRS measures used in this document is set out on pages 176 to 178 of the 2020 Financial Statements and pages 166 to 168 of the 2019 Financial Statements which is incorporated by reference into this document, as explained in Part 14 ("*Documents Incorporated by Reference*").

### **Currency and Exchange Rate Information**

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

Unless otherwise specified, this document contains certain translations of US dollars into amounts in pounds sterling and pounds sterling into US dollars for the convenience of the reader based on the exchange rate of £1.00: \$1.384 and \$1.00: £0.722, being the relevant exchange rate at 4.30 p.m. on the Latest Practicable Date. This exchange rate was obtained from Bloomberg.

### **Market, Economic and Industry Data**

Where third-party information has been used in this document, the source of such information has been identified. Unless the source is otherwise stated, the market, economic and industry data in this document

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

### **Presentation of Reserves**

This document presents information concerning the EnQuest Group's reserves which are audited annually by GaffneyCline, and Golden Eagle's reserves which have been audited by GaffneyCline in connection with the Transaction. This document presents information concerning reserves using SPE PRMS as the standard for classification and reporting. All reserves information in this document is presented on the basis of SPE PRMS standards, unless otherwise indicated. Any reference to the 2P reserves of the EnQuest Group's assets in this document are based on the GaffneyCline Year End 2020 Reserves Report.

The information on reserves in this document is based on economic and other assumptions that may prove to be incorrect. Prospective investors should not place undue reliance on the forward-looking statements in this document or on the ability of the information on reserves in this document to predict actual reserves.

Typical to the industry in which the EnQuest Group operates, there are a number of uncertainties inherent in estimating quantities of 2P reserves. The reserve information on the EnQuest Group is based on the Company's assessments of the EnQuest 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 EnQuest Group's control, including the quality of available data and of engineering and geological interpretation and judgement and assumptions as to oil price. As a result, estimates of different reserve assessors may vary. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the limited nature of reservoir data and the inherently imprecise nature of reserves estimates, the initial reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. The significance of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Thus, investors should not place undue reliance on the accuracy of the reserves information in this document in predicting actual reserves or on comparisons of similar estimates/information concerning companies established in other economic systems. In addition, except to the extent that the EnQuest Group acquires additional properties containing 2P reserves or conduct successful exploration and development activities, or both, the EnQuest Group's 2P reserves will decline as reserves are produced. The following reserve information should be read along with section 2 of the Risk Factors entitled "*Risks Relating To The Oil And Gas Industry*".

2P reserves are defined as those quantities of oil which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations ("**proved reserves**"), plus those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves ("**probable reserves**"); it is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (2P reserves).

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

**Defined terms and technical terms**

Certain terms used in this document, including all capitalised terms, are defined and explained in Part 16 (*“Definitions”*). Certain technical terms are explained in Part 15 (*“Technical Terms”*).

**Times**

All times referred to in this document are, unless otherwise stated, references to time in London, United Kingdom.

**Validity**

The validity of this document will expire on the date falling 12 months after the date of approval of this document, or, if earlier, the day after the later of: (i) Admission; and (ii) Re-Admission. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when a prospectus is no longer valid.

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	<p>Martin J Houston (<i>Non-Executive Chairman</i>)  Amjad Bseisu (<i>Chief Executive</i>)  Jonathan Swinney (<i>Chief Financial Officer</i>)  Howard Paver (<i>Senior Independent Director</i>)  Philip Holland (<i>Non-Executive Director</i>)  Carl Hughes (<i>Non-Executive Director</i>)  Farina Khan (<i>Non-Executive Director</i>)  Liv Monica Stubholt (<i>Non-Executive Director</i>)  John Winterman (<i>Non-Executive Director</i>)</p>
<b>General Counsel and Company Secretary</b>	Stefan Ricketts
<b>Registered Office of the Company</b>	<p>EnQuest PLC  5th Floor  Cunard House  15 Regent Street  London SW1Y 4LR  United Kingdom</p>
<b>Sponsor and Bookrunner</b>	<p>J.P. Morgan Securities plc  25 Bank Street  London E14 5JP  United Kingdom</p>
<b>Legal Advisers to the Company as to English and US law</b>	<p>Ashurst LLP  London Fruit &amp; Wool Exchange  1 Duval Square  London E1 6PW  United Kingdom</p>
<b>Legal Advisers to the Company as to Swedish law</b>	<p>Bird &amp; Bird Advokat KB  Norrlandsgatan 15  Box 7714  Stockholm SE-103 95  Sweden</p>
<b>Legal Advisers to the Sponsor and Bookrunner as to English and US law</b>	<p>Simmons &amp; Simmons LLP  CityPoint  One Ropemaker Street  London EC2Y 9SS  United Kingdom</p>
<b>Auditor of the Company</b>	<p>Deloitte LLP  1 New Street Square  London EC4A 3HQ  United Kingdom</p>
<b>Competent Person</b>	<p>Gaffney, Cline &amp; Associates Ltd  Bentley Hall  Blacknest  Alton, Hants GU34 4PU  United Kingdom</p>



**Receiving Agent**

Link Group  
Corporate Actions  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
United Kingdom

**Registrars**

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
United Kingdom

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Record Date for entitlements under the Open Offer	6.00 p.m. on 28 June 2021
Announcement of the Capital Raising	7.00 a.m. on 30 June 2021
Announcement of the results of the Firm Placing and Placing	30 June 2021
Publication of this document and posting of this document and the Application Forms	30 June 2021
Ex-entitlement date for the Open Offer	1 July 2021
Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	As soon as practicable after 8.00 a.m. on 1 July 2021
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 16 July 2021
Latest recommended time and date for depositing Open Offer Entitlements into CREST (i.e. if your Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form)	3.00 p.m. on 19 July 2021
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 20 July 2021
Latest time and date for receipt of Forms of Proxy or submission of proxy appointments electronically	9.30 a.m. on 21 July 2021
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)</b>	11.00 a.m. on 22 July 2021
<b>General Meeting</b>	9.30 a.m. on 23 July 2021
Announcement of the results of the General Meeting and Capital Raising	23 July 2021
Admission and commencement of dealings in respect of New Ordinary Shares and CREST stock accounts credited in respect of New Ordinary Shares on the London Stock Exchange	8.00 a.m. on 26 July 2021
Despatch of share certificates in respect of New Ordinary Shares in certificated form	on or around 6 August 2021
<b>Expected date of Completion</b>	September 2021
Cancellation of the listing of the Ordinary Shares on the LSE	8.00 a.m. on the date of Completion
<b>Re-admission of the Ordinary Shares</b>	8.00 a.m. on the date of Completion

**Notes:**

- (1) References to times are to London time.
- (2) The ability to participate in the Capital Raising is subject to certain restrictions relating to Shareholders with a registered address or located or resident outside the UK, details of which are set out in Part 13 (*“Terms and Conditions of the Open Offer”*).
- (3) If you have any queries on the procedure for acceptance and payment in respect of the Open Offer or on the procedure for splitting Application Forms, you should refer to Part 13 (*“Terms and Conditions of the Open Offer”*) which contains the Terms and Conditions of the Open Offer. Should you require further assistance, please call Link Group on +44 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## CAPITAL RAISING STATISTICS

Issue Price per New Ordinary Share	19 pence
Open Offer Entitlement	5 New Ordinary Shares for 89 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at 29 June 2021 (being the Latest Practicable Date)	1,695,801,955
Number of New Ordinary Shares to be issued pursuant to the Capital Raising	Up to 190,122,384
Number of New Ordinary Shares to be issued pursuant to the Firm Placing	Up to 94,852,612
Number of New Ordinary Shares to be issued pursuant to the Placing and Open Offer	Up to 95,269,772
Enlarged Issued Share Capital upon completion of the Capital Raising <sup>(1)</sup>	Up to 1,885,924,339
New Ordinary Shares as a percentage of the Enlarged Issued Share Capital <sup>(1)</sup>	10.1 per cent.
Gross proceeds of the Capital Raising	Up to £36.1 million
Estimated net proceeds of the Capital Raising receivable by the Company <sup>(2)</sup>	Up to £33.7 million

**Notes:**

- (1) Assumes that the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising and that, other than the New Ordinary Shares, no further Ordinary Shares are issued by the Company between the posting of this document and Re-admission.
- (2) The estimated net proceeds receivable by the Company, assuming Admission occurs, are stated after the deduction of estimated costs and expenses (exclusive of VAT) of, or incidental to, the Capital Raising payable by the Company, estimated to be approximately £2.5 million.

The number of New Ordinary Shares to be issued is not known at the date of this document and therefore the gross proceeds of the Capital Raising are also not known. The Company will notify the market via an RIS of the final number of New Ordinary Shares to be issued and the gross and net proceeds of the Capital Raising prior to Admission.

## PART 1

### LETTER FROM THE CHAIRMAN OF ENQUEST PLC

*Registered in England and Wales No: 07140891*

*Directors:*

Martin Houston (*Non-Executive Chairman*)  
Amjad Bseisu (*Chief Executive*)  
Jonathan Swinney (*Chief Financial Officer*)  
Howard Paver (*Senior Independent Director*)  
Philip Holland (*Non-Executive Director*)  
Carl Hughes (*Non-Executive Director*)  
Farina Khan (*Non-Executive Director*)  
Liv Monica Stubholt (*Non-Executive Director*)  
John Winterman (*Non-Executive Director*)

*Registered Office:*

5th Floor  
Cunard House  
15 Regent Street  
London  
SW1Y 4LR

30 June 2021

To: the holders of Ordinary Shares and, for information only, participants in the Share Option Plans

Dear Shareholders,

**Proposed Acquisition of North Sea (Golden Eagle) Resources Ltd  
Proposed Firm Placing of up to 94,852,612 New Ordinary Shares at 19 pence per New Ordinary  
Share Proposed Placing and Open Offer of in aggregate up to 95,269,772 New Ordinary Shares  
at 19 pence per New Ordinary Share  
Related Party Transactions**

**and**

**Notice of General Meeting**

#### **1. Introduction**

On 4 February 2021, the Company announced that it had entered into a conditional agreement to purchase Suncor's entire 26.69 per cent. non-operated working interest in the Golden Eagle Area Development, comprising the producing Golden Eagle, Peregrine and Solitaire fields. It is intended that the consideration for the Acquisition will be partly funded by a proposed capital raise by way of a Firm Placing and Placing and Open Offer with net proceeds of up to £33.7 million (\$46.6 million). Up to 94,852,612 New Ordinary Shares will be issued under the terms of the Firm Placing and, in aggregate, up to 95,269,772 New Ordinary Shares will be issued under the terms of the Placing and Open Offer, in each case at an issue price of 19 pence per New Ordinary Share.

The consideration payable in connection with the Acquisition is an initial \$325 million (which is subject to adjustments including to reflect an economic effective date of 1 January 2021 and for working capital movements) with additional contingent consideration of up to \$50 million dependent on the average oil price between July 2021 and June 2023. It is expected that the initial consideration payable in connection with the Acquisition will be financed as follows:

- approximately \$47 million will be funded by the Capital Raising, being the entire net proceeds expected to be raised from the Capital Raising;
- approximately \$203 million will be funded by an RBL which was entered into on 10 June 2021 by the Company and certain of its subsidiaries as well as existing cash balances; and
- approximately \$75 million will be funded from interim period post-tax cash flows from the Golden Eagle Asset between the economic effective date of 1 January 2021 and Completion.



Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and Signal Alpha entered into a second lien loan instrument with the Company on 10 June 2021 to provide a loan of up to \$50 million (the “**Second Lien Financing**”), to provide additional funding should the Capital Raising not raise net proceeds of \$50 million. Double A Limited has also agreed to subscribe for 20,416,151 New Ordinary Shares in the Capital Raising including 10,185,677 New Ordinary Shares in the Firm Placing and 10,230,474 New Ordinary Shares in the Placing and Open Offer.

The Directors believe the Acquisition provides the EnQuest Group with the opportunity to gain a material interest in a high-quality, low-cost, mid-life asset that will materially enhance the EnQuest Group’s production and cash generating capability and accelerate the partial use of the EnQuest Group’s significant UK tax assets. The Acquisition aligns with the EnQuest Group’s strategy of completing disciplined and opportunistic acquisitions. The Directors believe that the Acquisition will add immediate material production, reserves and cash flow to the EnQuest Group. The Acquisition is expected to diversify the EnQuest Group’s existing production base and lower its average unit operating cost without requiring significant changes to the organisation to manage the Golden Eagle Asset. A four-well infill drilling programme has concluded in the Golden Eagle Area Development with all four wells onstream. There are also a number of unsanctioned activities at the Golden Eagle Area Development, including further sub-sea and platform infill drilling, topsides water debottlenecking and an active well intervention programme as well as third-party near-field tie-back opportunities.

The Acquisition constitutes a reverse takeover for the purposes of the Listing Rules and therefore requires the approval of Shareholders, which will be sought at the General Meeting of the Company. Shareholder approval is also required in relation to the Second Lien Financing and the participation of Double A Limited in the Capital Raising in excess of its Open Offer Entitlement, each of which constitutes a “related party transaction” for the purposes of the Listing Rules as Double A Limited is a company beneficially owned by the extended family of Amjad Bseisu. Amjad Bseisu is a Director and, in aggregate, is indirectly interested in 10.7 per cent. of the Company’s Existing Issued Share Capital. Pursuant to the requirement of Chapter 11 of the Listing Rules, Double A Limited will not vote and has undertaken to take all reasonable steps to ensure that its associates (as defined in the Listing Rules) do not vote on the Related Party Resolutions at the General Meeting. The notice convening the General Meeting is set out at the end of this document.

As the Acquisition constitutes a reverse takeover under the Listing Rules, the admission of the Ordinary Shares in issue immediately prior to Completion on the premium listing segment of the Official List and to trading on the Main Market will be cancelled upon Completion. Applications will be made for the immediate re-admission of those Ordinary Shares (including the New Ordinary Shares) to the premium listing segment of the Official List and to trading on the Main Market for listed securities.

The purpose of this document is to explain the background to, and provide you with information on, the Acquisition, the Capital Raising and the Related Party Transactions (together, the “**Transaction**”), and to issue a Notice of General Meeting to be held to consider, and if thought appropriate, pass, the Resolutions needed to complete the Transaction. This document also explains why the Board considers the Transaction and related Resolutions to be in the best interests of the Company and its Shareholders taken as a whole and why the Board (except Amjad Bseisu in respect of the Related Party Resolutions) unanimously recommends that Shareholders vote in favour of the Resolutions. Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter.

## **2. Background to and reasons for the Acquisition**

The Board believes that the Acquisition complements the EnQuest Group’s existing strategy to be the operator of choice for maturing and underdeveloped hydrocarbon assets and to achieve value enhancement through strategic acquisitions. The EnQuest Group has grown its business substantially in the past 10 years primarily through the acquisition of mature assets and it has confidence in its demonstrable ability to maximise value from late life assets with significant remaining resource potential.

It is anticipated that upon completion of the Acquisition, the EnQuest Group will add 2P reserves equivalent to approximately 10 per cent. of its 2P reserves as at 31 December 2020 and around \$170 million of net present value to the EnQuest Group at oil prices of approximately \$51/bbl, \$54/bbl, \$57/bbl and \$60/bbl for

2021, 2022, 2023 and 2024+, respectively, primarily associated with the accelerated partial use of the EnQuest Group's substantial UK tax assets. The Board believes that the Enlarged Group will benefit from the Golden Eagle Asset's low cost structure, with life of field operating and capital expenditure anticipated to be approximately \$20/boe. The Board further notes that funding the Acquisition through a combination of proceeds raised from the Capital Raising, the RBL, existing cash balances and interim period post-tax cash flows from the Golden Eagle Asset, rather than solely through debt, improves the EnQuest Group's leverage ratios and future cash flows available to equity investors.

Following Completion, the Enlarged Group will indirectly hold a 26.69 per cent. non-operated working interest in the Golden Eagle Area Development. Working alongside an established UKNS operator, CNOOC, the EnQuest Group aims to contribute to the existing joint venture partnership through its proven expertise and capabilities in drilling and sub-sea tie-backs. The Directors believe there remains significant potential in the Golden Eagle Area Development, with an anticipated field life extending into the early 2030s.

### **3. Summary information on the EnQuest Group**

EnQuest is an oil and gas production and development company, with operations in the UK North Sea and Malaysia. Its purpose is to provide creative solutions through the energy transition with a strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline. It achieves its objectives through enhancing hydrocarbon recovery and extending the useful lives of assets in a responsible manner.

As of 31 December 2020, the EnQuest Group had interests in 20 UK production licences, 18 of which it operates, covering 31 blocks or part blocks in the UKCS. In January 2021, the EnQuest Group also completed the acquisition of a 40.8 per cent. operating interest in the Bressay oil field, which is governed by licences P234, P493, P920 and P977. In April 2021 EnQuest signed a conditional agreement to purchase a 100.0 per cent. working interest in the P1078 licence containing the Bentley heavy oil field in the UK North Sea.

Most of the EnQuest Group's existing assets are located in the UKCS in the UK North Sea and are divided into three operating directorates supported by functional teams:

- (a) *UK Upstream:* Kraken, Magnus, GKA, Scolty/Crathes, Alba, and Bressay;
- (b) *UK Midstream:* SVT and pipelines; and
- (c) *UK Decommissioning:* Heather/Broom, Thistle/Deveron, Alma/Galia and the Dons fields.

The EnQuest Group also has currently producing assets located in Malaysia, PM8/Seligi, and a non-producing interest in Block PM409, where work continues to high grade the prospects in the block to identify suitable drilling opportunities with the intention of future development. The Directors are continually evaluating further opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the EnQuest Group's value, overall reserve base and production capability, the Acquisition being the most recent example.

The EnQuest Group's average daily production on a working interest basis for the 12 months ended 31 December 2020 was 59,116 Boepd. Since its inception, the EnQuest Group has increased its net 2P reserves to 189 MMboe as of 31 December 2020, representing a compound annual growth rate of approximately 8 per cent. per annum since inception. As of 31 December 2020, the EnQuest Group's assets had a reserve life of approximately 9 years.

The Directors believe the EnQuest Group's existing assets with the greatest remaining low-cost production potential are: (a) Kraken, in which it owns a 70.5 per cent. working interest; (b) Magnus, in which it owns a 100.0 per cent. working interest; and (c) PM8/Seligi, in which it has a working interest of 50.0 per cent. under the terms of a PSC. The EnQuest Group is the operator of each of these assets. The Golden Eagle Asset would be the third largest asset (based on daily average production) and second lowest cost (based on unit operating cost) in the Enlarged Group's portfolio.

Kraken is the EnQuest Group's largest project to date and one of the largest projects in the UKCS in recent years. Kraken delivered first oil in June 2017, achieving average gross production rates of approximately 37,518 Bopd during 2020, reflecting an increase of 5.1 per cent. to the gross average of 35,704 Boepd in the year ended 31 December 2019 due to improved FPSO uptime.

The EnQuest Group acquired its initial interest in the Magnus field on 1 December 2017, and the remaining 75 per cent. interest on 1 December 2018. The acquisition of Magnus added in aggregate of approximately 18,000 Boepd of production on an annual basis, 76 MMboe of net 2P reserves, and 41 MMboe of net 2C resources. Average production in 2020 was 17,416 Boepd.

In 2014, the EnQuest Group acquired its interest in PM8/Seligi, historically one of the largest oil producing development assets in Malaysia. Since acquiring operatorship, the EnQuest Group has instigated work programmes that have been successful in arresting the long-term decline trend and developed a strategy for future growth, including the drilling of two new wells in each of 2018 and 2019. In 2020, PM8/Seligi delivered average working interest production of 6,436 Boepd, which was lower than expected due to an unplanned riser detachment, for which remediation is expected to be completed in the second half of 2021.

The recent acquisition of around 115 MMbbls (net) 2C resources associated with the EnQuest Group's operating interest in Bressay also represents a significant long-term, low-risk production opportunity that has similarities to the EnQuest Group's Kraken field.

#### **4. Summary information on the Golden Eagle Area Development**

The Golden Eagle Area Development comprises three fields, namely, Golden Eagle, Solitaire and Peregrine located approximately 110 km north-east of Aberdeen, offshore in the UKCS in water depths of up to 114 metres. The Golden Eagle field was discovered in 2007 and first oil was produced in 2014 following development by Nexen Oil, and the Solitaire and Peregrine fields were subsequently developed as satellites with subsea wells tied back to the Golden Eagle field facilities. The Golden Eagle Area Development covers two UK Licences namely P300 and P928 and the current joint venture partnership consists of CNOOC with 36.54 per cent.; NEO Energy with 31.56 per cent.; ONE DYAS with 5.21 per cent. and Suncor with 26.69 per cent. EnQuest Heather entered into a conditional agreement with Suncor on 3 February 2021 to purchase Suncor's interest in the Golden Eagle Area Development.

The Golden Eagle Area Development produces good quality, sweet, low acid 36o API oil from Upper Jurassic and Lower Cretaceous Punt and Burns reservoirs. Production is conducted via 15 gas-lifted subsea wells, including the G16 well completed and brought on stream in late 2020. There are six water injection wells which are all on the Golden Eagle field, with the Solitaire and Peregrine fields producing under natural depletion with limited aquifer influx. There are two subsea drill centres situated to the North (six slots) and South (four slots) of the facilities, which produce oil to a bridge linked wellhead platform ("WHP") and a production utilities and quarters ("PUQ") platform via rigid, pipe-in-pipe flowlines and two production and four gas lift and water injection risers. The WHP and PUQ are supported by a four steel leg substructure in 100 metres water depth.

Crude oil from the Golden Eagle Area Development is processed on the platform and then transported through the Golden Eagle pipeline to the Claymore line, where it is then routed to the Flotta system and processed into stabilized Flotta Gold blend at the Flotta Terminal. Gas is currently exported from the platform to the Ettrick 'T' piece and pipeline into the SAGE system for processing and sales at St Fergus. However, gas exports are due to finish in 2022 as from then on all available gas will be utilised for fuel. Oil production to the year ending 31 December 2020 was 109.7 MMBbl gross of which 86 per cent. is from the Golden Eagle field.

As at 31 December 2020 the gross 2P oil reserves attributable to the Golden Eagle Area Development are 70.4 MMbbl and gross 2P gas reserves are 15.2 Bscf. (13.6 Bscf of which will be consumed as fuel for operations). Gross 2C oil resources are 11.6 MMbbl and gross 2C gas resources are 2.43 Bscf.

For the year ended 31 December 2020, the revenue attributed to the Golden Eagle Asset was \$95.4 million and cost of sales was \$66.6 million. Gross profit attributable to the Golden Eagle Asset was \$28.8 million and the profit and comprehensive income for the year ended 31 December 2020 was \$14.7 million. From

Completion, the EnQuest Group will account for the Golden Eagle Asset in US dollars as a single cash-generating unit.

Technical information in this paragraph has been extracted from the GaffneyCline CPR on the Golden Eagle Area Development. For further details please see Part 8 (“*GaffneyCline CPR on the Golden Eagle Area Development*”).

## **5. Principal terms of the Acquisition**

On 3 February 2021 the Company’s subsidiary, EnQuest Heather, and Suncor entered into a Call Option Deed, pursuant to which EnQuest Heather will acquire 100 per cent. of the issued share capital in Golden Eagle, a company which will at Completion hold Suncor’s entire non-operated working interest in the Golden Eagle Area Development. Prior to Completion, Suncor will transfer the Golden Eagle Asset to Golden Eagle pursuant to the Asset Transfer SPA. The initial consideration payable by EnQuest Heather under the Call Option Deed is \$325 million (which is subject to working capital and other adjustments). The Acquisition will have an economic effective date of 1 January 2021 and any post-tax cash flows from Golden Eagle received and retained by Suncor between 1 January 2021 and Completion will be applied towards satisfying the initial consideration payable by EnQuest Heather, expected to be approximately \$75 million.

Additional contingent consideration of up to \$50 million is payable in the second half of 2023 in the following circumstances:

- if between July 2021 and June 2023 the Dated Brent average crude price equals or exceeds \$55/bbl, \$25 million will be payable; or
- if between July 2021 and June 2023 the Dated Brent average crude price equals or exceeds \$65/bbl, \$50 million will be payable.

A deposit of \$3 million (being part of the initial consideration) has been paid by EnQuest to Suncor, and will be forfeited in most circumstances if the Acquisition does not complete.

Completion is subject to the satisfaction (or waiver, where applicable) of certain conditions including, but not limited to:

- completion of the transfer of the Golden Eagle Asset from Suncor to Golden Eagle;
- the release of any guarantees given by Suncor with respect to the Golden Eagle Asset and the provision of any required replacement by EnQuest Heather;
- the approval (without amendment) of Resolutions 1 and 4 and, without the prior written agreement of the Bookrunner, Resolution 5 by Shareholders at the General Meeting;
- the release of certain guarantees given to the OGA in relation to the Golden Eagle Asset;
- securing the consideration through debt and equity funding arrangements; and
- other customary regulatory and third party consents (including the relevant consents of the existing Golden Eagle Area Development joint venture partnership).

Please see further details of the Acquisition set out in Part 3 (“*Principal Terms of the Acquisition*”).

## **6. Principal terms and conditions of the Capital Raising**

The Company intends to raise total gross proceeds of an aggregate of up to approximately £36.1 million (approximately \$50.0 million) (approximately £33.7 million, or \$46.7 million, net of estimated expenses) through the issue of:

- (a) up to 94,852,612 New Ordinary Shares by way of the Firm Placing; and

(b) up to 95,269,772 New Ordinary Shares by way of the Placing and Open Offer, in each case at the Issue Price.

The Issue Price represents a discount of 1.8 pence (8.7 per cent.) to the closing middle market price of 20.8 pence per Existing Ordinary Share on the London Stock Exchange on 29 June 2021 (being the last trading day prior to the announcement of the Capital Raising).

Irrevocable undertakings to take up entitlements under the Open Offer have been received from Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees, representing in aggregate 10.7 per cent. of the New Ordinary Shares. Double A Limited has also agreed to subscribe for at least 10,185,677 Firm Placing Shares and at least 10,230,474 Open Offer Shares under the Firm Placing and Placing pursuant to the Double A Irrevocable Undertaking (as described in further detail in paragraph 9 below).

The Bookrunner will, pursuant to the Sponsor and Placing Agreement, use reasonable endeavours to procure Firm Placees for the Firm Placing Shares (other than 10,185,677 Firm Placing Shares which Double A Limited has agreed to subscribe for pursuant to the Double A Irrevocable Undertaking) and Placees for the Open Offer Shares (other than the Committed Shares, which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer), in each case at the Issue Price. The commitments of the Placees will be subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Firm Placing Shares will be issued to the Firm Placees on a non-pre-emptive basis and will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders.

Subject to the Capital Raising not being terminated, Open Offer Shares which are not applied for in respect of the Open Offer and which have been conditionally placed will be issued to the Placees at the Issue Price. If any Firm Placee or Placee fails to pay for any of the New Ordinary Shares for which it has agreed to subscribe, the Bookrunner will subscribe for such New Ordinary Shares subject to the terms and conditions of the Sponsor and Placing Agreement. For the avoidance of doubt, the Bookrunner is not underwriting Open Offer Shares which are not conditionally placed with Firm Placees or Placees or the New Ordinary Shares to be subscribed for by Double A Limited in the Capital Raising.

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

#### **5 New Ordinary Shares for every 89 Existing Ordinary Shares**

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

Fractions of New Ordinary Shares will not be allotted and each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number. Fractional entitlements will be aggregated and will be placed pursuant to the Placing for the benefit of the Company. Accordingly, Qualifying Shareholders with fewer than 89 Existing Ordinary Shares will not have the opportunity to participate in the Open Offer.

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

Qualifying Shareholders may apply for any whole number of New Ordinary Shares up to their maximum entitlement which, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating their Open Offer Entitlements.



No application in excess of a Qualifying Shareholder's Open Offer Entitlement will be met, and any Qualifying Shareholder so applying will be deemed to have applied for its Open Offer Entitlement only.

Applications will be made (a) to the FCA for all the New Ordinary Shares to be issued under the Capital Raising to be admitted to the premium listing segment of the Official List; (b) to the London Stock Exchange for all the New Ordinary Shares to be issued under the Capital Raising to be admitted to trading on the Main Market; and (c) to NASDAQ Stockholm AB for all the New Ordinary Shares to be issued under the Capital Raising to be admitted to trading on NASDAQ Stockholm. Subject to the conditions below being satisfied, it is expected that Admission will become effective on 26 July 2021 and that dealings for normal settlement in the Open Offer Shares will commence at 8.00 a.m. on the same day.

Application will be made for the Open Offer Entitlements to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 1 July 2021, and that the Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on 1 July 2021.

**Shareholders should note that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that the Open Offer Entitlements will not be tradeable or listed and that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.**

**Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but will be subscribed for under the Placing with the net proceeds retained for the benefit of the Company and Qualifying Shareholders who do not apply to take up their Open Offer Entitlements will have no rights under the Open Offer to receive any proceeds from it.**

A Qualifying Shareholder that does not take up any Open Offer Shares under the Open Offer (or an Excluded Overseas Shareholder who is not eligible to participate in the Open Offer) will experience a dilution of 10.1 per cent. as a result of the Capital Raising, assuming that the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising. A Qualifying Shareholder that takes up their Open Offer Entitlements in full will experience a dilution of 5.0 per cent. as a result of the Firm Placing, assuming that the maximum number of Firm Placing Shares are issued pursuant to the Firm Placing.

Further information on the Open Offer, and the terms and conditions on which it is made, including the procedure for application and payment in the Open Offer, is set out in Part 13 ("*Terms and Conditions of the Open Offer*") of this document and, where relevant, in the Application Form.

The Capital Raising is conditional, *inter alia*, upon:

- (a) the passing without amendment of Resolutions 1 and 2 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force;
- (b) the Company having complied with its obligations under the Sponsor and Placing Agreement or under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission and such agreement having become unconditional save as otherwise agreed by the Bookrunner and the Sponsor and Placing Agreement not having been terminated prior to Admission;
- (c) Admission becoming effective by not later than 8.00 a.m. on 26 July 2021 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021);
- (d) the Call Option Deed, Asset Transfer SPA, Second Lien Financing and associated Letter of Credit having, and continuing to have, full force and effect and not having been terminated, varied, modified,

supplemented or lapsing before Admission, and no right to terminate or rescind such agreements having arisen before Admission; and

- (e) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission.

Accordingly, if any such conditions are not satisfied the Capital Raising will not proceed, any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies received under the Open Offer will be refunded to the applicants, by cheque (at the applicant's risk) in the case of Qualifying Non-CREST Shareholders, by way of a CREST payment in the case of Qualifying CREST Shareholders.

The Company intends to use the entire proceeds raised from the Capital Raising to partly fund the acquisition of Golden Eagle. It should be noted that the Capital Raising is not conditional upon Completion and therefore if the Capital Raising completes but the Acquisition does not, the Directors will evaluate how best to proceed and may not return the net proceeds of the Capital Raising to Shareholders, given potential tax treatment for Shareholders and the Company, restrictive covenants under the EnQuest Group's senior debt facilities and/or applicable securities laws.

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

## 7. Principal terms of the debt arrangements

The Company and certain of its subsidiaries have entered into an up to \$750 million RBL dated 10 June 2021 with a group of lenders with the purpose of (a) refinancing each of its SFA, a \$200 million loan agreement between EnQuest Heather and BP Exploration Company Limited dated 1 December 2018 and a \$175 million facility arranged by Sculptor Investments IV S.a.r.l for EnQuest Advance Limited pursuant to a loan agreement dated 4 September 2018 (as amended); and (b) partly funding the Acquisition. Borrowings under the RBL may also be used for general corporate purposes of the EnQuest Group. The RBL may be utilised in US dollars or pounds sterling by drawing of cash advances or by issuances of letters of credit. There is an accordion option, such that the Company can increase commitments by an amount of up to \$200 million on up to three occasions (subject to arranging such additional commitments).

The amount capable of being drawn by the EnQuest Group under the RBL, which will initially be applied to refinancing the existing indebtedness of the EnQuest Group as mentioned above, increases subject to the satisfaction of certain conditions. The full total commitments are available from signing, but for drawings in loans (not letters of credit), subject to an initial (amortising) utilisation limit of \$439 million until Completion and then an initial (amortising) utilisation limit of \$600 million until the Bond Refinancing. Moreover, drawings for loans and for non-eligible letters of credit, may never exceed the applicable borrowing base amount, which will increase upon Completion when the Golden Eagle Asset is included in the calculation of the borrowing base amount. The raising of \$50 million by way of the Capital Raising or the Second Lien Financing is a condition precedent to drawing under the RBL to fund the Acquisition.

The RBL includes a 'springing maturity' provision which applies if, by 1 October 2023, either (a) the High Yield Notes (as defined below) have not been refinanced with new debt ranking junior to the claims of lenders under the RBL with a scheduled maturity falling due after the final maturity of the RBL or (b) the currently scheduled maturity of the High Yield Notes has not been amended and extended such that the High Yield Notes only fall due for repayment after the final maturity date of the RBL (the "**Bond Refinancing**"). Accordingly, if the Bond Refinancing has not been achieved by 1 October 2023, the RBL will mature on 1 October 2023; moreover, the final maturity date of the RBL will only be extended to seven years after the date of signing the RBL (or when the reserves are forecast to be 25 per cent. of the original reserves, if earlier) if the Bond Refinancing has been achieved prior to 1 October 2023. The terms of the RBL improve when the Bond Refinancing is achieved. Please see paragraph 18.6(a) of Part 12 (*Additional Information*) for further details.

The EnQuest Group's other existing debt arrangements, as set out below, will continue on the same terms:

- (a) the Company's £190.5 million 7.00 per cent. Extendable PIK Toggle Notes;

- (b) the Company's up to \$827.2 million 7.00 per cent. PIK Toggle Senior Notes (the "**High Yield Notes**"); and
- (c) EnQuest Heather's revolving loan working capital facility entered into with BNP Paribas in, among others, its capacity as lender for an aggregate amount of £42 million dated 1 December 2017, as novated and amended on 1 December 2018 and further amended on 25 November 2020, in connection with EnQuest Heather Limited's role as operator of the SVT.

## 8. Participation by Double A Limited and Related Party Transactions

### *Second Lien Financing*

Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and Signal Alpha (Double A Limited and Signal Alpha together being the "**Second Lien Financing Lenders**") have agreed to provide the Second Lien Financing of up to \$50 million to the Company on an arm's length basis to make up any shortfall to the extent that the amount raised in the Capital Raising is less than \$50 million. As an "associate" of Amjad Bseisu (a Director of the Company who is also indirectly interested in 10.7 per cent. of the Company's Existing Issued Share Capital), Double A Limited is a "related party" of the Company under the Listing Rules. Therefore, the provision by Double A Limited of part of the Second Lien Financing constitutes a "related party transaction" for the purposes of Chapter 11 of the Listing Rules and the Second Lien Financing is conditional upon the approval of Shareholders at the General Meeting.

The Second Lien Financing has a scheduled maturity of 10 July 2028 (being the date falling 30 days after the original final maturity date of the RBL). The interest rate on the Second Lien Financing is LIBOR plus a margin of 12 per cent. per annum. The margin will increase to 13.5 per cent. per annum for such period as specified in the Second Lien Financing if (i) the aggregate of the outstanding borrowings of the EnQuest Group under the RBL secured by security ranking in priority to the security interests granted under the Second Lien Financing is at any time more than 10 per cent above the Borrowing Base Amount (as calculated under the RBL from time to time), or (ii) the Company does not prepay the whole of the loan in accordance with the terms of the Second Lien Financing by the first day of the interest period following the Bond Refinancing. If such rate is below zero, LIBOR will be deemed to be zero. Interest will be capitalised until the occurrence of the Bond Refinancing. After the Bond Refinancing and provided that cash interest is also paid on the High Yield Notes, the Company will pay cash interest. If interest is not so cash paid, it will instead be capitalised. Subject to satisfaction of the Bond Refinancing, the Company may prepay the whole or part of the Second Lien Financing at any time, together with interest accrued but without any premium or penalty, provided that the test for paying distributions has been satisfied under the RBL.

Deutsche Bank (Suisse) SA has issued a standby letter of credit (the "**Letter of Credit**") in favour of the Company in an amount of up to US\$25 million, which may be called upon by the Company in the event that Double A Limited does not make available all or part of its participation in the loan in accordance with the terms of the Second Lien Financing. The Letter of Credit is irrevocable and unconditional and is valid until 25 June 2022. The Company has agreed to reimburse Double A Limited for the costs incurred by it in connection with the issue of the Letter of Credit (the "**Reimbursement**").

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

The Second Lien Financing has the benefit of second ranking security. Such security shall be equivalent to the security package to be granted to the RBL Lenders but ranking junior to the RBL Lenders' security.

Alter Domus (as agent for the Second Lien Financing Lenders) has entered into an intercreditor agreement with, among others, the RBL agent and the Surety Bond Providers to govern the relationship between the RBL Lenders, the Second Lien Financing Lenders (as second lien lenders with second ranking security) and the Surety Bond Providers (which will have the benefit of a third ranking security package). The intercreditor agreement includes a standstill period in respect of any enforcement action which can be taken by the Second Lien Financing Lenders. The intercreditor agreement also restricts prepayment of the Second Lien Financing prior to the occurrence of the Bond Refinancing.

### ***Participation in the Capital Raising***

Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, has also agreed to subscribe for at least 10,185,677 Firm Placing Shares and at least 10,230,474 Open Offer Shares in excess of its Open Offer Entitlement, pursuant to the Double A Irrevocable Undertaking (as described in further detail in paragraph 9 below). As Double A Limited is a “related party” of the Company, as described above, its participation as a Firm Placee and Placee in the Capital Raising constitutes a “related party transaction” for the purposes of Chapter 11 of the Listing Rules and therefore requires the approval of Shareholders.

### **9. Irrevocable Undertaking**

Pursuant to the terms of the Double A Irrevocable Undertaking given by Double A Limited on or around the date of this document, Double A Limited has irrevocably and unconditionally undertaken to take up in full its entitlement to 20,416,151 New Ordinary Shares, representing 10.7 per cent. of the New Ordinary Shares to be issued pursuant to the Capital Raising. Such New Ordinary Shares which are the subject of the Double A Irrevocable Undertaking are not being underwritten by the Bookrunner. No commission is payable by the Company in respect of the Double A Irrevocable Undertaking.

Double A Limited has also agreed:

- (a) to vote and/or procure the vote of all of its holdings of Ordinary Shares in favour of the Resolutions (other than the Related Party Resolutions); and
- (b) not to vote on the Related Party Resolutions and take all reasonable steps to ensure that its associates (as defined in the Listing Rules) do not vote on the Related Party Resolutions.

In addition, Double A Limited has agreed not to sell, transfer, or otherwise dispose of (including undertaking any transaction with the same economic effect as disposing of), nor enter into any agreement (whether conditional or not) for the sale, transfer or other disposal of any of its Ordinary Shares or any interest therein prior to 3.00 p.m. on the latest date for acceptance and payment in full under the Open Offer.

The Double A Irrevocable Undertaking contains certain customary acknowledgements and undertakings from Double A Limited. The Double A Irrevocable Undertaking is governed by English law.

Furthermore, pursuant to the Double A Irrevocable Undertaking, Double A Limited has agreed to:

- (a) immediately on demand following announcement of the Capital Raising subscribe for at least 10,185,677 Firm Placing Shares pursuant to the Firm Placing and at least 10,230,474 Open Offer Shares (subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer) pursuant to the Placing; and
- (b) to subscribe for such number of additional New Ordinary Shares in the Firm Placing and Placing that, when added together with any New Ordinary Shares subscribed for by Amjad Bseisu and The Amjad and Suha Bseisu Foundation in the Capital Raising, is equivalent to the aggregate *pro rata* share of New Ordinary Shares of Double A Limited. Amjad Bseisu and The Amjad and Suha Bseisu Foundation under the Capital Raising,

in each case, on the terms and conditions of the Capital Raising.

In consideration of Double A Limited’s commitment under the Double A Irrevocable Undertaking, the Company has agreed to pay Double A Limited a commission of 0.5 per cent. of the product of (i) the number of New Ordinary Shares subscribed for pursuant to the Double A Irrevocable Undertaking which are subsequently clawed back following completion of the Open Offer to satisfy valid acceptances of New Ordinary Shares by Qualifying Shareholders in the Open Offer and (ii) the Issue Price, other than any New Ordinary Shares subsequently clawed back following the completion of the Open Offer to satisfy valid acceptances of New Ordinary Shares by Amjad Bseisu and/or The Amjad and Suha Bseisu Foundation or New Ordinary Shares otherwise subscribed for by Amjad Bseisu and/or The Amjad and Suha Bseisu Foundation (the “**Commission**”).

Following completion of the Capital Raising, it is expected that, in aggregate, Double A Limited and The Amjad and Suha Bseisu Foundation would be interested in 202,518,585 Ordinary Shares representing



10.7 per cent. of the Enlarged Issued Share Capital of the Company (assuming the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising).

## **10. Current trading and future prospects, including trend information**

### ***EnQuest Group***

The EnQuest Group's EBITDA was \$550.6 million in the year ended 31 December 2020, representing a decrease of \$455.9 million in EBITDA, or a 45.3 per cent. decrease, compared to the year ended 31 December 2019. This was primarily due to lower realised oil and gas prices, reflecting lower market prices, and reduced production as a result the decisions to cease production at Heather/Broom, Thistle/Deveron and Alma/Galia. This was partially offset by the EnQuest Group's transformation and ongoing focus on cost control, which drove the EnQuest Group's average unit operating costs down by 26.2 per cent. in the year ended 31 December 2020 to \$15.2/boe compared to \$20.6/boe in the year ended 31 December 2019. Cash generated by operations decreased to \$567.8 million, down 42.9 per cent. from \$994.6 million in the year ended 31 December 2019, with free cash flow generation of \$211.1 million.

The average ICE Brent Crude oil price decreased from \$64/bbl for the year ended 31 December 2019 to \$43/bbl for the year ended 31 December 2020.

The EnQuest Group's net daily production on a working interest basis was 59,116 boepd in the year ended 31 December 2020, down approximately 13.8 per cent. from 68,606 boepd in the year ended 31 December 2019, slightly below the mid-point of the EnQuest Group's guidance. This decrease primarily reflects the cessation of production at Heather/Broom, Thistle/Deveron and Alma/Galia, absence of gas lift at the Dons, the shutdown at PM8/Seligi and lower production at Magnus, partially offset by increases in production from Kraken and Scolty/Crathes.

Kraken continued to perform well, delivering high production efficiency of 87 per cent. and gross production of 37,518 bopd, above the top end of its guidance range. Overall subsurface and well performance was good and production optimisation activities continued through improved injector producer well management. By the end of 2020, more than 40 MMbbls (gross) had been produced since first oil, a great achievement by the combined EnQuest and Bumi Armada team.

Production at Magnus also remained robust, delivering 17,416 Boepd reflecting the contribution of the two new wells coming onstream in the first quarter of 2020, partially offset by gas compressor and sea water lift pump system availability. Production at PM8/Seligi was lower than the prior year reflecting the impact of an unplanned detached riser at the Seligi Alpha platform, which provides gas lift and injection to the Seligi Bravo platform. This resulted in a release of gas which initiated an automatic emergency shutdown of the PM8/Seligi field. The EnQuest Group's safety systems and emergency response procedures were successfully implemented, with all personnel onboard mustered safely within minutes. Following an initial investigation and safety assessment, partial operations were able to be recommenced within two days, although production remained low throughout the fourth quarter of 2020.

At Heather and Thistle/Deveron, cessation of production applications were approved, with decommissioning activities commencing in preparation of the well abandonment programmes planned for 2021. At Alma/Galia, cessation of production occurred on 30 June 2020 as planned, with the EnQuest Producer floating production, storage and offloading vessel moving off station shortly thereafter and transferred to the oil terminal jetty at Nigg.

### ***2021 Performance and Outlook***

Production performance to the end of April 2021, being the period of the Company's most recent production update, was within the Group's full year guidance range. An unplanned third-party outage and power related failures at Magnus, along with a short duration shutdown at Kraken for a riser tether repair have been partially offset by PM8/Seligi wells coming back online ahead of schedule. Repairs have been completed on the Kraken tethers and Magnus power systems and the Group remains focused on improving production at Magnus through well interventions, increased water injection and facility optimisation.



For 2021, the EnQuest Group's net production is expected to be between 46,000 and 52,000 Boepd (excluding any contribution from the Acquisition) and includes the cessation of production at the Dons fields, which occurred as planned during the first quarter of 2021, continued low production at PM8/Seligi until repairs on the riser are completed during the second half of 2021 and natural declines across the portfolio. Kraken gross production is expected to be between 30,000 and 35,000 Bopd (21,150 and 24,675 Bopd net), reflecting natural declines. The EnQuest Group continues to focus on cost control and capital discipline, with operating expenditures expected to be approximately \$265 million and combined cash capital and abandonment expenditure expected to be around \$120 million, all of which are lower than that in the year ended 31 December 2020. Capital expenditure is expected to primarily relate to essential safety and maintenance related activities and guidance excludes the costs associated with the PM8/Seligi riser incident repair which are expected to be largely covered by insurance, while abandonment expense will primarily reflect decommissioning programmes at Heather/Broom, including an acceleration of some work scopes, the Thistle/Deveron fields and the Dons.

### ***Golden Eagle***

During 2020, the Golden Eagle Area Development produced around 8,100 Boepd net to Suncor. All the production wells are lifted with gas and reservoir pressure in the Golden Eagle field has been maintained by water injection. The current four-well infill programme commenced in 2020, with the first three wells safely completed and online. Production rates from these wells are above that assumed in the EnQuest acquisition case as well as the rates in the GaffneyCline CPR on the Golden Eagle Area Development. The fourth well came on-stream in June and the Company continues to expect the Golden Eagle Area Development to add c.10,000 Boepd to production upon completion of the Acquisition. Further infill drilling campaigns in 2023 and 2025 are under evaluation.

Technical information in the above paragraph has been extracted from the GaffneyCline CPR on the Golden Eagle Development. For further details please see Part 8 ("*GaffneyCline CPR on the Golden Eagle Area Development*").

## **11. Financial effects of the Capital Raising and the Acquisition**

On a pro forma basis and assuming that the Transaction and an RBL drawdown of \$600 million had taken place on 31 December 2020, the EnQuest Group would have had net assets of \$278.7 million, compared with net liabilities of \$64.6 million reported as of 31 December 2020. Please refer to Part 9 ("*Unaudited Pro Forma Financial Information*") which contains an unaudited pro forma statement of assets and liabilities, prepared to illustrate the effect of the Transaction and an RBL drawdown of \$600 million on the assets and liabilities of the EnQuest Group as if each had taken place on 31 December 2020.

## **12. Risk factors**

You should consider fully the risk factors associated with the EnQuest Group, its industry, the Capital Raising and the Acquisition. Your attention is drawn to the risk factors set out on pages 9 to 44 of this document.

## **13. General Meeting**

A notice convening the General Meeting to be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW, on 23 July 2021 at 9.30 a.m. is set out at the end of this document. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions set out in full in the Notice of General Meeting. The following resolutions will be proposed at this meeting:

- (a) Resolution 1, which is conditional on the approval of Resolution 4 below, will be to authorise the approval of the Acquisition and to authorise the Directors to: (i) take all such steps as may be necessary or desirable in connection with the Acquisition; and (ii) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Acquisition;
- (b) Resolution 2, which is conditional upon Admission, will be to authorise the Directors to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal

amount of £31,432,072.32 and to allot ordinary shares or rights to subscribe for, or to convert securities into ordinary shares up to an aggregate nominal amount of £62,864,144.63. This authority will refresh the existing authority granted at the 2021 Annual General Meeting;

- (c) Resolution 3, which is conditional upon Admission, will be to authorise the Directors to allot equity securities pursuant to resolution 2 otherwise than to the Company's existing shareholders *pro rata* to their holdings up to an aggregate nominal amount of £4,714,810.85 (being 5 per cent. of the Company's issued ordinary share capital as increased by the minimum number of New Ordinary Shares). This authority will refresh the existing authority granted at the 2021 Annual General Meeting and shall expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 30 June 2022);
- (d) Resolution 4 will be to authorise, as a related party transaction, the proposed participation of Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, in the Capital Raising (including the payment of the Commission); and
- (e) Resolution 5 will be to authorise, as a related party transaction, the proposed participation of Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, in the Second Lien Financing.

The Directors intend to use the shareholder authorities granted at the Company's 2021 Annual General Meeting under resolutions 16 (authority to allot shares) and 17 (dis-application of pre-emption rights) to allot the New Ordinary Shares pursuant to the Capital Raising.

### 13.1 **Resolutions 2 and 3 – Revised authority to allot (Ordinary Resolution) and disapplication of pre-emption rights (Special Resolution)**

The Directors believe that it will be necessary to re-grant to the Directors customary authorities to apply following completion of the Capital Raising, similar to the shareholder authorities that were obtained at the 2021 Annual General Meeting. Resolution 2 proposes to give the Directors general authority to allot shares in the Company. Resolution 3 proposes to empower the Directors to allot equity securities under the authority conferred under Resolution 2 on a non-pre-emptive basis. Each of Resolutions 2 and 3 reflects the conditionality of the Capital Raising, and authorises the Company to allot or disapply pre-emption (as the case may be) in relation to customary proportions of the Company's issued share capital.

Resolution 2 proposes to give the Directors general authority to allot shares in the capital of the Company to replace similar authorities that were obtained at the 2021 Annual General Meeting. Accordingly, Resolution 2 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares: (a) up to an aggregate nominal amount of £31,432,072.32; and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £62,864,144.63.

As at the Latest Practicable Date, the Company holds no treasury shares. Resolution 3 is conditional on the passing of Resolution 2 and would give the Directors power to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders *pro rata* to their holdings and would replace similar powers to those that were obtained at the 2021 Annual General Meeting. Accordingly, Resolution 3 will be proposed as a special resolution to grant such a power. Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £4,714,810.85 (being 5 per cent. of the Company's issued ordinary share capital as increased by the minimum number of New Ordinary Shares). If given, this power will expire at the conclusion of the annual general meeting of the Company in 2022 or on 30 June 2022, whichever is the earlier. The figure of 5 per cent. reflects the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "**Statement of Principles**"). The Directors will have due regard to the institutional guidelines in relation to any exercise of this power, in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5 per cent. of the total issued ordinary share capital of the Company excluding

treasury shares but taking account of shares issued pursuant to the Capital Raising in any rolling three-year period, without prior consultation with shareholders.

If given, these authorities will expire at the conclusion of the annual general meeting of the Company in 2022 or on 30 June 2022, whichever is the earlier.

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

### **13.2 Resolutions 4 and 5 – Related Party Transactions**

The Company is required by Chapter 11 of the Listing Rules to seek Shareholder approval for any related party transaction which it proposes to enter into. Resolutions 4 and 5 set out in the Notice of General Meeting seek, by way of ordinary resolutions, the approval of Shareholders (excluding Double A Limited and its associates) of the participation of Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, in the Second Lien Financing and Capital Raising (including the Commission).

Pursuant to the requirements of Chapter 11 of the Listing Rules, Double A Limited, as a related party of the Company, will not vote on the Related Party Resolutions and has undertaken to take all reasonable steps to ensure that its associates (as defined in the Listing Rules) do not vote on the Related Party Resolutions.

The Company will only draw upon the Second Lien Financing in the event that the amount raised by the Capital Raising is less than \$50 million. If the Company does not need to rely on the Second Lien Financing to meet any shortfall in funding, Resolution 5 may be withdrawn.

## **14. Action to be taken**

### **14.1 General Meeting**

The Board has been closely monitoring the ongoing COVID-19 situation and, on the basis of the UK government's roadmap out of lockdown, the General Meeting has been arranged on the assumption that the Company will be able to be held as an open, physical meeting. If the position changes, the Company will communicate any updates on its website at <https://www.enquest.com/investors/shareholder-information/general-meetings> and, where appropriate, through an announcement to the market, before the General Meeting. Given the uncertainty around whether Shareholders will be able to attend the General Meeting in person due to a potential change in the COVID-19 situation, the Board:

- (a) recommends that Shareholders appoint a proxy electronically to vote via their Signal Shares account, or equivalent. To do so, you will need to log into your Signal Shares account, or register if you have not previously done so using your Investor Code which is detailed on your share certificate or available by calling Link Group on +44 (0)371 664 0321. Alternatively Shareholders may appoint the Chair of the General Meeting as their proxy, either by using a form of proxy or through CREST. Further details relating to voting by proxy are set out in the notes to the Notice of General Meeting at the end of this document;
- (b) encourages you to submit any question that you would like to be answered at the Meeting by sending it, together with your name as shown on the Company's Register of Members, to the following email address: [CompanySecretariat@enquest.com](mailto:CompanySecretariat@enquest.com) so that it is received no later than 2.00 p.m. on 21 July 2021;
- (c) has arranged for Shareholders to be able to listen to the General Meeting by joining the live webcast which will be accessible via the Company website at <https://www.enquest.com/investors/shareholder-information/general-meetings>. The website link can be accessed at any time from 15 minutes prior to the General Meeting. Please note that Shareholders will not be able to use the webcast to actively participate in the General Meeting by voting on the resolutions or asking questions. It is therefore recommended that Shareholders

vote on the resolutions using their Signal Shares account and submit any questions prior to the General Meeting; and

- (d) will continue to closely monitor the COVID-19 situation in the lead-up to the General Meeting and make further updates about the General Meeting on the Company's website at <https://www.enquest.com/investors/shareholder-information/general-meetings>. Please ensure that you regularly check this page for updates.

## 14.2 Open Offer

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

If you are a Qualifying Non-CREST Shareholder, you will receive an Application Form which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements set out in Box 5. If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 5.1 of Part 13 ("*Terms and Conditions of the Open Offer*") and on the Application Form itself. Your completed Application Form, accompanied by full payment in accordance with the instructions set out in paragraph 5.1 of Part 13 ("*Terms and Conditions of the Open Offer*") should be returned by post in the accompanying pre-paid envelope or returned by post to Link Group Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, by no later than 11.00 a.m. on 22 July 2021. If you do not wish to apply for any New Ordinary Shares under the Open Offer, you should not complete or return the Application Form.

- (b) *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder no Application Form will be sent to you and you will receive a credit to your appropriate stock account in CREST in respect of Open Offer Entitlements representing your maximum entitlement under the Open Offer. You should refer to the procedure for application set out in paragraph 5.2 of Part 13 ("*Terms and Conditions of the Open Offer*"). The relevant CREST instructions must have settled in accordance with the instructions in paragraph 5.2 of Part 13 ("*Terms and Conditions of the Open Offer*") by no later than 11.00 a.m. on 22 July 2021. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

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

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-entitlements) held in certificated form before the Record Date, you should refer to the instruction regarding split applications in Part 13 ("*Terms and Conditions of the Open Offer*") and the Application Form.

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

For further information regarding CREST proxies, please see footnote 8 in the Notice of General Meeting set out at the end of this document.

**The latest time and date for receipt of Application Forms and payment in full under the Open Offer and the settlement of relevant CREST Instructions is expected to be 11.00 a.m. on 2021, unless otherwise announced by the Company. Details of the further terms and conditions of the Open Offer are set out in Part 13 (“*Terms and Conditions of the Open Offer*”) and, where relevant, will also be set out in the Application Forms.**

For Qualifying Non-CREST Shareholders the Open Offer Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by not later than 6 August 2021 to the registered address of the person(s) entitled to them.

For Qualifying CREST Shareholders, the Receiving Agent will instruct Euroclear to credit the stock accounts of the Qualifying CREST Shareholders with their Open Offer Shares. It is expected that this will take place by not later than 26 July 2021.

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

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

If you have any further queries regarding the Open Offer, please call Link Group +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## **15. Overseas Shareholders**

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, an Application Form, and any other document in relation to the Capital Raising to such persons, is drawn to the information which appears in paragraph 7 of Part 13 (“*Terms and Conditions of the Open Offer*”) of this document.

New Ordinary Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. The Open Offer will not be made into certain territories, including Sweden, and, subject to certain exceptions, Application Forms will not be sent to Excluded Overseas Shareholders, nor will the CREST stock account of any Excluded Overseas Shareholders be credited with New Ordinary Shares. Any Excluded Overseas Shareholder who obtains a copy of this document or an Application Form is required to disregard them, except with the consent of the Company.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right to permit any Qualifying Shareholder to take up its, his or her entitlement if the Company in its sole and absolute discretion is satisfied that the transaction in question will not violate applicable laws.

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



## **16. Taxation**

Your attention is drawn to Part 11 ("*Taxation*") in relation to taxation matters. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

## **17. Share Option Plans and the EnQuest EBT**

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

In addition, the Directors have requested that the Trustees, acting in their capacity as trustees of the EnQuest EBT, consider voting in favour of all of the Resolutions proposed at the General Meeting. The Directors have also requested that the Trustees apply to take-up in full their entitlements in respect of the Open Offer Shares under the Open Offer, subject to and to the extent that the Company and/or another member of the EnQuest Group provides the Trustees with sufficient funds to do so and provided that no more than five per cent., of the issued ordinary share capital is held in the EnQuest EBT at any time. In this regard, the Company has agreed to provide the Trustees with an interest free loan to the amount of £410,381.57 so that the Trustees can take up and pay for their entitlements under the Open Offer. Additional funding may also be provided to the Trustees by the Company or any other subsidiary. Any funding provided to the Trustees by the Company and/or a subsidiary shall be on the condition that it is used only to pay for New Ordinary Shares under the Open Offer and that any New Ordinary Shares so acquired shall be used for the benefit of the beneficiaries of the EnQuest EBT and to satisfy outstanding and future options and awards granted to employees under the Share Option Plans and any other employees' share scheme or share incentive plan operated by the Company or a member of the EnQuest Group from time to time. The Trustees have considered the Directors' requests and have agreed in writing to vote in favour of all the Resolutions proposed at the General Meeting and to take-up their entitlements under the Open Offer by signing the EnQuest EBT Irrevocable Undertaking, as further described in paragraph 18.4(b) of Part 12 ("*Additional Information*").

## **18. Further information**

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

## **19. Financial advice**

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser, who is authorised under the FSMA if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

## **20. Directors' Intentions**

The Directors currently beneficially own, in aggregate, 184,876,823 Ordinary Shares representing approximately 10.9 per cent., of the Existing Issued Share Capital of the Company. Each of the Directors who holds Ordinary Shares (other than Amjad Bseisu) intends, to the extent that he or she is able to take up in full his or her entitlements to subscribe for New Ordinary Shares under the Capital Raising.

In addition, the Directors (other than Amjad Bseisu in respect of the Related Party Resolutions) currently intend to vote and/or procure the vote in favour of the Resolutions to be proposed at the General Meeting in respect of their beneficial holdings of Ordinary Shares amounting to 2,774,389 Ordinary Shares and approximately 0.2 per cent. of the total number of votes available to be cast at the General Meeting.

Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, currently owns 182,102,434 Ordinary Shares, representing approximately 10.7 per cent. of the Existing Issued Share Capital of the Company, and has irrevocably undertaken to:

- (a) take up its entitlement to New Ordinary Shares in full;

- (b) immediately on demand following announcement of the Capital Raising subscribe for at least 10,185,677 Firm Placing Shares pursuant to the Firm Placing and at least 10,230,474 Open Offer Shares (subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer) pursuant to the Placing, in each case, on the terms and conditions of the Capital Raising;
- (c) subscribe for such number of additional New Ordinary Shares in the Firm Placing and Placing that, when added together with any New Ordinary Shares subscribed for by Amjad Bseisu and The Amjad and Suha Bseisu Foundation in the Capital Raising, is equivalent to the aggregate *pro rata* share of New Ordinary Shares of Double A Limited. Amjad Bseisu and The Amjad and Suha Bseisu Foundation under the Capital Raising, in each case, on the terms and conditions of the Capital Raising; and
- (d) vote in favour of Resolutions 1 to 3 at the General Meeting and not to vote on Resolutions 4 and 5 which propose the approval of the Related Party Transactions.

Double A Limited has also undertaken to take all reasonable steps to ensure that its associates will not vote on Resolutions 4 and 5 which propose the approval of the Related Party Transactions.

## **21. Related Party Transactions**

The Board, which has been so advised by J.P. Morgan Cazenove, in its capacity as the Company's sponsor, believes that the Related Party Transactions are fair and reasonable as far as Shareholders are concerned. In providing such advice to the Board, J.P. Morgan Cazenove has taken into account the Board's commercial assessment of the Related Party Transactions. Amjad Bseisu has not taken part in the Board's consideration of this matter.

## **22. Recommendation**

The Board considers the Transaction and the related Resolutions to be in the best interests of the Company and its Shareholders as a whole.

The Directors (other than Amjad Bseisu in respect of the Related Party Resolutions) intend to vote in favour of the Resolutions to be proposed at the General Meeting in respect of their own beneficial holdings of Ordinary Shares amounting to 2,774,389 Ordinary Shares and approximately 0.2 per cent. of the total number of votes available to be cast at the General Meeting. Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably and unconditionally undertaken to vote in favour of the Resolutions in respect of their Ordinary Shares amounting to 182,102,434 Ordinary Shares and approximately 10.7 per cent. of the total number of votes available to be cast at the General Meeting, although Double A Limited will abstain, as required, and has undertaken to take all reasonable steps to ensure that its associates will abstain, from voting on the Related Party Resolutions.

Accordingly, the Board (other than Amjad Bseisu in respect of the Related Party Resolutions) unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.

Yours faithfully

**Martin Houston**  
Chairman

## PART 2

### INFORMATION ON THE ENQUEST GROUP

The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this document, including the financial and other information in, or incorporated by reference in, Part 4 (“*Operating and Financial Review of the EnQuest Group*”) and Part 5 (“*Financial Information on the EnQuest Group*”).

#### 1. Introduction

EnQuest is an oil and gas production and development company, with operations in the UK North Sea and Malaysia. Its purpose is to provide creative solutions through the energy transition with a strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline. It achieves its objectives through enhancing hydrocarbon recovery and extending the useful lives of assets in a responsible manner.

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

#### 2. Business overview

##### 2.1 General

The EnQuest Group is a significant independent UK oil and gas producer operating in the UK North Sea and Malaysia. As of 31 December 2020, it had interests in 20 UK production licences, 18 of which it operates, covering 31 blocks or part blocks in the UKCS. In January 2021 it acquired a 40.8 per cent operating interest in the Bressay oil field in the UK North Sea. In April 2021 EnQuest signed a conditional agreement to purchase a 100.0 per cent. working interest in the P1078 licence containing the Bentley heavy oil field in the UK North Sea. The EnQuest Group also has interests in two production licences in Malaysia.

The EnQuest Group’s average daily production on a working interest basis for the year ended 31 December 2020 was 59,116 Boepd (93.6 per cent. liquids and 6.4 per cent. gas). Since its inception, the EnQuest Group has increased its net 2P reserves to 189 MMboe as of 31 December 2020 from 81 MMboe as of 2009, representing a compound annual growth rate of approximately 8 per cent. per annum. As of 31 December 2020, the EnQuest Group’s assets had a reserve life of 9 years.

The EnQuest Group’s producing assets generated revenue and EBITDA of \$856.9 million and \$550.6 million, respectively, in the year ended 31 December 2020, representing a decrease of \$854.9 million in revenue, or 49.9 per cent., and a decrease of \$455.9 million in EBITDA, or 45.3 per cent., compared to the year ended 31 December 2019. The EnQuest Group’s average unit operating costs were 26.2 per cent. lower in the year ended 31 December 2020 at \$15.2/Boe compared to \$20.6/Boe in the year ended 31 December 2019.

The EnQuest Group’s production for the year ended 31 December 2020 was in line with its guidance, primarily reflecting a better than expected performance at Kraken, offset by lower production in Malaysia and Thistle, Heather and Alma/Galia moving to cessation of production. The Directors expect that production for 2021 will be between 46,000 Boepd and 52,000 Boepd (excluding any contribution from the Acquisition). This includes the cessation of production at the Dons field, which occurred as planned during the first quarter of 2021, continued low production at PM8/Seligi until repairs on the riser are completed during the second half of 2021 and natural declines across the UK Upstream portfolio. Kraken gross production is expected to be between 30,000 and 35,000 Bopd (21,150 and 24,675 Bopd net), reflecting natural declines.

Production performance to the end of April 2021, being the period of the Company's most recent production update, was within the Group's full year guidance range. An unplanned third-party outage and power related failures at Magnus, along with a short duration shutdown at Kraken for a riser tether repair have been partially offset by PM8/Seligi wells coming back online ahead of schedule. Repairs have been completed on the Kraken tethers and Magnus power systems and the Group remains focused on improving production at Magnus through well interventions, increased water injection and facility optimisation.

In 2021, the EnQuest Group continues to focus on cost control and capital discipline, with operating expenditures expected to be approximately \$265.0 million and combined cash capital and abandonment expenditure expected to be around \$120.0 million, all of which are lower than 2020 (which were \$328.6 million<sup>8</sup> and \$173.0 million<sup>9</sup>, respectively, in the year ended 31 December 2020). Capital expenditure in 2021 is expected to primarily relate to essential safety and maintenance related activities and guidance excludes the costs associated with the PM8/Seligi riser incident repair which are expected to be largely covered by insurance, while abandonment expense is expected to primarily reflect decommissioning programmes at Heather/Broom (including an acceleration of some work scopes), the Thistle/Deveron fields and the Dons. See paragraph 3 ("*Strengths—Strong cost control capabilities*") below for further detail.

## 2.2 Overview of Assets

Most of the EnQuest Group's existing assets are located in the UKCS in the North Sea. It also has interests in production licences in Malaysia. See risk factor 3.3 entitled "*All of the EnQuest Group's production comes from 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*".

### (a) UKCS

2020 presented the EnQuest Group with a unique set of challenges through the combination of the oil price collapse in March 2020, the COVID-19 pandemic, reduced demand for oil given lower economic activity and stay-at-home orders, and the resulting volatility in the global financial markets. In response, the EnQuest Group has ceased production at its highest cost assets, leaving behind its lower cost and longer life assets. This saw the re-organisation of the UK North Sea business into three directorates:

- **UK Upstream:** *Kraken, Magnus, Greater Kittiwake Area, Scolty/Crathes, Alba, and Bressay*  
The UK Upstream operations are characterised by their high production and operating efficiency, focusing on reservoir management and resource development.
- **UK Midstream:** *Sullom Voe Terminal ("SVT") and pipelines*  
The UK Midstream operations are focused on providing safe, reliable and low cost services for customers.
- **UK Decommissioning:** *Heather/Broom, Thistle/Deveron, Alma/Galia and the Dons*  
The UK Decommissioning operations manage end of field life decommissioning programmes for assets that have already, or are about to cease production.

### (b) Malaysia

The EnQuest Group also has producing assets located in Malaysia, PM8/Seligi, and a non-producing interest in Block PM409, where work continues to high grade the prospects in the

8 Operating expenditures in 2020 comprises production costs, tariff and transportation costs and the effect of any realised foreign exchange hedging gains or losses on derivatives related to operating costs.

9 Combined cash capital and abandonment expenditure in 2020 comprises decommissioning spend and purchase of property, plant and equipment.

block to identify suitable drilling opportunities with the intention of future development. In the year ended 31 December 2020, daily average net production in Malaysia was 6,436 Boepd, representing 10.9 per cent. of the total daily average net production of the EnQuest Group for that year.

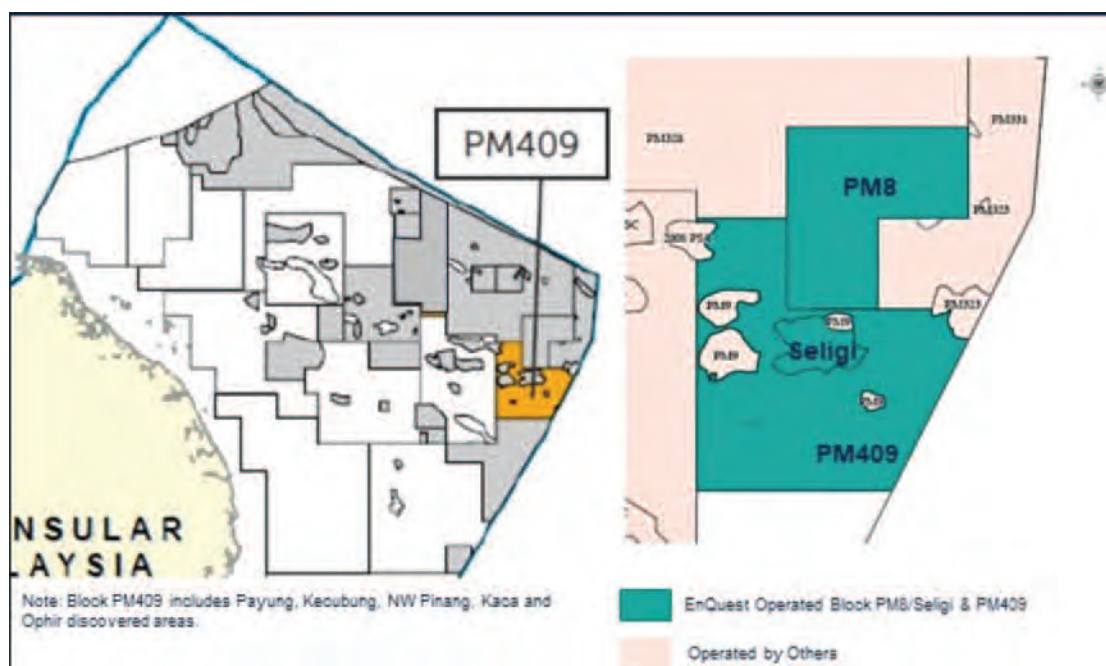
The EnQuest Group typically seeks to hold a significant working interest in its producing assets and developments, with 100.0 per cent. at Magnus, 70.5 per cent. at Kraken, 50.0 per cent. at GKA; 50.0 per cent. at Scolty/Crathes, and 40.8 per cent. at Bressay. In Malaysia, the EnQuest Group holds a 50.0 per cent. working interest in PM8/Seligi and a 85.0 per cent. working interest in Block PM409. A summary of the EnQuest Group's production and development portfolio is set out in paragraph 6 of this Part 2 ("*Information on the EnQuest Group*") below. In particular, see the column entitled "*Working interest (per cent.)*" for further details on the EnQuest Group's working interest in each of its asset.

Through ownership, holding a significant working interest and active participation rights, the EnQuest Group is better able to shape the development plan of an asset and influence the timing and method of the extraction of resources. The EnQuest Group thus has a significant degree of control over the timing and magnitude of operating and capital expenditures of a spread of assets. Following Completion, the Enlarged Group will have four assets each representing approximately 10 to 40 per cent. of the Enlarged Group's reserves, production, revenue and EBITDA, being Magnus, Kraken, the Golden Eagle Asset and PM8/Seligi. A further eight assets will account for the remainder of the Enlarged Group's business. The EnQuest Group has the right and obligation under each joint operating agreement to which it is a party to take delivery of its share of production from each field for onward sale to third parties of its choice. Furthermore, in relation to crude oil, each field temporarily stores production either at the field (such as through an FPSO) or at a terminal (such as the SVT). This gives each field owner the ability to accumulate a marketable volume of cargo which is allocated in full to the field owner with the highest proportionate share of the total stored volume at the time a full cargo accumulates. By mutual agreement, field owners may pool their production under a joint operating agreement in order to share in cargoes. As such, the EnQuest Group has full discretion over the marketing of its attributable volumes across its portfolio and, in relation to assets in which the EnQuest Group holds a minority, non-operated stake such as Alba and, on Completion, the Golden Eagle Asset, the Company markets its attributable volumes independently of its partners in each field.

The Directors believe that the EnQuest Group's existing assets with the highest remaining production potential are Kraken, Magnus, and PM8/Seligi. It is also the operator of each of these assets. There are also material reserves and resources within these assets that the EnQuest Group believes can be accessed through short-cycle low-cost drilling and sub-sea tie-back projects. The recent acquisition of approximately 115 MMbbls of net 2C resources associated with the EnQuest Group's operating interest in Bressay provides a significant long-term, low-risk production opportunity that has similarities to the EnQuest Group's Kraken field. Following completion of the Acquisition, the Golden Eagle Asset is expected to be the third largest producing asset and second lowest cost asset (based on unit operating expenditure) in the EnQuest Group's portfolio.



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



The following table sets forth the net daily average production on a working interest basis for each of the EnQuest Group's producing UKCS operations and Malaysian operations for the years ended 31 December 2018, 2019 and 2020:

Region	Net daily average production (boepd) Year ended 31 December		
	2018	2019	2020
<b>UK Upstream</b> .....	31,151	49,083	50,334
Kraken.....	21,369	25,172	26,450
Magnus <sup>(1)</sup> .....	5,496	18,267	17,416
GKA .....	2,082	1,961	1,257
Scolty/Crathes.....	1,222	2,848	4,561
Alba.....	982	835	650
<b>UK Decommissioning</b> .....	15,864	10,870	2,346
Heather/Broom <sup>(2)</sup> .....	4,303	1,855	—
Thistle/Deveron <sup>(2)</sup> .....	5,891	4,111	—
Alma/Galia <sup>(3)</sup> .....	2,067	1,900	714
The Dons <sup>(4)</sup> .....	3,604	3,005	1,632
<b>Malaysia</b> .....	8,432	8,653	6,436
PM8/Seligi .....	8,007	8,579	6,436
Tanjong Baram <sup>(5)</sup> .....	425	74	—
<b>TOTAL</b> .....	<b>55,447</b>	<b>68,606</b>	<b>59,116</b>

**Notes:**

- (1) The EnQuest Group acquired its initial 25 per cent. interest in Magnus in 2017, with the remaining 75 per cent. being acquired in 2018.
- (2) Production had been shut since October 2019 with formal cessation of production in the second quarter of 2020.
- (3) Ceased production in June 2020.
- (4) Cessation of production completed in March 2021.
- (5) Following two consecutive quarters of allocated revenue being below operating expenditures, the Tanjong Baram field was deemed uneconomic and EnQuest issued a termination notice under the terms of the Tanjong Baram Small Field Risk Service Contract. The Tanjong Baram Small Field Risk Service Contract was terminated on 3 March 2020.

Further details on each of the EnQuest Group's assets are set out in paragraph 6 of this Part 2 ("*Information on the EnQuest Group*") below.

### 3. Strengths

The Directors believe that the EnQuest Group's operational capabilities and experienced technical staff and management has improved the performance and extended the economic lives of assets within its portfolio. It has delivered material growth in its production since 2010 and through further development in the UKCS and other geographic regions, the EnQuest Group has substantial opportunities to continue to grow and create value, while maintaining a focus on environmental, social and governance factors, such as health and safety, the environmental impact of its operations and ensuring that it complies with regulatory requirements.

#### ***Substantial reserves and resources***

The Directors believe the EnQuest Group's large reserves and resources base in its 'core assets, combined with the substantial 2C resources acquired through the recent Bressay transaction, provide substantial potential for long-dated, economic production and further field life extensions. As of 31 December 2020, the EnQuest Group had net 2P reserves of around 189 MMboe. The reserve life of its assets as at 31 December 2020 was 9 years.

The EnQuest Group saw an 11.3 per cent. decrease in net 2P reserves to 189 MMboe in the year ended 31 December 2020 from 213 MMboe in the year ended 31 December 2019. During the year, the EnQuest Group produced 10.1 per cent. of its year-end 2019 2P reserves base, with downward revisions at Thistle/Deveron and the Dons, reflecting cessation of production decisions at these fields, largely offset by

other revisions and transfers from 2C resources. The Directors believe that the potential acquisition of the Golden Eagle Asset presents a significant opportunity to grow the EnQuest's Group 2P reserves.

For further details on the EnQuest Group's net 2P reserves for the years ended 31 December 2018, 2019 and 2020, see paragraph 5 ("*Summary of historical reserves, resources and operating data*") below.

### ***Proven track record in adding value to acquired assets***

The EnQuest Group is a specialist operator of mature assets (e.g. Magnus and PM8/Seligi) and has grown significantly through the acquisition of such mature assets, improving and optimising its production capabilities to deliver strong production and efficiency. The EnQuest Group has improved the production efficiency and lowered operating costs of its acquired assets, demonstrating a consistent track record of improving performance and extending their lives, adding value to the assets acquired. Since 2009, the EnQuest Group production has grown on average by around 14.3 per cent. per annum, with 2P reserves growing on average by around 8.1 per cent. per annum.

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

Examples of acquisitions delivering accretive growth include the EnQuest Group's acquisition of its initial 25.0 per cent. interest in Magnus on 1 December 2017 (under the Magnus SPA) which it increased to a 100.0 per cent. interest on 1 December 2018 (by exercising its option under the Magnus Option), which in aggregate added approximately 18,000 boepd of production on an annual basis, as well as approximately 76 MMboe of net 2P reserves and approximately 41 MMboe of net 2C resources. The acquisition of the Magnus interests reflected the industry's confidence in the EnQuest Group's ability to maximise value from late life assets with significant remaining resource potential. Within the first full financial year following exercise of the Magnus Option (being the period ending 31 December 2019), Magnus was a material contributor to the 23.7 per cent. increase in average production to 68,606 boepd in the year ended 31 December 2019, compared to the same period in 2018. In addition, EnQuest has successfully lowered unit operating costs at the Magnus field from an estimated \$60.0/Boe in 2015 to less than \$20.0/Boe in 2020.

The EnQuest Group acquired its interest in PM8/Seligi in 2014. Since acquiring operatorship, the EnQuest Group has instigated work programmes that have been successful in arresting the long-term decline trend and has developed a strategy for future growth. The PM8/Seligi fields had approximately 2.1 billion barrels of hydrocarbons initially in place, of which 30 per cent. had been recovered as at 31 December 2020, contributing 10.9 per cent. of average production in 2020 and comprising 18.4 per cent. of the EnQuest Group's reserves and resources as at 31 December 2020.

The recently acquired Bressay field is also believed to be one of the largest undeveloped oil fields in the UKCS, with around 115 MMbbls of net 2C resources. Bressay offers a long-term, low-risk, production opportunity with similarities to the EnQuest Group's Kraken field. During 2021, detailed analysis of existing reservoir data and an assessment of potential development options will be undertaken.

Separately, three licence awards covering five UKCS blocks were granted to the EnQuest Group during the OGA's 32nd Offshore Licensing Round in September 2020. The three licences are 100.0 per cent. owned by EnQuest and enable the evaluation of the remaining potential in the Magnus, Greater Kittiwake and Dunlin areas.

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

- a significant reduction in the gross capital expenditure for Kraken, primarily reflecting excellent drilling performance, lower market rates for the sub-sea campaign and the renegotiation of the drilling rig contract. The gross full cycle capital expenditure for the initial Kraken development was reduced to approximately \$2.1 billion from \$3.2 billion at sanction in 2013;
- base operating expenditure reductions at SVT of around one-third through progressively reducing the physical infrastructure in place, with the efficiency programme continuing to progress in line with expectations;
- the EnQuest Group's hub approach to logistics, inspection and maintenance combined with inventory sharing with other operators in the North Sea; and
- innovative supply chain management, including interactive supplier forums, open book contracts, "should cost" modelling and the introduction of an internal market engineering, procurement and construction framework which allows all tiers of suppliers to bid for engineering and repair order work scopes and enables EnQuest to use the most effective suppliers for the job involved whilst controlling costs.

Accordingly, based on its track record as described above, the Directors believe that the EnQuest Group is well-positioned to take advantage of the increase of mature assets coming to the market as a result of the energy transition, providing value accretive opportunities.

#### ***Acquisitions through innovative transaction structures***

The EnQuest Group uses innovative acquisition transaction structures to grow and develop its business and create value across its entire portfolio of assets.

The EnQuest Group achieves 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 EnQuest Group 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 EnQuest Group is required to make and, combined with operatorship, allow the EnQuest Group to better determine the timing and feasibility of development expenses and thus execute its strategy of developing new assets.

Similarly, the Magnus Transaction was structured in two tranches, with the second tranche being an option exercisable solely at EnQuest's discretion, and designed to ensure the EnQuest Group had no exposure to cumulative negative cash flows. In aggregate, the transaction was financed through a combination of vendor loans, \$100.0 million cash consideration and a future cash flow sharing arrangement, with EnQuest's share of cash flows utilising the EnQuest Group's significant UK tax assets. This structure minimised the EnQuest Group's financial and operational risk, facilitating the asset transfer to a specialist operator and incentivising the EnQuest Group to drive operating efficiencies, enhance recovery and extend the life of the asset for the benefit of all stakeholders, including BP.

In September 2018, the EnQuest Group entered into a financing structure with Sculptor Capital LP that saw a 15.0 per cent. interest in the Kraken oil field ring-fenced in a separate legal entity in return for a \$175.0 million financing facility. The facility is repayable over a maximum of five years out of the free cash flow generated from the 15.0 per cent. interest. This innovative flexible repayment programme is aligned with the free cash flow generating profile of Kraken. With the entitlement to cash flows returning to the EnQuest Group once the financing is repaid, the EnQuest Group has retained the upside potential from any future developments at the field.

In July 2020, EnQuest signed a sale and purchase agreement with Equinor to purchase a 40.8 per cent. working interest in and assume operatorship of the Bressay oil field for an initial consideration of £2.2 million, payable as a carry against 50.0 per cent. of Equinor's net share of costs from the point EnQuest



assumed operatorship in January 2021. EnQuest will also make a contingent payment of \$15.0 million following the OGA's approval of a Bressay field development plan. This structure minimises the EnQuest Group's near-term cash commitments while allowing the EnQuest Group to deploy its expertise in low-cost drilling, near-field and heavy oil development to assess potential development scenarios for the field, including a potential tie-back to the Kraken FPSO.

In February 2021, the EnQuest Group signed an agreement with Anasuria Hibiscus UK Limited to farm-down an 85.0 per cent. working interest in, and transfer operatorship of, the Eagle discovery (an exploration stage asset) located in the UK North Sea, subject to a licence extension. Consideration is in the form of a full carry of all costs from completion of the transaction through to first oil in relation to EnQuest's retained 15.0 per cent. interest. As at the date of this document, the licence extension has been declined and accordingly completion of the transaction is not assured. If the transaction completes, this structure would allow the EnQuest Group to retain a stake in the upside potential of any future Eagle development without having to deploy material Company resources in assessing and implementing any field development plan. As no 2P reserves are attributable to the Eagle discovery, the transaction is not considered to be material to EnQuest Group's operations whether or not it proceeds.

In April 2021, EnQuest signed an agreement with Whalsay Energy Holdings Limited ("**Whalsay**") to purchase its subsidiary, Whalsay Energy Limited ("**WEL**"), which holds Whalsay's entire 100.0 per cent. working interest in the P1078 licence containing the Bentley heavy oil field in the UK North Sea. On completion, EnQuest will fund certain accrued costs and obligations of WEL, expected to amount to less than \$2 million, but no other upfront consideration is payable. EnQuest will make deferred payments to Whalsay based on future revenues generated by WEL which are capped at \$40 million.

#### ***Experience of collaborating with joint venture and field partners***

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

During the life-cycle of the commercial partnership or joint venture, the EnQuest Group 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 EnQuest Group typically maintains involvement with many aspects of operations and works closely with its commercial partners to ensure that it continues to comply with the ongoing obligations under the licences or agreements pursuant to which the EnQuest Group operates. For a discussion of certain risks associated with the EnQuest Group's reliance on commercial partners, see risk factor 3.7 entitled "*The EnQuest 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 EnQuest Group's assets and, following Completion, the Golden Eagle Asset*".

In relation to the Acquisition, the EnQuest Group will work alongside an established UKNS operator and aims to contribute positively to the existing joint venture partnership with its proven expertise/capability in drilling and sub-sea tie-backs.

#### ***Proven operational track record and significant technical and operating experience***

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

The EnQuest 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 EnQuest Group's status as an asset operator and its substantial equity positions at key assets enhance its ability to pursue this strategy



and the EnQuest Group intends to continue to seek operational control as it obtains or acquires additional assets and interests.

The EnQuest Group's in-house technical and operations teams underpin its development and operations-focused strategies. The EnQuest Group is differentiated by the breadth and depth of these teams, their knowledge and experience in engineering, subsurface, execution and operations and the EnQuest Group's leadership in innovative integrated developments. The integrated technical capabilities of the EnQuest Group, combining subsurface, facilities planning and drilling, provide the EnQuest Group with the right mix of capabilities to successfully deliver near field drilling and sub-sea tie-backs and improved operating efficiencies to drive strong production from producing assets in maturing basins. The EnQuest Group also has the right mix of integrated technical capabilities to select appropriate drilling and sub-sea development and production options, in accordance with its Capital Projects Delivery Process, a framework and governing process that helps the EnQuest Group's teams to deliver excellent results and assures project delivery through each stage of a project's lifecycle. Through the Company's proven skills, it delivers industry-leading levels of production efficiency and of cost control, creating opportunities for it to add value to the assets it manages. The EnQuest Group accomplishes this through various initiatives, including the redesign, upgrade and re-use of existing facilities and infrastructure and matching production history to support development drilling and secondary recovery schemes to add additional reserves and further extend field life.

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

The EnQuest Group had strong HSEA performance levels in 2020. In occupational safety, the EnQuest Group's Lost Time Incident ("LTI") performance remained strong in both the UK and Malaysia, and was significantly ahead of the UKCS benchmark. The LTI frequency for the EnQuest Group in 2020 was 0.22, with North Sea LTI being 0.35 and zero in Malaysia and the UKCS benchmark for 2019 has been confirmed by Oil & Gas UK as 1.28. The EnQuest Group's assets at Kraken, GKA, Heather, and SVT, as well as its EnQuest Producer production facility at Alma/Galia and the Northern Producer production facility at the Dons all recorded zero LTIs in 2020, as did the EnQuest Group's Malaysia assets. The EnQuest Group's PM8/Seligi asset achieved ten years without an LTI in 2020, while the Kittiwake platform recorded 15 years without an LTI. Additionally, the EnQuest Group undertook an independent safety review in 2020 and commenced a Group-wide asset integrity review to build on HSEA performance in 2020 from both an occupational safety and asset integrity perspective.

### ***Strong cost control capabilities***

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

The EnQuest Group seeks to obtain the most efficient return on its assets by limiting the costs within its control. During the period of low oil prices that began in the second half of 2014, the EnQuest Group implemented cost saving measures, which, together with production increases, have resulted in unit operating costs in the year ended 31 December 2020 being more than 50 per cent. lower than in 2014. Despite having extensive operations in the relatively higher cost operating environment of the UK North Sea, the EnQuest Group reduced average unit operating costs in the year ended 31 December 2018 to \$23.0/boe and to \$20.6/boe in the year ended 31 December 2019 and \$15.2/ boe in 2020. The EnQuest Group recognises the need to continue to work on delivering further cost efficiencies and while it is becoming more challenging to deliver the large decreases in operating costs of previous years, the EnQuest Group will continue to pursue further operating cost reduction initiatives. The Directors expect that operating costs for the full year in 2021 will be approximately \$265.0 million, approximately 19.4 per cent. lower than 2020.

The Company's low cost approach provides it with a competitive advantage throughout the oil price market cycle, providing resilience in a low oil price environment, such as that experienced for much of 2020 and in

which EnQuest generated \$211.1 million of free cash flow, while providing enhanced net cash flow when oil prices are higher. While the outbreak of the COVID-19 pandemic in 2020 had a severe impact on energy demand and supply dynamics, with dated Brent crude oil averaging \$43.21 per barrel, the current oil market outlook is positive with continued recovery into the first few months of 2021. Prices during January and February averaged \$58.5/bbl, increasing briefly to above \$70/bbl in early March. This recovery in oil prices has been largely driven by OPEC+ members' compliance with the agreed production cuts since March 2020 and the Kingdom of Saudi Arabia's voluntary curtailment of 1.0 MMbblpd in April 2021 for the third month in a row. Furthermore, prices have been buoyed by the rollout of the COVID-19 vaccination programmes which have contributed to global economic recovery and optimism of rising oil demand in 2021. More recently OPEC+ are bringing production back on line as noted in the recent meetings, including the latest June meeting where the group announced it is sticking to its plan of gradually bringing production back on while including the reversal of Saudi Arabia's previous 1.0MMbblpd voluntary cut, as oil demand continues to strengthen, further supporting oil prices. Despite the current improvement in the near-term oil price environment, the EnQuest Group continues to maintain its focus on cost efficiency as a core part of its strategy.

In recent years, the EnQuest Group's average unit operating costs have declined steadily. Average unit operating costs in 2020 were \$15.2/ boe (compared to \$20.6/ boe in 2019), reflecting the EnQuest Group's focus on cost control, including the decisions to cease production at Heather/Broom, Thistle/Deveron and Alma/Galia. While it remains a challenge to deliver the large decreases in operating costs seen in prior years, the EnQuest Group will continue to pursue further operating cost reduction initiatives. The Directors expect that operating costs for the full year in 2021 will be approximately \$265.0 million, approximately 19.4 per cent. lower than 2020.

Cash capital expenditures were also reduced from \$237.5 million in 2019 to \$131.4 million in 2020, primarily driven by a reduced drilling programme and the settlement of prior period deferred payments in 2019. Following the previous decisions to cease production at a number of the EnQuest Group's assets, decommissioning spend increased from \$11.1 million in 2019 to \$41.6 million in the year ended 31 December 2020. In aggregate, the Directors expect to further reduce cash capital and abandonment expenditures in 2021 to a total of approximately \$120.0 million (excluding the costs associated with the PM8/Seligi riser incident repair, which are expected to be largely covered by insurance). Capital expenditure will primarily focus on essential safety and maintenance related activities and abandonment expense primarily reflects decommissioning programmes at Heather/Broom, including an acceleration of some work scopes, the Thistle/Deveron fields and the Dons fields. The Directors expect the EnQuest Group will increase capital expenditure in future years in a sustainable, focused and measured way as it resumes drilling activities at Magnus and PM8/Seligi from 2022 and at Kraken from 2023.

The EnQuest Group's operatorship over the SVT (effective from December 2017) provides it with additional cost control opportunities. The SVT is a key piece of infrastructure through which a significant portion of the EnQuest Group's oil production passes. The EnQuest Group's operator status provides it with a significant degree of control over plans for the terminal and the overall level of costs, allowing it to bring focus to capturing cost efficiencies. Since taking over operatorship at the SVT, the EnQuest Group has worked in close collaboration with all its stakeholders to optimise safely and sustainably the size and scale of plant required to ensure the terminal continues to meet existing and future customer needs. This focus has driven base operating expenditure reductions of around one-third, through progressively reducing the physical infrastructure in place, with the efficiency programme continuing to progress in line with expectations. The EnQuest Group is continuing to evaluate its options at the SVT to optimise and accelerate its drive to deliver further efficiencies, including emissions reductions. EnQuest is focused on maintaining safe and reliable operations at the terminal while transforming its operations to ensure it has the right service footprint in place to deliver a competitive, cost effective and reliable service to existing and future users.

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

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

***Short-cycle and flexible capital expenditure programme focused on drilling and sub-sea tie-back opportunities in established hydrocarbon basins***

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

The EnQuest 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 EnQuest Group also benefits from governmental support through fiscal incentives. As of 31 December 2020, the EnQuest Group has a cumulative tax loss equivalent to \$3.2 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. The EnQuest 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. As a result, with the EnQuest Group's continuing investment in its existing assets, the EnQuest Group does not expect to pay material corporation tax or supplementary corporation tax on UK operational activities for the foreseeable future.

The EnQuest Group also holds assets in Malaysia, which shares many of the 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 EnQuest Group pays cash corporate income tax on PM8/Seligi assets which will continue throughout the life of the PM8/Seligi PSC.

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

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

EnQuest's Board and Senior Managers have 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 EnQuest Group seeks to execute its strategy of pursuing lower-risk development opportunities, including the UKCS and Malaysia. Collectively, EnQuest's Board and Senior Managers have over 150 years of experience in the energy, oil and gas industries. See also paragraph 6 of Part 12 ("*Additional Information*") for further information on the experience of EnQuest's board of directors and senior management team.

In addition to its extensive experience in the energy, oil and gas industries, the Company's leadership team features individuals with extensive experience in finance and law that the Directors believe is vital to managing a company that identifies value-creating opportunities in maturing oil field assets. The Directors believe that the EnQuest 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 value and identify new production and near field development opportunities.

#### 4. Strategy

4.1 **Purpose:** The EnQuest Group's purpose is to provide creative solutions through the energy transition, with a strategic vision to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline. The EnQuest Group pursues a strategy that focuses on enhancing cash flows from existing assets, developing marginal fields and near-field appraisal opportunities and completing disciplined and opportunistic acquisitions with limited up-front costs.

4.2 **Strategy through the energy transition:** As an established oil and gas company, the EnQuest Group has always recognised the importance of maintaining its social licence to operate, by focusing on safely improving the operating, financial and environmental performance of assets for the benefit of its stakeholders. The Board is focused on a strategy which recognises that hydrocarbons will remain a key element of the global energy mix for many years and through which the EnQuest Group can pursue a business model which helps to fulfil energy demand as part of the transition to a sustainable lower-carbon world while reducing carbon emissions from its own business.

The EnQuest Group targets to deliver a further reduction in Scope 1 and 2 emissions of approximately 10.0 per cent. over the next three years from its existing portfolio through the identification and implementation of economic emission reduction opportunities.

4.3 **Accretive growth strategy:** The EnQuest Group's business model is distinct from companies that have a material exploration component to their business and it is, therefore, less exposed to the long periods of exploration, discovery and development in the upstream business cycle which precede the production phase. The EnQuest Group primarily acquires mature and underdeveloped assets which are not large enough to be of interest to the major oil companies and drives performance improvements, including the reduction of emissions, through short-cycle, quick payback investments. As majors and other operators continue to shift their focus away from mature basins such as the UK North Sea and Malaysia, the Directors believe there will be further opportunities for the Company to access additional resources. Furthermore, the EnQuest Group's focus on short-cycle investments allows it to calibrate its investments to match the requirements of the current market related to oil and gas consumption, minimising the risk of stranded assets.

The acquisition of the Bressay oil field in January 2021, the agreement to purchase Whalsay's entire 100.0 per cent. working interest in the P1078 licence containing the Bentley heavy oil field in the UK North Sea in April 2021, and the Acquisition are recent examples of the Enquest Group's accretive growth strategy.

The Directors are continually evaluating further acquisition opportunities in geographies both inside and outside of the UKCS and Malaysia to enhance the EnQuest Group's overall reserve base and production capability and the Acquisition aligns with this strategy.

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

4.4 **Increasing production:** The EnQuest 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 hydrocarbon accumulations at the EnQuest Group's producing assets through the use of modern seismic technology.



- 4.5 **Financial discipline:** EnQuest focuses on capital allocation that prioritises positive cash flow generative investment and the effective management of EnQuest's capital structure and liquidity. In 2020, the EnQuest Group implemented a material cost reduction programme, which reduced operating and capital costs by \$295.6 million, helping drive free cash flow breakeven down by approximately 35 per cent. to just \$31.9/Boe for the year.

Based on the EnQuest Group's existing portfolio, the Directors expect cash capital and abandonment expenditure in 2021 to total approximately \$120.0 million (excluding the costs associated with the PM8/Seligi riser incident repair which are expected to be largely covered by insurance). Capital expenditure will primarily focus on essential safety and maintenance activities and abandonment expense primarily reflects decommissioning programmes at Heather/Broom, including an acceleration of some work scopes, the Thistle/Deveron fields and the Dons fields. The Directors expect the EnQuest Group will increase capital expenditure in future years in a sustainable, focused and measured way as it resumes drilling activities at Magnus and PM8/Seligi from 2022 and at Kraken from 2023.

#### 4.6 **Production and development plans**

(a) *UK Upstream*

- (i) *Kraken:* The EnQuest Group is not currently planning to return to drilling at Kraken until 2023. However, the EnQuest Group plans to carry out a 3D seismic campaign in the second half of 2021 to support ongoing evaluation work to identify and prioritise near-field drilling and sub-sea tie-back opportunities within the Pembroke, Antrim and Maureen sands discoveries and prospects in the western area, which holds an estimated 70 to 130 MMbbls of STOIP.
- (ii) *Magnus:* At Magnus, shutdowns with a duration equivalent of around two weeks are planned over the summer to undertake essential maintenance work, while further production enhancement activities will continue to be assessed and implemented throughout the year. Preparatory works will be undertaken in 2021 ahead of the planned development drilling programme in 2022. In addition, following the award of block 211/12b as part of the OGA's 32nd Offshore Licensing Round, the EnQuest Group will commence subsurface studies to assess the block for future opportunities. With 2C resources of approximately 35 MMboe, Magnus offers the EnQuest Group significant low-cost drilling opportunities in the medium term, in addition to an estimated approximately 250 MMbbls of remaining mobile oil in place that requires further evaluation to identify future drilling and tie-back prospects.
- (iii) *Bressay:* At Bressay, detailed analysis of existing reservoir data and an assessment of potential development options will be undertaken.

- (b) *UK Midstream:* During 2021, planned maintenance is scheduled to be undertaken on Jetty 2 which, once completed, will improve the service offering to customers. The EnQuest Group also expects to undertake a number of planned maintenance inspections on the Northern Leg Gas pipeline. The EnQuest Group is continuing to evaluate its options at SVT to optimise and accelerate its drive to deliver further efficiencies, including emissions reductions. EnQuest is focused on maintaining safe and reliable operations at the terminal while transforming its operations to ensure it has the right service footprint in place to deliver a competitive, cost-effective and reliable service to existing and future users.

(c) *UK Decommissioning*

- (i) *The Dons:* Following CoP at the Dons, the Northern Producer floating production facility was used for initial decommissioning activities, such as flushing of the sub-sea infrastructure and to support implementation of effective well isolations. These activities have now been completed and the vessel has departed the field and been handed back to the owner.



- (ii) *Thistle/Deveron*: Work is expected to continue on the rehabilitation project alongside ongoing preparations for commencement of the well abandonment programme, which is expected to commence in the fourth quarter.
- (iii) *Heather/Broom*: Activities to optimise the well abandonment programme and ready the rig for decommissioning have continued. Once completed, plug and abandonment of the development's 41 wells is expected to begin in the third quarter of 2021, with the work programme anticipated to continue for approximately three years.
- (d) *Malaysia*: Following the detachment of the riser at PM8/Seligi, the EnQuest Group's focus at PM8/Seligi is the safe return of full operations as soon as possible. A planned five-day shutdown to undertake essential maintenance activities is scheduled over the summer of 2021. With a number of low-cost drilling and workover targets having been identified at PM8/Seligi, the EnQuest Group expects to resume development drilling in 2022, subject to partner approvals. For further details on the detachment of the riser at PM8/Seligi, see paragraph 6.4(a) of this Part 2 ("*Information on the EnQuest Group*") below.

At Block PM409, the EnQuest Group continues to high grade the prospects in the block to identify suitable drilling opportunities with the intent for future development.

- 4.7 ***Plans at Golden Eagle Area Development following Completion:*** The current four-well infill programme in the Golden Eagle Area Development commenced in 2020, with all four wells safely completed and online. Further infill drilling campaigns in 2023 and 2025 (as outlined in pages 33 to 34 of the GaffneyCline CPR on the Golden Eagle Area Development) are under evaluation and following Completion, the EnQuest Group will work alongside the existing operator, aiming to contribute positively to the existing joint venture partnership with its proven expertise and capability in drilling and sub-sea tie-backs.

### ***Industry and operational update***

The outbreak of the COVID-19 pandemic in 2020 had a severe impact on energy demand and supply dynamics. Dated Brent crude oil averaged \$43.21 per barrel in 2020, compared to \$64.16 per barrel in 2019, and experienced a year low of \$9.0 per barrel on 21 April 2020. Since that low point, oil prices began to recover through the remainder of 2020 and into the first few months of 2021. Prices during January and February averaged \$58.5/bbl, increasing briefly to above \$70/bbl in early March. This recovery in oil prices has been largely driven by OPEC+ members' compliance with the agreed production cuts since March 2020 and the Kingdom of Saudi Arabia's voluntary curtailment of 1.0 MMbblpd in April 2021 for the third month in a row. Furthermore, prices have been buoyed by the rollout of the COVID-19 vaccination programmes which have contributed to global economic recovery and optimism of rising oil demand in 2021. Additionally, crude prices have continued to rise off the back of strong oil fundamentals, with prices trading above \$70/bbl at the time of this document.

Although the EnQuest Group has been impacted by these circumstances, and has taken certain actions to respond as outlined below, the EnQuest Group's day-to-day operations have not been materially affected by COVID-19 or related government measures to contain the virus. The EnQuest Group was able successfully to minimise the impact of COVID-19 on its workforce and operations by supplementing its existing communicable disease processes and introducing a number of new protocols in both the pre-mobilisation and onsite management processes.

The EnQuest Group responded to the macroeconomic environment by ceasing production at a number of the EnQuest Group's assets, reducing the number of employee and contractor roles in the UK and reorganising the UK North Sea business into three directorates: UK Upstream; UK Midstream; and UK Decommissioning. These actions have transformed the business, materially lowering the EnQuest Group's cost base and enabling the directorates to focus on the most appropriate activities that deliver operational excellence and safe results at each of their assets.

Throughout the year, the EnQuest Group's operational focus was to maintain strong production efficiency across its asset base and successfully execute the drilling programmes at Magnus and Kraken. The combined

impact of good operational delivery and the successful transformation of the UK business enabled the EnQuest Group to lower its unit operating expense to approximately \$15.2/Boe, reduce its free cash flow breakeven to approximately \$31.9/Boe and generate \$211.1 million in free cash flow, enabling further reductions in the EnQuest Group's debt. The Directors believe they have managed the business effectively through the market's downturns over the last several years and believe the EnQuest Group is well positioned for the future. See risk factor 3.2 entitled "*The COVID-19 pandemic may adversely affect the EnQuest Group's business and exacerbate other risks set out in this section*" and risk factor 3.19 entitled "*The EnQuest Group may be subject to work stoppages or other labour disturbances, and the EnQuest Group's employees and those employed by its contractors may become unionised*".

In addition, the EnQuest Group regularly reviews and implements policies intended to hedge against the possible negative impact of changes in oil prices while remaining within the limits set by the senior credit facility. EnQuest has hedged a total of approximately 9.9 MMbbls for 2021 predominantly using costless collars, with an average floor price of approximately \$59/bbl and an average ceiling price of approximately \$68/bbl. For 2022, EnQuest has hedged a total of approximately 3.1 MMbbls using similar structures with an average floor price of approximately \$65/bbl and an average ceiling price of approximately \$76/bbl.

## 5. Summary of historical reserves, resources and operating data

The Company retains GaffneyCline as its independent reserve engineer for the purpose of auditing the EnQuest Group's 2P reserves. The Company estimates the EnQuest Group's reserves and resources internally. The EnQuest Group's 2P reserve estimates, but not its contingent resource estimates, are audited by GaffneyCline. The EnQuest 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. See also the section entitled "*Important Information — Presentation of Reserves*" in this document.

The following tables set forth certain information with respect to the EnQuest Group's 2P reserves and 2C resources for the years ended 31 December 2018, 2019 and 2020 and as at 1 January.

(MMboe)	2P reserves 1 January	Production <sup>(1)</sup>	Net revisions	2P reserves 31 December	Reserve life (years) <sup>(2)</sup>
2018 .....	210	(19)	54	245	13
2019 .....	245	(24)	(8)	213	9
2020 .....	213	(22)	(2)	189	9

### Notes:

(1) Sales volume for the period.

(2) Based on year-end reserves divided by the prior year average net working interest production.

(MMboe)	2C resources 1 January	Transferred to 2P reserves	Net revisions	2C resources 31 December
2018 .....	164	(6)	40	198
2019 .....	198	(18)	(7)	173
2020 .....	173	(10)	116 <sup>(1)</sup>	279 <sup>(1)</sup>

### Notes:

(1) Includes 115 MMbbls associated with the completion of the Bressay acquisition in January 2021.

From Completion, the EnQuest Group's reserves and resources will include the Golden Eagle Asset. The following tables set forth certain information with respect to the 2P reserves and 2C resources of the Golden Eagle Asset as at 31 December 2020 which has been extracted from the GaffneyCline CPR on the Golden Eagle Area Development. For further details please see Part 8 ("*GaffneyCline CPR on the Golden Eagle Area Development*").

<b>(MMboe)</b>	<b>Gross figures attributable to the Golden Eagle Area Development</b>	<b>Net figures attributable to the Golden Eagle Asset</b>
2P oil reserves.....	70.4	18.8
2C oil resources .....	11.6	3.0
<b>(Bscf)</b>	<b>Gross figures attributable to the Golden Eagle Area Development</b>	<b>Net figures attributable to the Golden Eagle Asset</b>
2P gas reserves.....	15.2	4.04
2C gas resources .....	2.43	0.65

### 5.1 *Internal controls over reserves estimates*

EnQuest's policy regarding internal controls over the recording of reserves is structured to objectively and accurately estimate the EnQuest 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 EnQuest 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 GaffneyCline annually or more frequently upon the occurrence of a material change or acquisition. The Company provides GaffneyCline 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. GaffneyCline 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 and forward oil prices recommended by GaffneyCline. These models are provided to GaffneyCline, which then reports 2P reserve figures.

In addition, the Technical and Reserves Committee (a sub-Committee of the Board of Directors), which was established in October 2019 and comprises Board members with technical backgrounds and associated knowledge, provides oversight and review of the EnQuest Group's annual reserves report.

### 5.2 *Qualifications of third-party engineers*

The technical personnel responsible for auditing the reserve estimates at GaffneyCline 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. GaffneyCline is an independent international energy advisory company; it does not own an interest in the EnQuest Group's properties and is not employed on a contingent fee basis. See "*Presentation of Reserves*."

## 6. Production and development

The EnQuest Group's average daily production on a working interest basis for the year ended 31 December 2020 was 59,116 boepd.

The following table provides a summary of the EnQuest Group's production and development portfolio by field as of 31 December 2020.

Licence	Block(s)	Working interest (per cent.)	Name	Decommissioning Obligation
<b>UK North Sea upstream production and development<sup>(1)(2)</sup></b>				
P073	21/12a	50.0	Goosander	As per working interests
P193	211/7a & 211/12a	100.0 <sup>(3)</sup>	Magnus	30.0 per cent. <sup>(4)</sup>
P213 <sup>(4)</sup>	16/26a	8.0	Alba	As per working interests
P238	21/18a, 21/19a & 21/19b	50.0	Kittiwake	25.0 per cent.
		50.0	Mallard	30.5 per cent.
		50.0	Grouse & Gadwall	As per working interests
		100.0	Eagle <sup>(6)</sup>	N/A
P1077	9/2b	70.5	Kraken & Kraken North	As per working interests
P1107/P1617	21/8a, 21/12c & 21/13a	50.0	Scolty/Crathes	As per working interests
<b>UK North Sea decommissioning</b>				
P242	2/5a	N/A	Heather	37.5
P242/P902	2/5a & 2/4a	63.0 <sup>(7)</sup>	Broom	63.0
P475	211/19s	N/A	Thistle	6.1 <sup>(8)</sup>
P236	211/18a	N/A	Thistle & Deveron	6.1 <sup>(8)</sup>
P236	211/18c	N/A	Don SW & Conrie	60.0
P236/P1200	211/18b & 211/13b	N/A	West Don	78.6
P2137	211/18e & 211/19c	N/A	Ythan	60.0
P1765/P1825	30/24c & 30/25c, 30/24b	N/A	Alma & Galia	65.0
<b>Other UK North Sea licences</b>				
P90 <sup>(5)</sup>	9/15a	33.3		N/A
P2334	211/18h	60.0		N/A
P2531 <sup>(9)</sup>	21/18c	100.0		N/A
P2599 <sup>(9)</sup>	211/12b	100.0		N/A
P2601 <sup>(8)</sup>	211/18j, 211/23a & 211/24a	100.0		N/A
<b>Malaysia production and development</b>				
PM8/Seligi <sup>(10)</sup>	PM8 Extension	50.0	Seligi, North & South Raya, Lawang, Langat, Yong & Serudon	50.0 per cent.
PM409 PSC	PM409	85.0	Kecubung, Tinggi Timur, Payung, NW Pinang, Tg. Pulai, Ophir	N/A

### Notes:

- (1) On 20 January 2021, the EnQuest Group concluded the acquisition of a 40.81 per cent. working interest in the Bressay field. The field lies across the P234, P493, P920 and P977 licences covering blocks 3/28a, 3/28b, 3/27b, 9/2a and 9/3a.
- (2) On 24 April 2021, EnQuest signed an agreement with Whalsay Energy Holdings Limited to purchase its entire 100.0 per cent. working interest in the P1078 licence containing the Bentley heavy oil field in the UK North Sea. Completion is subject to the satisfaction of a number of conditions precedent, including the receipt of third party approvals and clearances.
- (3) BP has a security interest over the Magnus Asset (and related infrastructure assets) and is entitled to 37.5 per cent. of free cash flow from the assets subject to the terms of the transaction documents between BP and the EnQuest Group.
- (4) BP has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. The EnQuest Group will pay BP additional deferred consideration by reference to 30.0 per cent. of BP's actual decommissioning costs on an after-tax basis, which the EnQuest Group estimates will result in a payment equivalent to approximately 9.0 per cent. of the gross

estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by the EnQuest Group from Magnus, SVT and the associated infrastructure assets.

- (5) Non-operated.
- (6) On 25 February 2021, EnQuest announced it had signed an agreement to farm-down an 85.0 per cent. working interest in, and transfer operatorship of, the Eagle discovery (an exploration stage asset). If the transaction completes, the EnQuest Group would retain a 15.0 per cent. non-operating working interest.
- (7) Application for cessation of production at Broom was approved in the second quarter of 2021 with an official cessation of production date of 31 May 2020.
- (8) The EnQuest Group is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, the EnQuest Group will undertake the management of the physical decommissioning of Thistle/Deveron and is liable to make payments to BP by reference to 7.5 per cent. of BP's decommissioning costs of Thistle/Deveron, which equates to 6.1 per cent. of the gross decommissioning costs.
- (9) Awarded during the OGA's 32nd Offshore Licensing Round in September 2020.
- (10) Official reference is PM-8 Extension PSC, commonly referred to elsewhere as PM8/Seligi.

The following table sets forth information on the EnQuest Group's oil production and sales volumes for the years ended 31 December 2018, 2019 and 2020:

(boepd)	Year ended 31 December		
	2018	2019	2020
Total average daily production for the period .....	55,447	68,606	59,116
Total average daily sales volume for the period <sup>(1)</sup> .....	49,148	77,205	60,735

**Notes:**

- (1) Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus.

For operational review purposes, the EnQuest Group divides its assets into three UK directorates (UK Upstream, UK Midstream, and UK Decommissioning) and Malaysia.

## 6.1 UK Upstream

The EnQuest Group's UK Upstream assets are as follows: (a) Kraken, its largest project to date and one of the largest projects in the UKCS in recent years, (b) Magnus, in which the EnQuest Group acquired a 100.0 per cent. working interest from BP in two tranches in 2017 and 2018, and (c) other UK North Sea assets (comprising the Greater Kittiwake Area, Scolty/Crathes and Alba offshore producing assets, and the undeveloped Bressay field).

The UK Upstream assets contributed 50,334 boepd of average net production for the year ended 31 December 2020 (93.6 per cent. liquids and 6.4 per cent. gas), an increase of 1,251 boepd compared to the year ended 31 December 2019.

The increase in the average production of the UK Upstream assets in the year ended 31 December 2020 was primarily driven by increased volumes from Kraken, reflecting improved performance of the FPSO vessel, and the EnQuest Group's Scolty/Crathes asset, partially offset by lower performance at Magnus, reflecting gas compressor and seawater lift pump availability and natural declines.



(a) **Kraken**

The EnQuest Group's Kraken operations produced a gross average of 37,518 boepd in the year ended 31 December 2020, reflecting an increase of 5.1 per cent. compared to the gross average of 35,704 boepd in year ended 31 December 2019 due to improved FPSO uptime.

Location	Offshore, UKCS
Production Facility	Kraken FPSO
EnQuest Working Interest (per cent.)	70.5
Operator	EnQuest Heather
Field Partner	Cairn Energy PLC
Decommissioning liability	As per working interest

*Overview*

Kraken is both the EnQuest Group's largest project to date and one of the largest projects in the UKCS in recent years.

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 EnQuest Group is the operator of the asset with a 70.5 per cent. working interest. First oil was delivered in June 2017, with the field development plan completed at approximately the end of the first quarter of 2019. The EnQuest Group's interest in Kraken is governed by licence P1077, which expires on 30 September 2029.

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

Performance of the Kraken FPSO vessel significantly improved through 2019 as a result of targeted improvement initiatives, focusing on the main power engines, topside power water pumps and the hydraulic submersible pumps, combined with changes to the offshore spares management and FPSO maintenance processes.

In March 2019, the EnQuest Group completed the drilling programme for its fourth development centre. Two production wells were successfully brought onstream, together with a water injector, marking the conclusion of the original Kraken field development plan. The EnQuest Group completed the drilling programme at Worcester in the western area of the field in the first half of 2020, with a new producer-injector pair coming onstream late in the second quarter. At the end of 2020, 14 production wells and 12 injection wells were onstream.

Since the delivery of first oil in June 2017, output significantly increased from 7.7 MMbbls (gross) in the first 12 months of operation to over 13.7 MMbbls (gross) for the year ended 31 December 2020. This equates to over 40.0 million barrels since inception.

During the third quarter of 2020, the EnQuest Group successfully completed the planned shutdown to undertake essential maintenance work, although unplanned repairs were required to the DC1 riser in the third quarter of 2020 which resulted in two producer wells being shut-in for approximately two weeks.

The FPSO vessel performed well throughout 2020, with better than expected production efficiency of approximately 87 per cent. and high water injection efficiency of approximately 91 per cent. Overall subsurface and well performance has been good, with water cut evolution remaining stable. The EnQuest Group has continued to focus on optimising production through improved producer-injector well management, incorporating the results of regular well testing programmes.

Due to its low sulphur content, the EnQuest Group is able to optimise Kraken cargo sales into the shipping fuel market with Kraken oil a key component of IMO 2020 compliant low-sulphur

fuel oil. As such, the EnQuest Group benefits from strong pricing associated with the VLSFO market and avoids refining-related emissions.

The EnQuest Group is not currently planning to return to drilling until 2023. However, Kraken continues to offer near-field opportunities through the evaluation and development of the Pembroke, Antrim, and Maureen sands discoveries and prospects in the western area, which holds an estimated 70-130 MMbbls of STOIP. The EnQuest Group expects Kraken to have a field life of over 20 years with the prospect of relatively low decommissioning costs.

#### *Recent developments and performance*

Average gross production of 31,183 Bopd for the first four months of 2021 is in line with expectations, although partially impacted by a short duration shutdown for a riser tether repair, and cargoes have continued to be sold into the VLSFO market at a premium to Brent. The EnQuest Group expects Kraken gross production to be between 30,000 Bopd and 35,000 Bopd (21,150 and 24,675 Bopd net) in 2021.

In March 2020, Cairn Energy PLC, the EnQuest Group's field partner at Kraken, announced that it had entered into an agreement to sell its interests in the UK Catcher and Kraken fields to Waldorf Production Limited. The sale is expected to complete in the second quarter of 2021. The EnQuest Group does not expect the sale to affect its operations at Kraken.

#### (b) **Magnus**

Location	Offshore, UKCS
Production Facility	Magnus platform
EnQuest Working Interest (per cent.)	100.0
Operator	EnQuest NNS Limited
Decommissioning liability	BP has retained the decommissioning liability in respect of the existing Magnus wells and infrastructure. The EnQuest Group will pay BP additional deferred consideration by reference to 30.0 per cent. of BP's actual decommissioning costs on an after-tax basis, which the EnQuest Group estimates will result in a payment equivalent to approximately 9.0 per cent. of the gross estimated decommissioning costs. The additional consideration payable is capped at the amount of cumulative positive cash flows received by the EnQuest Group from Magnus, SVT and the associated infrastructure assets.

#### *Overview*

Magnus is the UK's most northerly field, located 160 kilometres NE of the Shetland Islands, mainly in Block 211/12a. The Magnus field is governed by licence P193, which expires on cessation of production. The EnQuest Group acquired an initial 25.0 per cent. working interest in Magnus from BP on 1 December 2017, on which date the EnQuest Group also became the operator of Magnus. On 1 December 2018, the EnQuest Group acquired an additional 75.0 per cent. working interest in Magnus from BP subject to certain profit share arrangements with BP.

Overall the Magnus field has approximately 2.0 Bnboe hydrocarbons initially in place, with an approximate 50 per cent. Recovery Factor. Over 100 well penetrations have been drilled in over 30 years, there are 28 platform slots and three subsea wells. It has 14 active gas-lifted producers and 6 available injectors.

Average production for the year ended 31 December 2020 was 17,416 Boepd, 4.7 per cent. lower than in the year ended 31 December 2019. This decrease reflected gas compressor and

seawater lift pump availability, combined with natural declines, partially offset by two new wells which came onstream in the first quarter of 2020, combined with good production and water injection efficiency, both of which averaged approximately 80 per cent.

During 2020, the EnQuest Group continued to focus on activities to improve production at Magnus, including well interventions, reservoir management and gas compression optimisation, in addition to successfully completing a planned maintenance shutdown in October.

*Recent developments and performance*

Average production in the first four months of 2021 was 14,250 Boepd, primarily impacted by an unplanned third-party outage and power failures which have now been resolved.

(c) **Greater Kittiwake Area**

	<b>Kittiwake</b>	<b>Gadwall</b>	<b>Grouse</b>	<b>Goosander</b>	<b>Mallard</b>
Location	Offshore, UKCS				
Production Facility	Kittiwake platform				
EnQuest Working Interest (per cent.)	50.0	50.0	50.0	50.0	50.0
Operator	EnQuest				
Field Partners	Dana Petroleum (E&P) Limited				
Decommissioning liabilities	25.0	50.0	50.0	50.0	30.9

*Overview*

GKA is located in UKCS blocks 21/12a, 21/18a, 21/19a and 21/19b, and the EnQuest Group's assets there comprise five offshore oil fields: Kittiwake, Mallard, Gadwall, Goosander and Grouse. The EnQuest Group's interest in GKA is governed by licences P238 and P073, which expires on cessation of production.

GKA lies in water at depths ranging from 85 to 90 metres while the oil reservoir lies at depths ranging between approximately 2,800 metres and 3,900 metres. These fields have been developed as subsea tie-backs to a steel offshore platform located at Kittiwake. Oil from GKA is processed at the offshore platform and then exported via a 33 kilometre 10" pipeline, in which the EnQuest Group holds a 100.0 per cent. interest 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.

Production performance in the GKA in 2020 was 1,257 Boepd, down 35.9 per cent. compared to 2019, primarily as a result of a failure of an umbilical providing power to the Mallard and Gadwall wells impacting production, along with underlying natural declines.

*Recent developments and performance*

Production has remained impaired during the first four months of 2021, with a return to normal production levels expected during the second half of the year following the reinstatement of power to the Mallard and Gadwall wells.

A planned four week shutdown is expected to be undertaken during the second quarter of 2021, in line with the Forties Production System pipeline shutdown deferred from 2020.

(d) ***Scolty/Crathes***

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

*Overview*

The Scolty/Crathes development assets are in blocks 21/8a (Scolty) and 21/12c and 21/13a (Crathes) of the UKCS. Scolty was discovered in 2007 by well 21/8-3 and Crathes was discovered in 2011 by well 21/13a-5. The EnQuest Group has a 50 per cent. working interest in each of Scolty and Crathes and is the operator of both. The EnQuest Group's interest in Scolty/Crathes is governed by licences P1107/1617, which expire on 30 September 2029 and 11 February 2035, respectively.

The Scolty/Crathes development received regulatory approval and was sanctioned by the Company in the second half of 2015 and consists of single horizontal wells, equipped with gas lift, drilled in each of the Scolty and Crathes fields. The fields are tied back to the Kittiwake platform, in the Greater Kittiwake Area, where the fluids are processed and the oil exported to shore via the Forties pipeline system.

On 21 November 2016, the EnQuest Group delivered first oil from Scolty/Crathes, which had previously been anticipated by the end of the first half of 2017. Early production was consistent with pre-drill modelling and field development plan assumptions; average production in 2016 from 21 November to 31 December was 6,422 boepd. In 2017, 2018 and 2019, the full year contribution from Scolty/Crathes was limited due to wax in the flowline, which was managed with chemical and lift gas treatments until the pipeline was successfully replaced in September 2019, ahead of budget and schedule.

Production restarted in September 2019, initially with production from the Crathes well.

After Crathes declined as expected, the well was temporarily shut-in in order to allow production to begin from Scolty. From December 2019, both the Scolty and Crathes wells have been online and performing strongly with an average net production of 4,561 boepd for the year ended 31 December 2020, supported by optimisation activities that have continued to partially mitigate expected natural declines.

*Recent developments and performance*

Production in the first four months of 2021 of 6,400 Boepd (gross) is in line with expectations, with gas lift introduced late in the first quarter of 2021 to improve production rates.

A planned three week shutdown is expected to be undertaken during the second quarter of 2021, in line with the Forties Production System pipeline shutdown deferred from 2020.

(e) ***Alba***

Location	Offshore, UKCS
Production Facility	Alba Northern platform
EnQuest Working Interest (per cent.)	8.0
Operator	Ithaca Oil and Gas Limited
Field Partner	Ithaca Oil and Gas Limited, Waldorf Production, NEO Energy, Mitsui E&P UK Limited and Spirit Energy
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. Ithaca Energy is the operator of the Alba oil field. The EnQuest Group's interest in Alba is governed by licence P213, which expires on cessation of production.

As of 31 December 2020, there were 19 active platform production wells, 6 injector wells and 9 active subsea producing wells, consisting of 7 producing wells and 2 injector wells. The Alba Northern offshore platform is located in the northern area of the oil field, and there are two subsea manifolds located in the south of the field that are tied back to the platform. Oil is exported from the Alba Northern platform by offload tankers and delivered to onshore oil terminals.

### *Recent developments and performance*

Average production decreased 22.2 per cent. from 835 boepd in 2019 to 650 boepd in 2020, primarily reflecting natural decline.

#### (f) **Bressay**

Location	Offshore, UKCS
Production Facility	n/a
EnQuest Working Interest (per cent.)	40.8
Operator	EnQuest
Field Partners	Harbour Energy, Equinor
Decommissioning liability (per cent.)	As per working interest

### *Overview*

In January 2021, the EnQuest Group completed the transaction to acquire a 40.8 per cent. interest and operatorship in the Bressay oil field, from Norwegian oil company Equinor, which retains a 40.8 per cent. interest in the field. The remaining 18.4 per cent. interest is held by Harbour Energy.

Bressay is a heavy oil field east of the Shetland Islands, approximately 12 kilometres northeast of the Kraken field. Discovered in 1976, Bressay is believed to be one of the largest undeveloped oil fields in the UKCS, with around 115 MMboe of net 2C resources and the main driver in, increasing the EnQuest Group's 2C resources base by approximately 61.3 per cent. to 279 MMboe.

### *Recent developments and performance*

Bressay provides the EnQuest Group with the opportunity to develop around 115 MMbbls (net) 2C resources, offering a long term, low-risk, production opportunity with similarities to the EnQuest Group's Kraken field. During 2021, detailed analysis of existing reservoir data and an assessment of potential development options will be undertaken.

## 6.2 **UK Midstream**

The EnQuest Group's midstream operations include its onshore SVT, the East of Shetland Pipeline System ("EOSPS"), which transports purchased gas from the BP sweetening facility to Magnus, the Ninian Pipeline System ("NPS"), which transports crude oil to the SVT, and the Northern Leg Gas Pipeline ("NLGP"), which transports natural gas via the Brent A platform into the UK National Transmission System.



(a) ***Sullom Voe Terminal***

*Overview*

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

On 1 December 2017, the EnQuest Group completed the acquisition of an additional 3.0 per cent. interest in the SVT (bringing its interest to 6.0 per cent.) and assumed operatorship of the SVT (all as part of the same transaction whereby the EnQuest Group obtained its initial 25.0 per cent. interest in Magnus). On 1 December 2018, the EnQuest Group acquired a further 9 per cent. interest from BP bringing its total interest to 15.1 per cent. Since taking over operatorship at the SVT, the EnQuest Group has worked in close collaboration with all its stakeholders to optimise safely and sustainably the size and scale of plant required to ensure the terminal continues to meet existing and future customer needs. This focus has driven base operating expenditure reductions of around one-third through progressively reducing the physical infrastructure in place, with the efficiency programme continuing to progress in line with expectations.

With safe and reliable performance continuing at the SVT, the EnQuest Group has been able to maintain 100.0 per cent. service availability at the terminal. During the second quarter of 2020, a major milestone was achieved in bringing Jetty 3 back into operation after almost seven years, with safe operations maintained throughout project delivery. The reintroduction of operations at the jetty provides the EnQuest Group with additional capacity which helps to ensure greater service availability for customers.

*Recent developments and performance*

Stable operations and plant availability have continued at the SVT in the first four months of 2021. The Clair field owners recently approached the SVT owners seeking terms for an extension of the current Clair oil export arrangements (which otherwise expire in 2025). The Clair field owners wish to continue technical and commercial discussions with the EnQuest Group with a target of non-binding heads of terms by the end of 2021.

The EnQuest Group is continuing to evaluate options at the SVT to optimise and accelerate its drive to deliver further efficiencies, including emissions reductions. The EnQuest Group is focused on maintaining safe and reliable operations at the terminal while transforming its operations to ensure it has the right service footprint in place to deliver a safe, competitive, cost effective and reliable service to existing and future users.

(b) ***Pipelines***

The EnQuest Group purchased the associated pipelines when it acquired the operating interests in the producing Magnus asset and the onshore SVT in Shetland. These pipelines are of strategic importance.

The NPS, where EnQuest has an 18.1 per cent. share, the NLGP, where the EnQuest Group has a 43.9 per cent. share and the EOSPS, where the EnQuest Group has a 100.0 per cent. share, gather production from around 30 fields in the North Sea and deliver oil and gas to onshore terminals at Sullom Voe and St Fergus.

During 2020, good progress has been made undertaking planned repairs and remediation work on delivery infrastructure to ensure continued smooth operations. The EnQuest Group also successfully completed planned shutdowns on the NPS and connected sub-sea network.

### 6.3 **UK Decommissioning**

EnQuest's decommissioning directorate manages the decommissioning programmes for assets that have ceased production and the EnQuest Group's mature producing assets which are between one and five years from cessation of production ("CoP").

The timely transfer of assets to the directorate allows for effective end of life field management and the development of relevant decommissioning programmes. EnQuest's UK Decommissioning directorate oversees the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner, which includes minimising emissions and maximising the recycle and reuse of recovered materials.

#### (a) **Heather/Broom**

	<b>Heather</b>	<b>Broom</b>
Location	Offshore, UKCS,	Offshore, UKCS
Production Facility	Heather A platform	Heather A platform
Operator	EnQuest	EnQuest
Field Partners	BG Great Britain Limited, Harbour Energy	MOL GROWEST (I) Limited, MOL GROWEST (II) Limited and Ithaca Minerals (North Sea) Limited
Decommissioning liabilities (per cent.)	37.5 <sup>(1)</sup>	63.0

(1) The Company's decommissioning liability for Heather as acquired is 37.5 per cent., with 100.0 per cent. decommissioning liability for any developments it undertook from acquisition to cessation of production.

Heather and Broom are adjacent oil fields that were produced through Heather Alpha, a fixed steel offshore platform, with Broom connected via a subsea tieback.

In February 2020, EnQuest confirmed it would not restart production from the Heather field following production being shutdown in late 2019. The CoP application at Heather was accepted by the regulator in June 2020, reducing the EnQuest Group's share of costs from 100.0 per cent. to 37.5 per cent. and allowed decommissioning to commence. The platform remained shut-in and depressurised all year, with front end engineering activities being undertaken ahead of the resumption of the well abandonment programme in 2021. At Broom the application for CoP was approved by the regulators in the second quarter of 2021 with an official CoP date of 31 May 2020.

#### (b) **Thistle/Deveron**

	<b>Thistle</b>	<b>Deveron</b>
Location	Offshore, UKCS,	Offshore, UKCS
Production Facility	Thistle Alpha platform	Thistle Alpha platform
Operator	EnQuest	EnQuest
Field Partners	Britoil Limited, Harbour Energy	Britoil Limited, Harbour Energy
Decommissioning liabilities	The EnQuest Group is liable for the decommissioning costs associated with investment since it assumed operatorship, with the balance remaining with the former owners. Following the exercise of the Thistle decommissioning options in January and October 2018, the EnQuest Group will undertake the management of the physical decommissioning of Thistle/Deveron and is liable to make payments to BP by reference to 7.5 per cent. of BP's decommissioning costs of Thistle/Deveron, which equates to 6.1 per cent. of the gross decommissioning costs.	

The EnQuest Group acquired an interest in these fields in 2009 and put in place a programme of work to extend their useful lives. Work was carried out on the wells and on the platform itself, which saw the asset's life expectancy increase significantly.

With the field having been shut-in since October 2019 due to a proactive safety-related shutdown as a result of a deterioration in the condition of a metal plate connecting one of the redundant sub-sea storage tanks to the facility's legs being identified during the ongoing sub-sea monitoring and inspection programme, in March 2020, EnQuest announced it no longer expects to re-start production at the Thistle field. A CoP application was approved by the regulator in June 2020, with an effective decommissioning date of 31 May 2020. EnQuest's share of post-tax costs have reduced to 6.1 per cent. (from 99.0 per cent.).

Project activities related to the removal of the redundant crude oil storage tanks were completed in July 2020. The facility remained unmanned throughout 2020, although preservation visits to the Thistle platform took place as part of the preparatory works ahead of the planned 2021 well abandonment programme. Work will continue in 2021 on the rehabilitation project alongside ongoing preparations ahead of the well abandonment programme which is expected to commence in the fourth quarter of this year.

(c) ***Alma/Galia***

	<b>Alma</b>	<b>Galia</b>
Location	Offshore, UKCS	Offshore, UKCS
Production Facility	EnQuest Producer FPSO	EnQuest Producer FPSO
Operator	EnQuest	EnQuest
Field Partner	KUFPEC	KUFPEC
Decommissioning liabilities (per cent.)	65.0	65.0

The Alma and Galia fields were re-developed as a single joint development, revitalising reservoirs where production had previously been shut-in, and tied back to the EnQuest Producer FPSO vessel.

On 30 June 2020, CoP occurred as planned. In September 2020, the EnQuest Producer FPSO moved off station and has moored at the oil terminal jetty at Nigg.

(d) ***The Dons***

	<b>Don Southwest</b>	<b>West Don</b>	<b>Conrie</b>	<b>Ythan</b>
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
Operator	EnQuest	EnQuest	EnQuest	EnQuest
Field Partners	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Energy (UK) Limited	Ithaca Gamma Limited
Decommissioning liabilities (per cent.)	60.0	78.6	60.0	60.0

The Dons are a collection of offshore oil fields that produced via subsea tiebacks to the Northern Producer Floating Production Facility.

At the Dons, production in 2020 was impacted by a lack of gas lift which is no longer available from Thistle, combined with underlying natural declines. As such, preparations commenced in 2020 for the field to cease production. Following regulatory approvals in February 2021,

cessation of production activities concluded in March 2021. The Northern Producer floating production facility was used for initial decommissioning activities, such as flushing of the sub-sea infrastructure and to support implementation of effective well isolations. These activities have now been completed and the vessel has departed the field and been handed back to its owner.

#### 6.4 *Malaysian Operations*

The EnQuest Group's Malaysian operations include the PM-8 Extension PSC, comprising the PM8 and Seligi fields, and the Block PM409 PSC, located off the east coast of the Malaysian peninsular. In the year ended 31 December 2020, the Malaysian operations produced an average of 6,436 boepd, a 25.6 per cent. decrease from an average production of 8,653 boepd in the year ended 31 December 2019. This reduction primarily reflects the impact of the detached riser system at the Seligi Alpha platform, which provides gas lift and injection to the Seligi Bravo platform. Following an initial investigation, partial operations were able to recommence, although production remained low throughout the fourth quarter of 2020.

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

##### (a) *PM8/Seligi*

	<b>PM-8 including North Raya, South Raya, Lawang, Langat, Yong and Serudon producing fields</b>	<b>Seligi</b>
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 (per cent.)	50.0	50.0
Operator	EnQuest	EnQuest
Field Partners	PETRONAS Carigali Sdn Bhd	PETRONAS Carigali Sdn Bhd (40.0 per cent.) E&P Malaysia Venture Sdn Bhd (10.0 per cent.)
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 EnQuest Group assumed operatorship in October 2014 and the overall transition was completed in December 2014. The EnQuest Group's interest in PM8/Seligi is governed by the PM8/Seligi PSC, which expires on 31 March 2033.

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

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

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

Following the assumption of operatorship, EnQuest safely improved production performance through a number of initiatives, including idle well restoration activities, low cost well interventions, facility projects and process simplification to improve plant reliability and production efficiency. In each of 2018 and 2019, the EnQuest Group drilled two new production wells to offset underlying natural declines.

Average production was 6,436 Boepd in the year ended 31 December 2020, 25.6 per cent. lower than in 2019. This decrease primarily reflected the impact of a riser becoming detached at the Seligi Alpha platform which provides gas lift and injection to the Seligi Bravo platform. This resulted in a release of gas which initiated an automatic emergency shutdown of the PM8/Seligi field. The EnQuest Group's safety systems and emergency response procedures were successfully implemented, with all personnel on board mustered safely. Following an initial investigation and safety assessment, partial operations were able to be recommenced within two days, with wells flowing under natural pressures.

#### *Recent developments and performance*

In line with the EnQuest Group's expectations, production has remained impaired in the first two months of 2021, although restoration efforts have been accelerated and have successfully achieved higher than forecast levels of production. Normal levels are expected to return in the second half of 2021 when the damaged riser and pipeline are expected to be replaced.

#### (b) **Block PM409 PSC**

EnQuest Working Interest (per cent.)	85.0
Field Partner	PETRONAS Carigali Sdn Bhd

#### *Overview*

In December 2019, the EnQuest Group was awarded a production sharing contract for Block PM409. The block is in a proven hydrocarbon area containing several undeveloped discoveries and is contiguous to the existing PM8/Seligi PSC, providing low-cost tie-back opportunities to the existing Seligi main production hub. The partners are committed to the drilling of one well within the initial four-year exploration term of the PSC.

#### *Recent developments and performance*

The EnQuest Group continues to high grade the prospects in the block to identify suitable drilling opportunities with the intention of future development.

## **7. Market Overview and Competition**

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

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



## 7.1 ***Oil Price Outlook***

The outbreak of the COVID-19 pandemic in 2020 caused severe effects on energy demand and supply dynamics. Prolonged factory shutdowns and closures, which were initially concentrated in China and other parts of Southeast Asia, resulted in a reduction in oil and gas consumption, closure of refineries and cancellation of product shipments. More widely, the spread of COVID-19 globally, subsequent strict travel restrictions and large-scale lockdowns resulted in a significant impact on oil demand globally.

On the supply side, after a disagreement on anticipated production cuts in March 2020, OPEC+ entered into an agreement on 12 April 2020 to cut global petroleum output by 9.7 MMbopd from May 2020. The OPEC+ output deal and a further supply reduction by other producers, such as the U.S. and Canada, reduced world oil output by approximately 14 MMbopd between April 2020 and July 2020. Global oil supply rose by 2.5 MMbopd to 90 MMbopd in July 2020 after Saudi Arabia ended its voluntary 1 MMbopd cut, the UAE exceeded its OPEC+ target and US production started to recover. While OPEC+ cuts eased by nearly 2 MMbopd in August 2020, approximately 0.5 MMbopd in January 2021 and other producers have restored shut-in volumes, the Kingdom of Saudi Arabia announced on 5 January 2021 a 1 MMbopd voluntary cut for February and March 2021.

Dated Brent crude oil averaged \$43.21 per barrel in 2020, compared to \$64.16 per barrel in 2019, and experienced a year low of \$9.0 per barrel on 21 April 2020. Since that low point, oil prices began to recover through the remainder of 2020 and into the first few months of 2021. Prices during the first quarter of 2021 averaged \$60.89/bbl, whilst the median Bloomberg consensus price for Brent is \$64.40 for the year ended 31 December 2021 at the date of this document. This recovery in oil prices has been largely driven by OPEC+ members' compliance with the agreed production cuts since March 2020 and the Kingdom of Saudi Arabia's voluntary curtailment of 1.0 MMbblpd in April 2021 for the third month in a row. Furthermore, prices have been buoyed by the rollout of the COVID-19 vaccination programmes which have contributed to global economic recovery and optimism of rising oil demand in 2021, alongside the growing global oil demand which is forecasted to rise by 5.3mb/d in 2021. Despite the India COVID crisis, the consensus forecast for the second half of 2021 is still strong, however, contingent on expectations that vaccination campaigns continue to expand and the pandemic largely comes under control.

Demand outlook looks positive as additional stimulus measures in the US and an accelerating recovery in Asian economies are expected to boost the 2021E global economic forecast. This aligns with analysts' expectations with a consensus price for Brent at \$64.40 for 2021 at the date of this document.

*Source: Energy Information Administration, Annual Energy Outlook 2021, Energy Information Administration (Short-Term Energy Outlook, February 2021); Wall Street Journal, "Saudi Arabia to Cut Oil Production Sharply in Bid to Lift Prices"*

## 7.2 ***Activity in the United Kingdom Continental Shelf***

The UKCS has proved itself to be particularly resilient in the face of COVID-19 and low commodity price environments. The basin remains globally fiscally competitive and new entrants to the basin have continued to invest in assets. Production efficiency has reached a 16-year high of 80.0 per cent., operating costs remain stable at £11.90 per barrel and material new discoveries have demonstrated real prospectivity. Despite the many challenges brought by the pandemic, UKCS 2020 production remained around 2019 levels of almost 1.7 million boepd.

The trajectory of the production trend will be defined by the extent to which the industry is able to find and develop new resources. More than 46.0 Bnboe have been produced from the UKCS and the OGA estimates there are still 10 to 20 Bnboe remaining to be recovered. Production is anticipated to return to a decline, however there are clear opportunities to manage this by investing accordingly. Over £150.0 billion of capital (in real terms) has been invested in the basin over the last 20 years, with roughly two-thirds of this (around £100.0 billion) committed between 2010–19. There are more than £35.0 billion of capital investment opportunities identified within company plans over the next ten years, all with varying probabilities of progression.

As would be expected in a maturing basin, both contingent resources and reserves are declining year on year as production outstrips the rate at which opportunities are unlocked. However, estimates of prospective resources have remained stable, demonstrating the “yet-to-find” potential in the basin. There is still a strong pipeline of opportunities within company plans, with over 135 exploration and appraisal projects at varying stages of maturity and drill probability identified through to 2025. Recent Licensing Rounds have also demonstrated the continued appetite from companies to explore on the UKCS. The OGA’s 32nd Offshore Licensing Round in September 2020 saw 113 licences offered to 65 companies across all four key basins, ranging from super-majors extending their presence to new entrants picking up acreage for the first time.

*Source: OGA Overview 2021; Oil and Gas UK Economic Report 2020*

### 7.3 **Competition**

The EnQuest 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. The EnQuest Group’s competitors include national oil and gas companies, major international oil and gas companies and independent oil and gas companies. The oil and gas business is highly competitive in the search for and acquisition of reserves, in the procurement of rigs and other production equipment, in the production and marketing of oil and gas and in the recruitment and employment of qualified personnel. See risk factor 3.12 entitled “*The EnQuest Group depends on its board of directors, key members of management, independent experts and technical and operational service providers and on its ability to attract and retain such persons to effectively manage its business*”.

In addition, the EnQuest Group 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. The improvements in the competitiveness of the basin in the second half of the decade have attracted a range of new investors to the UKCS. The universe of players operating in the basin has evolved significantly in recent years, particularly those engaging with exploration activity in the basin. Compared to 2010, the number of private equity-backed companies has trebled, with several international investors entering the basin for the first time. Alongside this, and despite rationalisation of portfolios, major multinationals have also maintained a strong footprint on the UKCS. These key changes to the landscape signal the attractiveness of the UKCS from an investor perspective, however, these companies also represent a new and direct competitor to EnQuest in a number of UKCS opportunities. The EnQuest Group is confident that its proven operational track-record and ability to deliver value by bringing “the right assets into the right hands” continues to give it an advantage over these new entrants. Additionally, the EnQuest Group’s proven ability to create innovative transaction structures, as demonstrated by the Magnus Option on the Magnus field, gives them a competitive edge in being able to secure the most attractive assets. Opportunities for acquisitions are expected to remain available as major oil companies continue to rationalise their portfolios as seen with the material divestments in the UKCS by Shell, BP, Chevron, ConocoPhillips, and more recently ExxonMobil.

*Source: OGA Overview 2021; Oil and Gas UK Economic Report 2020; Upstream Online*

### 7.4 **Malaysia**

The EnQuest Group continues to operate in Malaysia where the Malaysian government maintains a stable operating environment. Malaysia is the second-largest oil and natural gas producer in Southeast Asia. The country’s remaining commercial reserves are estimated at over 5.0 Bnboe contained in more than 400 fields, with gas making up around three-quarters of the mix. The Malaysian government has focused on increasing hydrocarbon production through upstream investment and exploration as a driver of economic growth, though this has had its challenges because of maturing fields and a lack of developed new fields. EnQuest is one of a limited number of companies qualified

to be an operator. As a mature basin, there is the potential for acquisition opportunities depending on the strategic intentions of the current incumbent.

*Source: EIA, PETRONAS MPM*

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 EnQuest Group operates. It is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon the EnQuest Group's future operations. Such legislation and regulations may, however, substantially increase the costs of developing, producing, marketing or exploring for natural gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted. See risk factor 2.2 entitled "*Climate change legislation, the transition to net zero greenhouse gas emissions by 2050 and/or protests and shareholder actions against fossil fuel extraction may have a material adverse effect on the EnQuest Group's industry*" and risk factor 3.24 entitled "*The EnQuest 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*".

## **8. Business Arrangements**

### **8.1 *Product lifting and distribution***

Petroleum from Magnus is transported to the SVT through the NPS. Purchases of third-party gas from West of Shetland fields and produced gas is transported through the Northern Leg Gas Pipeline system and FLAGS to the St Fergus SEGAL gas plant; dry gas is exported to the National Transmission System and NGLs are transported to Mossmorran for processing.

As part of the EnQuest Group's acquisition of its working interest in Magnus on 1 December 2017 and 2018 the EnQuest Group also acquired an additional 12 per cent. stake in the SVT (bringing the EnQuest Group's working interest to 15.1 per cent.), as well as an additional 9 per cent. stake in the NLGP and a 3.8 per cent. stake in the NPS from BP, taking the EnQuest Group's working interests to 41.9 per cent. and 18.0 per cent., respectively. The EnQuest Group also became the operator of the SVT on 1 December 2017.

The EnQuest Group's participation in these pipeline systems and the SVT is regulated by various operating agreements, and the EnQuest Group holds working interests in these assets. The costs of maintaining and operating these facilities are shared among the users thereof on a throughput-related basis. The EnQuest Group is party to a cross-user liability agreement that provides indemnities between the various groups of owners and between the individual owners for injury or damage caused by the performance or non-performance of their obligations in respect of SVT, the NPS and the Brent system pipeline. See risk factor 3.5 entitled "*Significant expenditure is required to maintain operability and operations integrity, the EnQuest Group relies upon infrastructure which is old, and/or operated and owned by third parties and improper maintenance and repair could harm the EnQuest Group's operations*".

Petroleum from Alba, where the EnQuest Group holds a minority interest, is transported by offload tanker from the Alba Northern platform to onshore terminals. With respect to production from GKA and Scolty/Crathes, the EnQuest Group holds a working interest in an offshore platform at Kittiwake and a 100 per cent. interest in a pipeline linking this platform to the Forties Unity platform. GKA and Scolty/Crathes fields are tied back 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.

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

## 8.2 ***Sales and customers***

The Company's entitlement to Brent Blend oil (from Magnus) is made available for sale at the SVT. The Company's entitlement to Forties Blend crude oil (from GKA and Scolty/Crathes) is made available for sale at the Kinneil Oil Terminal through the Forties Pipeline System ("FPS") to Cruden Bay and the EnQuest Group's Malaysian production is made available for sale at the Terengganu Crude Oil Terminal. Production from Kraken and Alba is lifted by tanker, provided by Altera Infrastructure and delivered to the relevant buyer.

The EnQuest Group's oil sales for its UKCS assets (excluding Kraken) are primarily priced based on the Platts Dated Brent crude oil benchmark with differentials to the benchmark determined by market conditions and negotiations with customers. Kraken cargo sales continue to be optimised into the shipping fuel market with Kraken oil a key component of IMO 2020 compliant low-sulphur fuel oil. As such, the EnQuest Group benefits from strong pricing associated with the VLSFO market and avoids refining-related emissions. Prices for the EnQuest 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 2018, 2019 and 2020, the EnQuest Group had trade receivables past due of \$5.0 million, \$2.4 million and \$2.6 million, respectively. The EnQuest Group had joint venture receivables past due but not impaired of \$1.6 million, \$0.1 million and \$2.5 million as of 31 December 2018, 2019 and 2020, respectively.

As of 31 December 2020, the EnQuest Group had three customers accounting for 77 per cent. of outstanding trade and other receivables (2019: four customers, 84 per cent.; 2018: three customers, 81 per cent.) and one joint venture partners accounting for 16 per cent. of joint venture receivables (2019: two joint venture partners, 26 per cent.; 2018: two joint venture partners, 41 per cent.).

With Kraken's suitability as a component for the production of IMO 2020 compliant shipping fuel, i.e. VLSFO, the EnQuest Group has continued to diversify its customer base by selling its production lifted by tanker and delivering to buyers via ports in Northwestern Europe, the United States, the Mediterranean and/or the Far East.

## 8.3 ***Suppliers and third-party contractors***

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

## 8.4 ***Seasonality***

Seasonal weather conditions (particularly winter in the UKCS and the monsoon season in Malaysia) and licence stipulations can limit the EnQuest 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 EnQuest Group's operations. These seasonal anomalies may also reduce the available weather windows for offloading operations to shuttle tankers from the EnQuest Group's FPSOs.

## 8.5 ***Health, safety, environment and assurance***

The EnQuest Group is subject to a wide range of laws, regulations, directives and other requirements governing the protection of the environment and health and safety matters. See risk factor 3.18 entitled "*The EnQuest Group could incur material costs to comply with, or as a result of liabilities under, health and safety and environmental regulations*". One of its top priorities is to achieve and maintain high health, safety and environmental performance. The Directors believe the EnQuest 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 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 seeks to maintain safe and healthy workplaces.

(a) *Health and safety*

To help ensure that the EnQuest Group maintains safe and healthy workplaces for all the EnQuest Group's employees and contractors, the group-wide health, safety, environment and assurance system is structured in line with ISO 14001 and covers occupational and process safety. The EnQuest Group has a Health & Safety Management System that is aligned with the requirements of the Occupational Health and Safety Assessment Series Standard (OHSAS 18001:2007) while the framework of the management system in Malaysia complies with the Offshore Self-Regulation Management System ("OSRMS") and PETRONAS Procedures and Guidelines for Upstream Activities ("PPGUA") requirements.

Each of the EnQuest Group's assets are inspected periodically by the Health and Safety Executive. An improvement notice was issued at the SVT in February 2021 to ensure that pipework identified as susceptible to microbial corrosion is inspected in accordance with the accepted plan by 30 June 2021 and the EnQuest Group is committed to addressing the issue to settle the improvement notice by this date.

On 14 October 2019, a change out of lube oil took place on the Heather KT03 compressor. During this operation a fire and explosion occurred resulting in two individuals suffering injuries and equipment damage. The Health and Safety Executive issued a prohibition notice on the Heather compression system causing a loss of production. An in-depth investigation was conducted and the relevant learnings incorporated across the EnQuest Group.

In September 2020, there was a detachment of the riser system at the Selig Alpha platform, which provides gas lift and injection to the Seligi Bravo platform. This resulted in a release of gas and a subsequent fire which initiated an automatic emergency shutdown of the PM8/Seligi field. The EnQuest Group's safety systems and emergency response procedures were successfully implemented, with the fire extinguished quickly and all personnel onboard mustered safely. Following an initial investigation and safety assessment, partial operations were able to be recommenced within two days, with wells flowing under natural pressures.

The EnQuest Group's Health, Safety and Environment policy is fully integrated across its operated sites. There is a strong assurance programme in place to ensure the EnQuest Group complies with its policy and principles and regulatory commitments.

In 2020, an independent safety review was undertaken across the EnQuest Group that reported positively on the EnQuest Group's safety culture with a recognition of a strong commitment towards safety and robust processes in place. However, following a number of asset integrity related incidents, a Group-wide asset integrity review team has been formed that will look at integrity management arrangements at a Group, regional and asset level to drive improvements in 2021.

The EnQuest Group continues to monitor the evolving situation with regard to the impacts of COVID-19 in conjunction with a variety of stakeholders, including industry and medical organisations. The EnQuest Group adopted an approach to COVID-19 based upon the principles of safety and welfare of people and security of supply. The EnQuest Group has remained aligned and supportive of the government position and remained compliant with Dubai, Malaysia and UK government and industry policy. COVID-19 contingency and resilience planning started in earnest in late February 2020 with a series of activities throughout early March 2020 to test asset responses to the communicable disease management plan, which is part of the business continuity plan within the EnQuest Business Management System. The response to COVID-19 across the EnQuest Group is resilient and continues to be reviewed and enhanced as new information and technology becomes available.



(b) *Environmental*

Environmental protection has been a core feature of the EnQuest Group's business model since its inception, with its priority being safe results with no harm to people and respect for the environment. As an oil and gas business, the EnQuest Group is focused on safely improving the operating, financial and environmental performance of mature and late-life assets.

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

The EnQuest Group's system is aligned with the requirements of the International Organization for Standardization's environmental management system standard—ISO 14001. The EnQuest 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 May 2020.

The EnQuest Group recognises that industry, alongside other key stakeholders such as governments, regulators and consumers, must contribute to reducing the impact on climate change of carbon-related emissions. The EnQuest Group's aim is to benefit all its stakeholders as a responsible operator of oil and gas assets through the expected multi-decade energy transition. Its aim is to extend safely production lives, enhance cash flow and reduce Scope 1 and Scope 2 emissions on its assets as reliance on hydrocarbons is reduced, thereby contributing towards the national emission reduction targets.

To balance all stakeholder interests, the EnQuest Group believes a measured approach to absolute Scope 1 and 2 emissions reductions involving credible targets and the pursuit of economic emission reduction opportunities is appropriate.

The EnQuest Group has already reduced its absolute Scope 1 and 2 CO<sub>2</sub> equivalent emissions by approximately 26 per cent. since 2018, primarily through the EnQuest Group's decisions to cease production at its Heather/Broom, Thistle/Deveron and Alma/Galia assets.

In addition to reducing upstream-related emissions, the EnQuest Group has also implemented an innovative, economic emissions avoidance opportunity at Kraken by optimising sales of Kraken cargoes directly to the shipping fuel market. This initiative has two environmental benefits: it avoids emissions related to refining; and it also helps reduce sulphur emissions in accordance with the IMO 2020 regulations. The avoidance of emissions related to Kraken's crude is significant – with refining emissions for a typical North Sea crude estimated to be approximately 32 to 36 kgCO<sub>2</sub>e/bbl<sup>10</sup> compared to emissions associated with blending Kraken oil estimated at approximately 1 kgCO<sub>2</sub>e/bbl. As such, emissions relating to Kraken oil by the time it reaches its end user, compares favourably on a fully-refined basis to even high-performing North Sea fields.

The EnQuest Group aims to reduce absolute Scope 1 and 2 CO<sub>2</sub> equivalent emissions from its existing operations by 10 per cent. over the period 2021 to 2023. This target has been included as a key performance metric in the EnQuest Group's long-term incentive scheme for Executive Directors and applicable employees. To help achieve this target, a number of emission reduction opportunities have been identified, such as installing generator turbine water wash facilities and the use of high-efficiency particulate air filters on Magnus. However, the EnQuest Group recognise that improved environmental performance requires continued investment and it has implemented working groups dedicated to the identification and implementation of economically viable emissions savings across the EnQuest Group's portfolio of assets.

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10 Based on an the University of Calgary PRELIM model recognised by California Air Resources Board (CARB), US Energy Tech. Laboratory, USDOE Office of Energy and Efficiency and Renewable Energy (EERE), Carnegie Endowment for International Peace and the U.S. Environmental Protection Agency

As other major oil companies and operators continue to shift their focus away from mature basins in a number of geographies, the Directors believe that there will be further opportunities for the Company to access additional oil and gas resources, which they will assess against a number of criteria, including carbon intensity and absolute emission levels. The EnQuest Group will form a clear emission reduction plan for any such asset for which it assumes operatorship, relative to the carbon footprint in the hands of the seller, and to factor in an appropriate associated carbon price into the acquisition economics, even in markets where no carbon trading or pricing mechanism exists. The EnQuest Group is committed to targeting assets where it believes it has an advantage in reducing emissions and reducing costs.

This positive contribution extends into the decommissioning phase of an asset's life cycle. During this phase, wells will need to be plugged and abandoned, while the production and processing facilities and any relevant infrastructure will need to be removed. Given the extent of this work, it will necessarily take place over an extended period of time and require careful project management. EnQuest's UK Decommissioning directorate will oversee the safe and efficient execution of these work programmes and is committed to delivering them in a responsible manner, which includes minimising emissions and maximising the recycle and reuse of recovered materials. The UK Decommissioning directorate continues to work with the supply chain, industry participants and decommissioning workgroups to identify creative ways, such as alternative power generation options, in which emissions associated with decommissioning activities can be kept to a minimum.

The EnQuest Group continues to explore other opportunities and is an active participant in the Energy Hub, an initiative being developed by the Shetland Islands Council and the Oil and Gas Technology Centre ("OGTC"), which aims to deliver a clean, sustainable energy future for Shetland and the UK. Additional areas of focus are looking at whether Kraken oil can be used as an alternative energy source and the SVT power supply options. In Malaysia, the EnQuest Group continues to voluntarily limit emissions below the regulatory limit.

The EnQuest Group continues to engage with entities such as Oil and Gas UK, the OGTC and the OGA, to understand better how it can contribute further to the industry approach to net zero, whilst remaining aligned with the EnQuest Group's strategy.

The EnQuest Group recognises the increasing societal, media and investor focus on climate change, and the desire to understand its potential impacts on the oil and gas industry through improved disclosure, utilising mechanisms such as those proposed by the TCFD. The EnQuest Group provides information relevant to each of the four TCFD recommendations (Governance, Strategy, Risk Management, Metrics and Targets) on its website and annual report and will continue to evolve these disclosures over time.

(c) *Assurance*

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

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

## 8.6 *Insurance*

The EnQuest Group maintains the types and amounts of insurance coverage that it believes are consistent with customary industry practices in the jurisdictions in which the EnQuest Group operates. The EnQuest 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 EnQuest Group are in line with applicable oil industry insurance standards.

The EnQuest Group currently has a loss of production insurance policy in place which would protect revenues anticipated to be derived from net Kraken forecast production at an oil price of \$35/bbl (which is capped at a limit of 18 months' production) if there is a loss of production caused by an insured event for a period up to two years, with such cover commencing 60 days after the insured event which caused the loss of production. The loss of production policy was renewed on 6 May 2021 and is due to expire on 6 May 2022. 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 where the EnQuest Group is at risk including loss of, or damage to, the pipeline systems, risers, umbilicals, oil wells and completions to be installed and liabilities to third parties arising therefrom.

The EnQuest 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 EnQuest Group's needs and the risks that it faces. The EnQuest 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 EnQuest Group's insurance coverage will adequately protect it from all risks that may arise or in amounts sufficient to prevent any material loss. See risk factor 3.14 entitled "*The EnQuest 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*".

## 9. Employees

The following table sets forth the EnQuest Group's full-time employees as of 31 December 2018, 2019 and 2020.

	As of 31 December		
	2018	2019	2020
Directors .....	9	8	9
Operational (onshore) .....	358	355	315
Operational (offshore) .....	447	590	423
Corporate .....	19	22	20
Contractors <sup>(1)</sup> .....	180	148	56
<b>Total .....</b>	<b>1,013</b>	<b>1,123</b>	<b>823</b>

**Note:**

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

	As of 31 December		
	2018	2019	2020
United Kingdom .....	800	910	629
Malaysia .....	177	175	170
Dubai(1) .....	36	38	24
<b>Total .....</b>	<b>1,013</b>	<b>1,123</b>	<b>823</b>

**Note:**

(1) The Dubai office primarily consists of administrative finance and contracts and procurement teams. There are no producing operations in Dubai.

The Directors believe that the EnQuest Group has satisfactory working relationships with its employees and has not experienced any significant labour disputes. Save in respect of SVT, there is no unionisation currently in place for EnQuest employees at any of the EnQuest Group's locations and the EnQuest Group has not suffered any labour disputes or stoppages. However, in March 2020, the union Unite announced that 94.0 per cent. of members voted for strike action at the SVT in response to certain proposals, including changes to the pension scheme. The strike action was called off on 20 March 2020. The EnQuest Group may be subject to work stoppages or other labour disturbances, and its employees may become unionised. See risk factor 3.19 entitled "*The EnQuest Group may be subject to work stoppages or other labour disturbances, and the EnQuest Group's employees and those employed by its contractors may become unionised*".

In 2020, the EnQuest Group took decisive action to lower its cost base across the business, with significant reductions in the EnQuest Group's operational footprint operating costs and capital expenditure. Support functions were also reviewed given the reduced operational footprint of the EnQuest Group. Given the scale of change, with the number of employee and contractor roles in the UK reduced by approximately 40 per cent., the EnQuest Group did not apply for relief under the UK government's "furlough scheme". Instead, the UK workforce underwent an eight-week open and transparent collective consultation process to ensure all employees were treated fairly and with respect. This consultation process included the appointment of employee representatives to work with management to ensure the proposed changes did not compromise safety and to minimise the impact on the EnQuest Group's people and operations.

The EnQuest Group remains committed to improving workforce diversity and inclusion ("**D&I**"), and there was a renewed examination of the Company's approach during 2020. In addition to including diversity of skills, experience, nationality and gender in its appointments to the Board and within the executive and senior management teams, the EnQuest Group recently updated its D&I policy and developed a Company-wide D&I strategy. This strategy aims to build awareness by providing education and strengthening understanding throughout the workforce, ensuring the EnQuest Group's working environment is inclusive and celebrates diversity as a positive contributor to performance.

The EnQuest Group has continued to support International Women in Engineering Day and the UK's AXIS network and has also established an employee-led global community – the EnQlusion Network – to explore and promote a greater sense of connectedness and celebration of difference at EnQuest.

During 2021, enhanced diversity balance will continue to be a core theme. The EnQuest Group has introduced Company-wide "Conscious inclusion" training for managers and supervisors. With D&I central to EnQuest's ways of working, the EnQuest Group is challenging its recruitment, employment and training policies and how they attract, retain and develop a wide range of talent in the organisation. The goals are to establish improved representation and, importantly, demonstrate that viable strategies have been developed to achieve far greater diversity balance in EnQuest in the future.

EnQuest has seen improvements in its gender pay gap statistics in the previous reporting period, building on a narrowing of gaps since reporting commenced in 2017. The EnQuest Group is committed to further narrowing the gender pay gap and continuing to provide equal pay for equal jobs.

The EnQuest Group also remains committed to fair treatment of people with disabilities in relation to job applications and, as set out in the Equal Opportunities & Dignity at Work Policy, the Company encourages individuals with a disability, or who develop a disability at any time during their employment, to speak to their line manager about their condition. This will enable the Company to provide support and prevent unfavourable treatment.

## **10. Bribery laws**

The EnQuest Group is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery and corruption, including consolidated anti-bribery policies in light of the UK Anti-Bribery Act, Malaysian Anti-Corruption Commission Act and related guidance. EnQuest has implemented group-wide training on these policies. The overall anti-bribery and corruption programme is reviewed annually by the Board and a corruption risk awareness email is sent out annually by the Chief Executive reminding staff of their obligations and also to prompt them to complete a mandatory online anti-corruption

training course. Staff are also regularly reminded of their obligations with regard to anti-bribery and corruption and anti-facilitation of tax evasion through the annual risk awareness email issued by the Chief Executive, the EnQuest Group's Code of Conduct and the obligatory annual anti-bribery and corruption and anti-facilitation of tax evasion training course.

The Company also encourages staff to escalate any concerns and, to facilitate this, provides an external "speak-up" reporting line which is available to all staff in the UK, Malaysia and the UAE. Where concerns are raised, these are investigated by the Company's General Counsel and reported to the Audit Committee.

## **11. Legal and arbitration proceedings**

The EnQuest Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company's and/or the EnQuest Group's financial position or profitability.

## **12. Regulatory Environment**

### **12.1 *Climate change regulation***

As an oil and gas company, continued political, societal and commercial attention to climate change, the UK's transition to a 'net zero' economy by 2050 and the associated mitigation through regulation of greenhouse gases as part of this transition could have a material adverse effect on the EnQuest Group's prospects, financial condition and results of operations.

There have been numerous developments in climate change laws in recent years, at both international, regional and national level, including the Paris Agreement, UK Climate Change Act 2008, the UK Emissions Trading Scheme, the recommendations of the Taskforce on Climate-related Financial Disclosures, and the Malaysian Environmental Quality Act 1974.

For further details on climate change regulation, see risk factor 2.2 entitled "*Climate change legislation, the transition to net zero greenhouse gas emissions by 2050 and/or protests and shareholder actions against fossil fuel extraction may have a material adverse effect on the EnQuest Group's industry*".

### **12.2 *Governmental licences and permits***

#### **(a) *General***

The EnQuest Group's current operations are subject to licences, approvals, authorisations, consents and permits from governmental authorities for exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil and other hydrocarbons, taxation and environmental and health and safety matters. In addition, the EnQuest 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.

#### **(b) *UKCS***

With regard to the EnQuest Group's operations in the UKCS, UK authorities are typically authorised to, and do from time to time, undertake inspections to verify compliance by the EnQuest Group or the EnQuest Group's commercial partners, as applicable, with relevant laws and the licences or the agreements pursuant to which the EnQuest Group conducts its business. The UK government has also recently announced that it will introduce a "climate compatibility checkpoint" prior to awarding future oil and gas licenses in the North Sea to ensure that licences awarded align with wider climate change objectives.



(c) *Malaysia*

With regard to the EnQuest 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, 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.

For further details on governmental licences and permits, see risk factor 3.6 entitled "*The EnQuest 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 EnQuest Group's failing to comply with relevant licences, agreements or other regulatory requirements*".

### 12.3 **Decommissioning regulations**

(a) *UK*

The EnQuest Group is obliged under UK law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites. Although the EnQuest Group typically aims to and has contracted for limited decommissioning liabilities, typically assuming responsibility for a fraction of the costs relative to the EnQuest Group's working interest, it may retain additional potential liability to third parties under applicable regulations.

(b) *Malaysia*

In Malaysia, PETRONAS regulates decommissioning of oil and gas structures through PSCs and PETRONAS's Guidelines for Decommissioning of Upstream Installations as part of its Procedure and Guidelines for Upstream Activities. The EnQuest 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.

For further details decommissioning regulations, see risk factor 3.10 entitled "*The EnQuest Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*".

### 12.4 **Health and Safety and Environment Regulations**

The EnQuest Group operates in an industry that is inherently hazardous and consequently subject to comprehensive health and safety and environmental regulation, including those governing discharges of oil and other pollutants to air and water, the management of produced water and wastes, the cleaning of contamination and an installation's safety case.

The EnQuest Group is also affected by international treaties on the environment to which the United Kingdom is a party such as the OSPAR Convention. Controls on the quantities of oil that can be discharged in process waters in the course of offshore operations have been implemented in the United Kingdom by the Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations 2005.

For further details on health and safety and environmental regulations, see risk factor 3.18 entitled "*The EnQuest Group could incur material costs to comply with, or as a result of liabilities under, health and safety and environmental regulations*".

## PART 3

### PRINCIPAL TERMS OF THE ACQUISITION

#### 1. Background

On 3 February 2021 EnQuest Heather entered into the Call Option Deed to acquire from Suncor 100 per cent. of the issued share capital in Golden Eagle (the “**GE Shares**”) which will, at Completion, hold a 26.69 per cent. non-operated working interest in the Golden Eagle Area Development. The Call Option Deed grants EnQuest Heather an option to require Suncor to sell the GE Shares to EnQuest Heather (the “**Put Option**”) and grants Suncor an option to require EnQuest Heather to purchase the GE Shares (the “**Call Option**”), subject to certain conditions as set out below. The economic effective date of the Acquisition pursuant to the Call Option Deed will be 1 January 2021 (the “**Effective Date**”).

On 9 March 2021 Suncor and Golden Eagle entered into the Asset Transfer SPA in relation to the transfer of the Golden Eagle Asset from Suncor to Golden Eagle (the “**Asset Transfer**”).

Each of the Call Option Deed and Asset Transfer SPA are governed by the laws of England and Wales. The following is a summary of the principal terms of these agreements.

#### 2. Call Option Deed

##### 2.1 Consideration

The consideration for the GE Shares is (i) \$325 million (the “**Share Consideration**”); and (ii) a sum of up to \$50 million (the “**Contingent Consideration**”), subject to certain adjustments.

The Share Consideration is payable by EnQuest Heather on Completion, less the amount of \$3 million that EnQuest Heather paid as a deposit to Suncor upon entering into the Call Option Deed (the “**Deposit**”) (the “**Completion Consideration**”).

The Completion Consideration will also be: (a) reduced by \$11,747,053, being the agreed amount of working capital; (b) increased by the net sum of cash calls and invoices paid in respect of the Golden Eagle Asset by Suncor from the Effective Date to Completion (the “**Interim Period**”); (c) decreased by the sum of all income and other receipts received by Suncor (other than those dealt with by (e) as follows) in relation to the Golden Eagle Asset in the Interim Period; (d) adjusted to reflect any payments made from Golden Eagle to Suncor or from Suncor to Golden Eagle before Completion; (e) decreased by the amount equal to all income received by Suncor in connection with any contract for the sale and/or supply of Petroleum (as defined in each of the Golden Eagle Area Licences) from and in relation to the Golden Eagle Asset in the Interim Period; and (f) adjusted to account for Corporate Tax. These adjustments will be made pursuant to a customary pre-Completion estimate and post-Completion true-up procedure.

The Contingent Consideration (which will be secured by the provision of a letter of credit upon Completion) is payable by EnQuest Heather to Suncor within 15 business days of 30 June 2023 and will be calculated by reference to the Average Dated Brent Oil Price reported by S&P Global Platts for the period between 1 July 2021 and 30 June 2023 (inclusive) (the “**Relevant Period**”), in accordance with the following:

- (a) if the Average Dated Brent Oil Price during the Relevant Period is equal to or greater than \$55 per barrel but less than \$65 per barrel, the amount of Contingent Consideration payable will be \$25 million; or
- (b) if the Average Dated Brent Oil Price during the Relevant Period is equal to or greater than \$65 per barrel, the amount of Contingent Consideration payable will be \$50 million; or
- (c) if the Average Dated Brent Oil Price is less than \$55 per barrel during the Relevant Period, no Contingent Consideration will be payable.

## 2.2 *Timing and Conditions*

While the Call Option Deed was signed on 3 February 2021, the GE Shares will transfer to EnQuest Heather upon Completion. Completion cannot occur until each of the following conditions is satisfied (or waived by the agreement of each of EnQuest Heather and Suncor under the terms of the Call Option Deed) (the “**Conditions**”):

- (a) completion of the sale and purchase of the Golden Eagle Asset having occurred in accordance with the terms of the Asset Transfer SPA (the “**Asset Transfer Condition**”);
- (b) release, effective from Completion, of any guarantee given by any Suncor Group Company with respect to the Golden Eagle Asset and the provision of any replacement required to be provided by EnQuest Heather;
- (c) written confirmation from EnQuest Heather to Suncor that it has secured agreement from all requisite third parties, including the approval of the Resolutions by Shareholders at the General Meeting (the “**Purchaser Approval Condition**”);
- (d) confirmation from the OGA that it does not intend to exercise its power to seek a further change of control of Golden Eagle or revoke any of the Golden Eagle Area Licences due to the Acquisition; and
- (e) the release by the OGA of any Suncor Group Company from all and any liability under any guarantees given to the OGA in relation to the Golden Eagle Asset in connection with the Asset Transfer.

EnQuest Heather must use reasonable endeavours to ensure that the Purchaser Approval Condition is satisfied as soon as practicable and in any event no later than 3 July 2021.

## 2.3 *Put and Call Option*

The Put Option may only be exercised during the “Put Option Period”, which will commence the business day following the later of (a) the date all Conditions are satisfied or waived (as applicable); (b) 30 days after (or such shorter period as may be notified by Suncor) the completion of the Asset Transfer (the “**Asset Transfer Date**”); or (c) as otherwise agreed by EnQuest and Suncor in writing, and will expire on the third business day following the relevant date.

The Call Option may only be exercised during the “Call Option Period”, which will commence on the day following the date on which the Put Option Period expires and will expire 10 business days thereafter.

Each of the Put Option and Call Option are irrevocable once exercised.

## 2.4 *Warranties*

The Call Option Deed contains warranties that are customary for an acquisition of the size and nature of the Acquisition.

EnQuest Heather gives warranties in relation to, among other things:

- (a) valid incorporation and existence and due registration under applicable laws;
- (b) consents and approvals, including necessary governmental approvals in connection with entry into the Call Option Deed and consummation of the Acquisition;
- (c) capacity and authority to enter into the Call Option Deed and related transaction documents;
- (d) solvency and the ability of EnQuest Heather to pay its debts as they fall due; and
- (e) the absence of any agreement, arrangement or understanding for the transfer of the GE Shares or an interest therein to any person other than EnQuest Heather.

Suncor gives warranties in relation to (a) to (d) above and in relation to, among other things:

- (a) sole legal beneficial ownership of the GE Shares and the GE Shares being free from encumbrances and constituting the whole of the issued capital of Golden Eagle;
- (b) sole legal and beneficial ownership of the Golden Eagle Asset at Completion and all property, rights and interests attributable to the Golden Eagle Asset;
- (c) the Golden Eagle Area Licences being in full force and effect and the absence of any notice of any intention to revoke such licences;
- (d) the absence of any written notice of any amendments to the 2021 work programmes and budgets, including estimated costs of decommissioning, issued pursuant to the Golden Eagle Operating Agreement;
- (e) the absence of pre-emption rights affecting the Golden Eagle Area Licences, except as provided for in the Golden Eagle Operating Agreement; and
- (f) Golden Eagle having not (i) traded, carried on any business, acquired or disposed of any assets, businesses, undertakings or revenues; (ii) assumed or incurred any obligation (whether actual or contingent); (iii) entered into any binding contract, agreement, assignment, novation, transaction or arrangement of any kind whatsoever with any person; or (iv) entered into any irrevocable agreement in respect of (i) to (iii) above (the “**Clean Company Warranty**”).

## 2.5 *Indemnities*

Suncor is liable for any obligations and is entitled to any benefits in respect of the Golden Eagle Asset which accrued before the Effective Date. EnQuest Heather is liable for the obligations and entitled to the benefits that accrue after that date.

EnQuest Heather has also indemnified Suncor and its associates in relation to the following:

- (a) all losses and expenses suffered in relation to decommissioning obligations; and
- (b) all losses and expenses suffered in relation to environmental obligations, such as pollution or contamination,

other than such obligations that relate solely to any period prior to the Effective Date and are discharged prior to the date of the Call Option Deed.

Suncor has indemnified EnQuest Heather:

- (a) for any decommissioning expenses incurred by the Enlarged Group in relation to any licences, other than the Golden Eagle Asset, that were previously held by Suncor and which arise as a result of Golden Eagle being a former affiliate of Suncor; and
- (b) in the event that the Clean Company Warranty is untrue or inaccurate, for any amount EnQuest Heather or Golden Eagle would require to put them into the position that they would have been if that warranty had been true and accurate.

## 2.6 *Conduct of Suncor prior to Completion*

The Call Option Deed provides that between the time of the Call Option Deed and Completion (or termination of the Call Option Deed), subject to certain exceptions, Suncor will, and will procure that Golden Eagle will:

- (a) not undertake certain actions in relation to the Golden Eagle Asset, unless with the prior written consent of EnQuest Heather (to not be unreasonably withheld, conditioned or delayed), including but not limited to agreeing to any material amendments or modifications to any work programme, or entering into any contract or arrangement not in the ordinary course of business;

- (b) conduct its affairs in relation to the Golden Eagle Asset in the ordinary course and in accordance with good industry practice; and
- (c) to the extent practicable in the circumstances, consult with EnQuest Heather in relation to any material decision in connection with the Golden Eagle Asset.

## 2.7 **Termination**

Either EnQuest Heather or Suncor may terminate the Call Option Deed if the Conditions have not been satisfied or waived by the date that is 89 days after the Asset Transfer Date, or such later date as the parties may agree in writing (the “**Longstop Date**”).

Suncor is also entitled to serve notice that it wishes to terminate the Call Option Deed if the Asset Transfer Condition has not been satisfied by the first business day occurring 10 weeks after satisfaction (or waiver) of the Purchaser Approval Condition, which EnQuest Heather may choose to accept or reject.

Suncor will be entitled to retain the Deposit in the event that:

- (a) the Purchaser Approval Condition is not satisfied by 3 July 2021; or
- (b) the Purchaser Approval Condition has been satisfied (or waived) but Completion does not occur prior to the Longstop Date because the Conditions in paragraphs 2.2(b), 2.2(d) and 2.2(e) above are not satisfied other than solely as a result of an act or omission of Suncor.

If the Purchaser Approval Condition has been satisfied (or waived) and the Asset Transfer Condition is not satisfied due, solely and directly, to an act or omission of Suncor and the Call Option Deed is terminated in accordance with its terms, Suncor will be obliged to repay the Deposit to EnQuest Heather.

## 3. **Asset Transfer SPA**

### 3.1 **Consideration**

The consideration for the sale and transfer of the Golden Eagle Asset will be new shares issued by Golden Eagle to Suncor on the Asset Transfer Date.

### 3.2 **Timing and Conditions**

The Golden Eagle Asset will transfer to Golden Eagle on the Asset Transfer Date, which will take place no later than three business days after fulfilment or waiver of the following conditions (the “**Asset Transfer Conditions**”):

- (a) receipt by Suncor and/or Golden Eagle of all necessary written consents, approvals, confirmations or waivers for the transfer of the Golden Eagle Asset from all relevant third parties;
- (b) the execution of any documents necessary to effect the assignment and transfer of the Golden Eagle Asset to Golden Eagle; and
- (c) receipt of the OGA’s written consent to the assignment of the Golden Eagle Area Licences to Golden Eagle.

Pursuant to the Call Option Deed Suncor must use its reasonable endeavours to satisfy the Asset Transfer Conditions and complete the Asset Transfer as soon as reasonably practicable following satisfaction or waiver of the Purchaser Approval Condition.

### 3.3 **Warranties**

The Asset Transfer SPA contains warranties that are customary for a sale of assets of the size and nature of the Asset Transfer.



Suncor gives warranties in relation to, among other things:

- (a) due incorporation and valid existence under applicable laws;
- (b) capacity and authority to enter into the Asset Transfer SPA and to perform the transactions contemplated by the Asset Transfer SPA;
- (c) solvency and the ability of Suncor to pay its debts as they fall due;
- (d) Suncor as a licensee of the Golden Eagle Area Licences and as legal and beneficial owner of the Golden Eagle Asset;
- (e) the right to transfer and assign the legal and beneficial ownership of the Golden Eagle Asset to Golden Eagle; and
- (f) the Golden Eagle Area Licences being in full force and effect.

Golden Eagle gives warranties in relation to (a) to (c) above.

### 3.4 ***Liability***

To the extent that Suncor or Golden Eagle have any potential liability under the Asset Transfer SPA which is addressed in the Call Option Deed, the provisions of the Call Option Deed will take precedence and each of Suncor and EnQuest Heather will procure that Golden Eagle will not pursue any such claims under the Asset Transfer SPA.

### 3.5 ***Termination***

Either Suncor or Golden Eagle may terminate the Asset Transfer SPA if the Asset Transfer Conditions have not been satisfied or waived by the date that is 60 days after the entry into the Asset Transfer SPA, or such later date as the parties may agree in writing.

## PART 4

### OPERATING AND FINANCIAL REVIEW OF THE ENQUEST GROUP

*The following review should be read in conjunction with Part 2 (“Information on the EnQuest Group”) of this document and the financial information incorporated by reference in Part 5 (“Financial Information on the EnQuest Group”) of this document and the other financial information contained elsewhere in this document. Prospective investors should read the entire document (including information incorporated into this document by reference) and not just rely on the information set out below, and you should not rely solely on key and summarised information. Ernst & Young LLP issued an audit opinion in respect of the financial information for the Company for each of the financial years ended 31 December 2018 and 31 December 2019, and Deloitte LLP issued an audit opinion in respect of the financial information for the Company for the year ended 31 December 2020.*

*The Company encourages you to read the following discussion in conjunction with the EnQuest Group’s consolidated financial statements and the related notes thereto referred to in Part 5 (“Financial Information on the EnQuest Group”) (which have been incorporated into this document by reference).*

*The 2P reserves data presented in this section have been audited by GaffneyCline in accordance with SPE PRMS guidelines and definitions. Estimated 2P reserves presented herein may differ from estimates made in accordance with guidelines and definitions used by other companies in the industry. See “Presentation of financial information” and “Presentation of Reserves” at the beginning of the document. Unless otherwise indicated, all production figures are presented on a net to the EnQuest 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 EnQuest Group’s commercial partners, taxes or royalty interests or otherwise. The EnQuest Group’s legal and working interests in the relevant fields and licence areas are separately disclosed. See paragraph 18 of Part 12 (“Additional Information”) for a more detailed discussion of the terms of the agreements governing the EnQuest Group’s interests. The following discussion includes forward-looking statements which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled “Important Information – Information regarding forward-looking statements” and “Risk Factors” in this document.*

#### 1. Overview

The EnQuest Group is a significant independent UK oil and gas producer operating in the UK North Sea and Malaysia. As of 31 December 2020, the EnQuest Group had interests in 20 UK production licences, 18 of which the EnQuest Group operates, covering 31 blocks or part blocks in the UKCS. In January 2021, it acquired a 40.8 per cent. operating interest in the Bressay oil field. The EnQuest Group also has interests in two production licences in Malaysia.

The EnQuest Group’s average daily production on a working interest basis for the year ended 31 December 2020 was 59,116 boepd (93.6 per cent. liquids and 6.4 per cent. gas). Since its inception, the EnQuest Group has increased its net 2P reserves to 189 MMboe as of 31 December 2020 from 81 MMboe as of 2009, representing a growth of approximately 8 per cent. per annum. As of 31 December 2020, the EnQuest Group’s assets had a reserve life of 9 years.

The EnQuest Group’s producing assets generated revenue and EBITDA of \$856.9 million and \$550.6 million, respectively, in the year ended 31 December 2020, representing a decrease of \$854.9 million in revenue, or 49.9 per cent., compared to the year ended 31 December 2019 and a decrease of \$455.9 million in EBITDA, or 45.3 per cent., compared to the year ended 31 December 2019. These decreases were driven in large part by low oil prices, a reduction of production and a move from a net overlift to a net underlift position in 2020. The EnQuest Group’s average unit operating costs were also 26.2 per cent.

lower in the year ended 31 December 2020 at \$15.2/Boe compared to \$20.6/Boe in the year ended 31 December 2019.

The EnQuest Group's production for the year ended 31 December 2020 was in line with its guidance, primarily reflecting a better than expected performance at Kraken offset by lower production in Malaysia and Thistle/Deveron, Heather/Broom and Alma/Galia moving to cessation of production. The Directors expect that production for 2021 will be between 46,000 Boepd and 52,000 Boepd (excluding any contribution from the Acquisition). This includes the cessation of production at the Don fields in the first quarter of 2021, continued low production at PM8/Seligi until repairs on the riser are completed during the second half of the year and natural declines across the UK Upstream portfolio. Kraken gross production is expected to be between 30,000 and 35,000 Bopd (21,150 and 24,675 Bopd net), reflecting natural declines.

In 2021, the EnQuest Group continues to focus on cost control and capital discipline, with operating expenditures expected to be approximately \$265 million and combined cash capital and decommissioning spend is expected to be around \$120 million (excluding the costs associated with the PM8/Seligi riser incident repair which are expected to be largely covered by insurance) all of which are lower than 2020 (which were \$328.6 million<sup>12</sup> and \$173.0 million<sup>13</sup> respectively in the year ended 31 December 2020). Capital expenditure in 2021 is expected to primarily relate to essential safety and maintenance related activities, while abandonment expense is expected to primarily reflect decommissioning programmes at Heather/Broom (including an acceleration of some work scopes), the Thistle/Deveron fields and the Dons.

## **2. Significant factors affecting results of operations**

### **2.1 Price of oil**

The EnQuest Group is exposed to the impact of changes in Dated Brent crude oil prices. Changes in oil prices can impact the levels of the EnQuest Group's reserves and, therefore, depletion charges, as well as revenues, which in turn would impact on the EnQuest Group's profits and cash flow. Low oil prices, as experienced in 2020, typically result in significant reductions in capital expenditure budgets, cancellation or deferral of projects and reductions in discretionary expenditures.

Crude oil prices have historically been volatile, dependent upon the balance between supply and demand and particularly sensitive to OPEC production levels and, in recent years, the rapid increase in US shale oil output. The outbreak of the COVID-19 pandemic in 2020 caused severe effects on energy demand and supply dynamics. Dated Brent crude oil averaged \$43.21 per barrel in 2020, compared to \$64.16 per barrel in 2019, and experienced a low of \$9.0 per barrel on 21 April 2020. Since that low point, oil prices began to recover through the remainder of 2020 and into the first few months of 2021. Prices during January and February averaged \$58.5/bbl, increasing briefly to above \$70/bbl in early March. This recovery in oil prices has been largely driven by OPEC+ members' compliance with the agreed production cuts since March 2020 and the Kingdom of Saudi Arabia's voluntary curtailment of 1.0 MMbblpd in April 2021 for the third month in a row. Furthermore, prices have been buoyed by the rollout of the COVID-19 vaccination programmes which have contributed to global economic recovery and optimism for rising oil demand in 2021. More recently OPEC+ are bringing production back on line as noted in the recent meetings, including the latest June meeting where the group announced it is sticking to its plan of gradually bringing production back on while including the reversal of Saudi Arabia's previous 1.0MMbblpd voluntary cut, as oil demand continues to strengthen, further supporting oil prices.

Looking ahead, world oil demand is expected to rebound by 5.5 MMbbl in 2021 after contracting by 8.7 MMbbl in 2020. Global demand is now expected to grow by 4.6 MMbopd over the course of the summer, a recovery more than 2.7MMbopd stronger than the seasonal bounce in 2019. A stronger economy and vaccine deployment will support growth in the second half of 2021, reducing the oil demand gap versus 2019 from 4.8 MMbbl in 1Q21 to 1.4 MMbbl in fourth quarter of 2021. In spite

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12 Operating expenditures in 2020 comprises production costs, tariff and transportation costs and the effect of any realised foreign exchange hedging gains or losses on derivatives related to operating costs.

13 Combined cash capital and abandonment expenditure in 2020 comprises decommissioning spend and purchase of property, plant and equipment.

of the reduction in supply on the back of OPEC+ production cuts and the shut in of production from the United States following a cold snap (global oil supply fell 2.0 MMbbl in February to 91.6 MMbbl), oil inventories still look ample compared with historical levels. Any supply shortfall concerns have largely been quelled by the most recent OPEC+ announcement to collectively adjust production levels upwards for May, June and July 2021, in addition to the reversal of Saudi Arabia's previous 1.0MMbblpd voluntary cut announced in the latest June meeting. The OPEC meeting on 1 June 2021 noted the ongoing strengthening of market fundamentals, with oil demand showing clear signs of improvement and OECD stocks falling as the economic recovery continued in most parts of the world as vaccination programmes accelerated. This should help stabilise oil prices, avoiding a sharp spike upwards as oil demand recovers over the summer.

Whilst there is greater optimism emerging around the forward price outlook as the oil market rebalances, many anticipate that the post-COVID demand growth trajectory will be slower than pre-pandemic expectations. In line with this uncertainty, there are a wide range of views as to how the Brent price will develop throughout 2021. This is evident in Bloomberg's current consensus for ICE Brent for 2021, with price forecasts ranging from \$40/bbl to \$72/bbl with a median of \$63/bbl.

The EnQuest Group's hedging policy is to attempt to manage the impact of oil prices to protect against volatility and to ensure the availability of cash flow for servicing of debt obligations and investment in capital programmes that drive business growth. As part of this strategy, the EnQuest Group has entered into commodity hedging contracts. EnQuest has hedged a total of approximately 9.9 MMbbls for 2021 predominantly using costless collars, with an average floor price of approximately \$59/bbl and an average ceiling price of approximately \$68/bbl. For 2022, EnQuest has hedged a total of approximately 3.1 MMbbls using similar structures with an average floor price of approximately \$65/bbl and an average ceiling price of approximately \$76/bbl. This ensures that the EnQuest Group will receive a minimum oil price for its production. As further mitigation, the Directors, in line with Group policy, will continue to pursue hedging at the appropriate time and price.

The EnQuest Group's oil sales for its UKCS assets (excluding Kraken) are primarily priced based on the Platts Dated Brent crude oil benchmark. Differentials to the benchmark price are negotiated with customers driven by market conditions. Prices for the EnQuest Group's Kraken oil sales are priced against the "very low sulphur (0.5 per cent. sulphur) fuel oil" ("VLSFO") market, with Kraken oil currently being sold as a key component of IMO 2020 compliant low sulphur fuel oil in the shipping fuel market. Prices for the EnQuest Group's Malaysian oil sales are set by the Malaysian OSP, which is generally a 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 EnQuest Group's oil sales (excluding hedging) decreased by 35.2 per cent. to \$41.6/bbl for the year ended 31 December 2020 from \$64.2/bbl for the year ended 31 December 2019, after decreasing by 7.5 per cent. to \$64.2/bbl for the year ended 31 December 2019 from \$69.4 per barrel for the year ended 31 December 2018.

The average Brent ICE quoted price decreased by 32.7 per cent. to \$43.21/bbl for the year ended 31 December 2020 from \$64.16/bbl for the year ended 31 December 2019, after decreasing by 10.5 per cent. to \$64.16/bbl for the year ended 31 December 2019 from \$71.69/bbl for the year ended 31 December 2018.

The following table sets forth information on Brent oil prices for the years ended 31 December 2018, 2019 and 2020.

(in \$/bbl) <sup>1</sup>	Year ended 31 December		
	2018	2019	2020
Average price for the period .....	71.69	64.16	43.21
Highest price for the period.....	86.29	74.57	68.91
Lowest price for the period .....	50.47	54.91	19.33

Source: International Commodities Exchange

1 Based on daily closing prices

Substantially all the EnQuest Group's reserves are assessed using a commerciality threshold and therefore are impacted by changes in oil prices. In particular, decreases in oil prices could lead to reduction in the economic life of a field, which will decrease the reserves. See paragraph 2.3 ("Reserves") of this Part 4 ("*Operating and Financial Review of the EnQuest Group*") below. For example, the EnQuest Group announced in March 2020 that it would not restart production from the Heather/Broom or Thistle/Deveron fields (which had been shut down since late 2019 due to safety-related issues), completed cessation of production at Alma/Galia in June 2020 and subsequently also decided to decommission the Dons, which ceased production in early 2021. Each of these decisions followed the EnQuest Group's assessment that these fields had reached their "economic limit" based on oil prices.

See note 2 to the EnQuest Group's audited consolidated financial statements for the year ended 31 December 2020 for more information on the potential impact of continued oil price volatility on the EnQuest Group's business and operations.

## 2.2 **Production volumes**

In addition to oil prices, production volumes are a primary revenue driver. The EnQuest Group's production levels also affect the level of its reserves and depletion charges. The volume of the EnQuest Group's oil reserves and resources and production volumes may be lower than estimated or expected. See risk factor 2.3 entitled "*The levels of the EnQuest Group's 2P reserves and contingent resources and their quality may be lower than estimated or expected*".

Based on the EnQuest Group's anticipated production, volumes are nominated for lifting approximately two months in advance. Buyers of Kraken, Alba and Malaysian crude are invoiced for the volume loaded on crude oil tankers as measured by an independent inspector and/or the fiscal meter. Buyers of the EnQuest Group's Brent and Forties production are invoiced for the agreed payment quantities. Volumes lifted and sold out of the terminals will normally be lower than those fiscally measured as being produced at the EnQuest Group's platforms, reflecting "shrinkage". Shrinkage may occur from three potential sources – process fuel, terminal flaring and value adjustment. The EnQuest 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 Magnus is exported through the Ninian pipeline. The 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 EnQuest Group's crude against the blend as a whole and this normally results in a further element of shrinkage. Historically, the EnQuest Group's shrinkage factor has been less than 3 per cent. of produced volumes for total gross production across all the EnQuest Group's assets. The resulting invoice volume after deduction of shrinkage, entitlement and over/underlift as applicable to each producing asset is the EnQuest Group's sales volume.

The EnQuest Group's production on a working interest basis decreased by 13.8 per cent to 59,116 Boepd for the year ended 31 December 2020 from 68,606 Boepd for the year ended 31 December 2019 primarily reflecting Thistle, Heather and Alma/Galia moving to cessation of production, the impact of the detached riser at the Seligi Alpha platform and lower production at the Dons caused by a lack of gas lift no longer available from Thistle as well as underlying natural declines, which were partially offset by a strong performance from Kraken. As of the date of this document, the EnQuest Group's production remains materially unaffected by the COVID-19 pandemic or the implementation by the UK government of any related measures.

The following table sets forth information on the EnQuest Group's oil production and sales volumes for the years ended 31 December 2018, 2019 and 2020:

(boepd)	Year ended 31 December		
	2018	2019	2020
Total average daily production for the period .....	55,447	68,606	59,116
Total average daily sales volume for the period <sup>1</sup> ..	49,148	77,205	60,735

<sup>1</sup> Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus



## 2.3 *Reserves*

The EnQuest Group estimates its 2P reserves, which are reflected in the EnQuest Group's financial statements, using standard recognised evaluation techniques. This estimate is reviewed internally at least annually and is also audited annually by GaffneyCline. The EnQuest Group estimates future development costs taking into account the level of development required to produce the reserves the EnQuest Group has elected to develop. The amount of development costs in turn influences the economic recoverability of resources and, therefore, what proportion of resources are recognised as reserves.

Separately, the depletion of oil assets charged to the EnQuest Group's income statement under cost of sales is dependent on the estimate of the EnQuest Group's oil reserves. An increase in estimated reserves will cause a reduction in the charge to the EnQuest Group's annual income statement because a larger base exists on which to depreciate the asset. Conversely, a decrease in estimated reserves will cause an increase in the charge to the EnQuest 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 EnQuest Group's cash flow nor the EnQuest Group's UK tax allowances.

## 2.4 *Development and impairment*

The EnQuest Group faces inherent risks in connection with its development and production activities. These risks include the difference between estimated and actual reserves, the EnQuest Group's cost efficiency in development, timing of production activities and its level of production. The EnQuest Group reviews its development and production projects at least semi-annually for indicators of impairment. Where such an indicator does exist, the EnQuest Group compares the net present value of the asset (based on discounted cash flows) with the carrying value on the EnQuest Group's balance sheet. If the net present value is lower than the carrying value, the EnQuest Group records any impairment to the "Impairment of oil and gas assets" line of the EnQuest Group's income statement.

Following the completion of the original Kraken field development plan in March 2019, the EnQuest Group's exposure to development risks has been materially reduced. Development of the EnQuest Group's existing reserves and resources is anticipated to be primarily through short-cycle drilling and sub-sea tie-back projects. However, following the cessation of production at the Alma/Galia, Heather/Broom and Thistle/Deveron, the commencement of cessation of production activities at the Dons in March 2021 and the termination of the Tanjong Baram risk service contract, the EnQuest Group is more reliant on fewer sources of production and, therefore, the EnQuest Group's exposure to risks in its production activities has increased. The acquisition of Golden Eagle will have the effect of increasing the EnQuest Group's asset base and, as a result, reducing the production concentration risk. At Bressay, detailed analysis of existing reservoir data and an assessment of potential development options will be undertaken during 2021.

In the year ended 31 December 2020, the impairments to the EnQuest Group's oil and gas assets were \$422 million. This charge primarily related to changes in oil price assumptions during the period, with changes to the long-term oil price from \$70/bbl to \$60/bbl. In the year ended 31 December 2019, the impairments to the EnQuest Group's oil and gas assets were \$638 million. This charge primarily related to changes to the long-term oil price from \$75/bbl to \$70/bbl, revisions to the production profiles of Heather/Broom, Thistle/Deveron and the Dons, and the anticipated cessation of production at Alma/Galia. The Heather/Broom, Thistle/Deveron and the Dons fields were substantially impaired as a result of the impairment assessment conditions as at 31 December 2019. In the year ended 31 December 2018, the impairments to the EnQuest Group's oil and gas assets were \$126 million. This charge primarily related to changes in field life assumptions with regard to Thistle/Deveron and the Dons.

## 2.5 *Acquisitions and disposals*

Any acquisition or sale of interests in producing assets will have an impact on the EnQuest Group's production volumes and revenues, and the extent of any such impact will largely depend on the mix

of assets acquired or sold. An acquisition or sale could impact several line items in the EnQuest Group's income statement depending, in part, on the stage of the asset's life in which the acquisition or disposal occurs. For example, any acquisition or sale of interests in producing assets will affect the EnQuest Group's production volumes, revenues and operating costs. Acquisitions and disposals also affect the EnQuest Group's liquidity and cash position in the relevant period to the extent the purchase price is paid in cash. The EnQuest Group continually evaluates potential acquisitions and disposals and the timing of any such transaction is uncertain.

Acquisitions and disposals during the periods presented included, among others, those set forth below:

- First six months of 2021: acquired an interest of 40.8 per cent. in, and assumed operatorship of, the Bressay oil field, announcement of entering into a conditional agreement to purchase Suncor's entire 26.69 per cent. non-operated working interest in the Golden Eagle Area Development, comprising the producing Golden Eagle, Peregrine and Solitaire fields, to be partly funded by the Capital Raising; signed an agreement with Anasuria Hibiscus UK Limited to farm-down an 85.0 per cent. working interest in, and transfer operatorship of, the Eagle discovery (an exploration stage asset) located in the UK North Sea;
- 2019: awarded the Block PM409 PSC, under which the EnQuest Group will operate the block with a working interest of 85.0 per cent., with PETRONAS Carigali Sdn Bhd owning the remaining 15.0 per cent.; and
- 2018: acquired the remaining 75.0 per cent. working interest in the Magnus oil field, an additional 9.0 per cent. interest in the SVT and other additional interests in associated infrastructure.

See paragraph 18.5 of Part 12 ("*Additional Information*") for further details of the terms of the agreements governing the EnQuest Group's interests.

## 2.6 *Underlying operating costs*

### (a) *Fixed*

Fixed operating costs are substantially independent from production levels and therefore do not automatically increase (or decrease) with an increase (or decrease) of the EnQuest Group's level of production. Fixed operating costs include routine and non-routine maintenance costs, certain labour costs and power costs. Certain regular maintenance programmes also result in the temporary shut-in of production. An increase in fixed operating costs will result in an increase in underlying operating costs per barrel due to higher costs with no associated increase in production.

### (b) *Variable*

The variable element of operating costs will increase (or decrease) with the level of production. An increase (or decrease) in production will result in an increase (or decrease) in underlying variable operating costs. The primary variable operating costs that affect the EnQuest Group's results include the costs associated with the use of infrastructure (including pipelines and terminals), consumable well supplies and fuel. The EnQuest Group pays tariffs for use of infrastructure based on its proportionate use of the infrastructure and such tariffs are likely to increase as the EnQuest Group's production increases. Tariffs are set in part based on the infrastructure operator's total expenses.

Oil produced at Kraken is loaded from the Armada Kraken FPSO onto shuttle tankers and then delivered directly to buyers in Northwest Europe or transferred to other conventional oil tankers for delivery into the United States, the Mediterranean and/or the Far East.

The greatest portion of the EnQuest Group's transportation and infrastructure costs arise through tariffs charged for the use of the SVT, through which oil from Magnus is transported and marketed. These charges are based on a cost share model.

With respect to production from GKA and Scolty/Crathes, the EnQuest Group holds a working interest in an offshore platform at Kittiwake and a 100 per cent. interest in a pipeline linking Kittiwake to the Forties Unity pipeline. GKA fields and Scolty/Crathes are tied via sub-sea 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 from Alba, where the EnQuest Group holds a minority interest, is also transported by shuttle tanker from the Alba Northern platform to onshore terminals.

Production from PM8/Seligi is transported via the Tapis platform (operated by ExxonMobil) to the Terengganu Crude Oil Terminal (operated by PETRONAS Carigali Sdn Bhd) for processing and sale.

The EnQuest Group continues to focus on cost control and financial discipline. For the year ended 31 December 2020, the most material impact on cost reduction resulted from the cessation of production of higher cost fields.

## 2.7 *Derivative financial instruments*

The EnQuest Group's results are affected by commodity and foreign currency hedging. The EnQuest 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. EnQuest has hedged a total of approximately 9.9 MMbbls for 2021 predominantly using costless collars, with an average floor price of approximately \$59/bbl and an average ceiling price of approximately \$68/bbl. For 2022, EnQuest has hedged a total of approximately 3.1 MMbbls using similar structures with an average floor price of approximately \$65/bbl and an average ceiling price of approximately \$76/bbl. The EnQuest Group's foreign currency hedging policy allows for up to 70 per cent. of non-US dollar denominated annual capital budget and operating expenditure to be hedged (although the EnQuest Group may hedge up to 100 per cent. of non-US dollar capital expenditure in relation to specific contracted capital expenditure projects). As at 31 December 2020, the EnQuest Group has hedged its exposures to pounds sterling in line with this policy. See paragraph 10.3 of this Part 4 (*"Operating and Financial Review of the EnQuest Group"*) below.

The EnQuest Group holds derivative financial instruments classified as held for trading, not designated as effective hedging instruments. The derivative financial instruments include forward currency contracts and commodity contracts, to address the respective risks. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Financial instruments are carried in the EnQuest Group balance sheet at fair value with net changes in fair value recognised in the EnQuest Group income statement. Unrealised mark-to-market changes in the remeasurement of open derivative contracts at each period end is recognised within remeasurements.

## 2.8 *Interest rates*

The EnQuest Group's exposure to the risk of changes in market interest rates relates primarily to its borrowings under the Senior Facility, the Sculptor Facility and the SVT Working Capital Facility, each of which has a LIBOR linked interest rate. See paragraph 9.2 of this Part 4 (*"Operating and Financial Review"*) for further details on the EnQuest Group's debt financing arrangements and see paragraph 18.6 of Part 12 (*"Additional Information"*) for further details of the terms of these facilities. Following the financial crisis, the reform and replacement of benchmark interest rates such as pound sterling LIBOR and other interbank offered rates (**"IBORs"**) has become a priority for global regulators. There is currently uncertainty regarding the timing and precise nature of these changes.

The Group's risk exposure that is directly affected by the interest rate benchmark reform is its portfolio of total borrowings of £454.2 million as at 31 December 2020. As part of the reforms noted above, the FCA has decided to no longer compel panel banks to participate in the IBOR submission process after the end of 2021 and to cease oversight of these benchmark interest rates. Regulatory authorities and private sector working groups have been discussing alternative benchmark rates for IBOR. It is currently anticipated that IBOR rates will be replaced with a backward looking risk-free rate based on actual transactions.

## 2.9 *Currency exchange rates*

The EnQuest Group's functional and presentational currency is the US dollar, primarily because the EnQuest Group prices its oil sales in US dollars and substantially all of the EnQuest Group's revenues are denominated in US dollars. However, because a significant amount of the EnQuest Group's staffing and other administration costs are denominated in pounds sterling and the EnQuest Group's Retail Note is denominated in pounds sterling, its results are affected by changes in the US dollar/pounds sterling exchange rate.

Costs denominated in currencies other than the US dollar were 42 per cent., 95 per cent. and 86 per cent. for the years ended 31 December 2018, 2019 and 2020, respectively.

(in \$/£)	Year ended 31 December		
	2018	2019	2020
Average rate for the period .....	1.3351	1.2767	1.2838
Highest rate for the period.....	1.4325	1.3326	1.3651
Lowest rate for the period .....	1.2516	1.2060	1.1555

Source: Bloomberg

## 2.10 *Taxation*

Taxation can have a significant impact on the EnQuest Group's results of operations. The EnQuest Group is subject to corporate income taxes, UK Corporation Tax and Ring Fence Supplementary Corporation Tax ("SCT"), in the UK as well as petroleum and corporate income taxes in Malaysia. The EnQuest Group had a cumulative UK corporate tax loss of \$3,183.9 million as of 31 December 2020. The EnQuest 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 EnQuest 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 EnQuest Group's UKCS operations, as at 31 December 2020, the EnQuest Group had no UK corporation tax or SCT liability at 31 December 2020 due to the availability of UK corporate tax losses. The EnQuest Group has also historically paid Petroleum Revenue Tax ("PRT") in respect of its UKCS operations, which is based on taxable profits of individual production fields. However, beginning on 1 January 2016, the PRT rate was reduced to 0 per cent. Therefore, during the year ended 31 December 2020 the EnQuest Group paid no PRT in relation to its UKCS operations.

The EnQuest Group's taxation is also affected by UK tax incentive programmes known as investment allowances. This regime essentially provides for a reduction in SCT (10 per cent.) where investments in new or existing UKCS assets qualify for a relief known as investment allowances. Investment allowances are activated by revenue generated from the field, and are recognised as a reduction in the charge to taxation in the years in which it is utilised.

The EnQuest Group has activated investment allowance at 31 December 2020 of \$1,980 million which will materially reduce the level of future SCT.

In addition to the investment allowances activated, the EnQuest Group has unactivated allowances as of 31 December 2020 as set forth in the following table.

Field Name	As of
	31 December 2020 (in million USD)
Thistle <sup>(1)</sup> .....	54,236
Conrie <sup>(2)</sup> .....	23,955
Ythan <sup>(2)</sup> .....	5,170
Heather <sup>(1)</sup> .....	8,799
Scolty .....	36,332
Galia <sup>(1)</sup> .....	97,107
Kraken North .....	420,595

(1) Allowances are unlikely to be activated due to cessation of production.

(2) Conrie and Ythan form part of the Dons which ceased production in early 2021. Allowances are unlikely to be fully activated due to cessation of production.

With continuing investment in the EnQuest Group's existing assets and major developments, the EnQuest Group does not expect to pay material UK cash income tax for the foreseeable future.

With respect to its Malaysian operations, the EnQuest Group pays a 38 per cent. petroleum income tax on the profit oil derived from the production sharing agreements 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 EnQuest Group's Malaysian operations. The EnQuest Group will continue to pay petroleum income taxes in Malaysia throughout the life of the PSC.

The EnQuest Group is subject to various tax claims which arise in the ordinary course of its business, including tax claims from tax authorities in the UK and Malaysia. The EnQuest Group assesses all such claims in the context of the tax laws of the countries in which it operates and, where applicable, makes provision for any settlements which the Company considers to be probable. See risk factor 3.23 entitled "*The EnQuest Group's tax liability is subject to estimation and the EnQuest Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which it does business*".

The Company may also be affected by how taxes impact its counterparties and contracts. Modifications may cause certain third parties with which the EnQuest Group contracts to experience increased costs, which they may seek to pass on to the EnQuest Group through contractual pass-through provisions or in future negotiations. The EnQuest Group may be required to pay some or all of these increased costs.

## 2.11 *Exceptional items, fair value remeasurements and depletion of fair value uplift to property, plant and equipment on acquiring strategic investments*

The EnQuest Group's results are affected by exceptional items, fair value remeasurements and depletion of fair value uplift that arises upon the fair value remeasurement of certain assets. The effect of exceptional items and fair value remeasurements during the periods presented is set forth below.

(in millions of \$)	Year ended 31 December		
	2018	2019	2020
<i>Recognised in arriving at profit from operations before tax and net finance costs:</i> .....			
Fair value remeasurements .....	90.2	(81.3)	145.1
Impairments and write-offs .....	(128.2)	(812.6)	(422.5)
Other .....	74.7	(73.2)	(89.9)
Tax on items above .....	12.4	303.5	138.8
Other tax exceptional items .....	—	—	(371.1)
<b>Total</b> .....	<b>49.1</b>	<b>(663.6)</b>	<b>(599.6)</b>



The income and costs represented by exceptional items are not typical to the EnQuest Group's results and in certain cases apply only in one period. For example, "Other tax exceptional items" mainly includes the tax effect of previously recognised tax losses, as well as the impact on deferred tax of a revision to the balance of non-qualifying expenditure. See "*Selected Financial Data*".

Fair value remeasurements relate to both unrealised mark-to-market movements on derivative contracts and other financial instruments where the EnQuest Group does not classify them as effective hedges and to remeasurement of the fair value of acquired assets. 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 EnQuest Group's assets are increased by this fair value uplift. The fair value exercise is performed as at the date of acquisition. The EnQuest Group is required to recognise depletion charges for the fair value uplift, which are accounted for as part of cost of sales.

### 3. Significant factors affecting comparability

#### 3.1 *Magnus oil field acquisition*

On 1 December 2018, the EnQuest Group completed the acquisition (the "**2018 Transactions**") from BP of the remaining 75.0 per cent. interest in the Magnus oil field, an additional 9.0 per cent. interest in the SVT and supply facility and other additional interests in associated infrastructure (collectively, the "**2018 Transaction Assets**"), having acquired a 25.0 per cent. interest in the Magnus field and a 3.0 per cent. interest in the SVT and supply facility (amongst other assets) in December 2017. The consolidated financial statements as of and for the year ended 31 December 2018 include the fair values of the identifiable assets and liabilities of the 2018 Transaction Assets as at the date of acquisition and the results of the assets from 1 December 2018.

The total consideration for the 2018 Transactions comprised \$100.0 million cash consideration and \$200 million deferred consideration financed by BP plc. With an effective date of 1 January 2017, the deferred consideration was adjusted for the interim period and working capital adjustments, resulting in contingent consideration of \$116.5 million as at 1 December 2018. The deferred consideration, which is repayable solely out of cash flows which are in excess of operating cash flows from Magnus, is secured over the interests in the 2018 Transaction Assets and accrues interest at a rate of 7.5 per cent. per annum on the deferred consideration. The consideration also included a contingent profit sharing arrangement whereby the EnQuest Group and BP plc share the net cash flow generated by the 75.0 per cent. interest on a 50:50 basis, subject to a cap of \$1 billion received by BP plc. Together, the deferred consideration and contingent profit sharing arrangement are known as the "**Magnus Contingent Consideration.**"

The acquisition of the remaining 75.0 per cent. interest is considered a step acquisition as per IFRS 3 Business Combinations. The property, plant and equipment acquired with the initial 25.0 per cent. was fair valued as at 1 December 2018, recognising an uplift of \$123.9 million to property, plant and equipment and a corresponding deferred tax liability of \$49.6 million. The gain on uplift of \$74.3 million was recognised through other income in remeasurements and exceptional items in the consolidated income statement.

The Magnus Contingent Consideration was fair valued at \$641.4 million at 31 December 2019, a decrease in fair value of \$137.4 million, reflecting the change in oil price assumptions, and unwinding of discount of \$64.1 million was charged to finance costs during the period, both recognised through remeasurements and exceptional items in the consolidated income statement.

#### 3.2 *IFRS 16*

The EnQuest Group's audited consolidated financial statements as of and for the year ended 31 December 2019 give effect to the adoption of *IFRS 16: Leases*, effective on and after 1 January 2019. The EnQuest Group has adopted IFRS 16 from 1 January 2019, using the modified

retrospective method, which resulted in changes in accounting policies and opening balance sheet adjustments, as recognised in the EnQuest Group's audited consolidated financial statements as of and for the year ended 31 December 2019. The new standard replaces the previous accounting standard, IAS 17 (Leases), including related interpretations. There have been no IFRS 16 adjustments made to the EnQuest Group's audited consolidated financial statements as of and for the year ended 31 December 2018.

At 1 January 2019, the EnQuest Group recognised new right-of-use assets and lease liabilities of \$60.5 million, mainly in relation to property and oil and gas vessels. When measuring lease liabilities, the lease payments were discounted using the applicable company's incremental borrowing rate at 1 January 2019. The weighted-average incremental borrowing rate applied by EnQuest upon transition was 8.0 per cent.

The difference between the IFRS 16 lease liability recognised at 1 January 2019, discounted at the EnQuest Group's weighted-average incremental borrowing rate, versus those leases disclosed at 31 December 2018 under IAS 17 are driven by: (a) identified operating leases at 31 December 2018 recognised as lease liability on transition; (b) exempt leases (low-value and short-term); and (c) extension options reasonably certain to be extended that were not included in the previously disclosed lease commitment.

On 1 January 2019, the existing Kraken FPSO lease asset was transferred out of oil and gas assets and into right-of-use assets, at a net book value of \$690.7 million. There was no change in the accounting policy for this existing lease on transition to IFRS 16.

#### **4. Explanation of income statement items**

##### **4.1 Revenue and other operating income**

###### *Revenue from contracts with customers*

The EnQuest Group generates revenue through contracts with customers for the sale of crude oil, gas and condensate to third parties and for the provision of infrastructure to its customers in exchange for a tariff. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the EnQuest Group expects to be entitled in exchange for those goods or services. The EnQuest Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The normal credit term is 30 days or less upon performance of the obligation.

###### Sale of crude oil, gas and condensate

The EnQuest Group sells crude oil, gas and condensate directly to customers. The sale represents a single performance obligation, which is satisfied when the customer takes physical possession of the commodity or the commodity is delivered to an infrastructure. At this point the title to the commodity passes to the customer and revenue is recognised. The EnQuest Group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Transaction prices are referenced to quoted prices, plus or minus an agreed discount rate when applicable.

###### Tariff revenue for the use of the EnQuest Group's infrastructure

Tariffs are charged to customers for the use of infrastructure owned by the EnQuest Group. The revenue represents the performance of an obligation for the use of EnQuest Group assets over the life of the contract. The use of the assets is not separable as they are interdependent in order to fulfil the contract and no one item of infrastructure can be individually isolated. Revenue is recognised as the performance obligations are satisfied over the period of the contract, generally a period of 12 months or less, on a monthly basis based on throughput at the agreed contracted rates.

#### Other operating income

Other operating income also includes gains or losses from oil derivative trading transactions. Other operating income includes rental income, which is recognised to the extent that its probable economic benefits will flow to the EnQuest Group and the revenue can be reliably measured.

The EnQuest Group enters into oil derivative trading transactions which can be settled net in cash. Accordingly, any gains or losses are not considered to constitute revenue from contracts with customers in accordance with the requirements of IFRS 15, and are included within other operating income.

See paragraph 6.2(a) of this Part 4 (“*Operating and Financial Review of the EnQuest Group*”) below.

#### 4.2 ***Cost of sales***

The EnQuest Group’s cost of sales consists of the costs of operations, changes in lifting position, crude oil inventory movements, depletion of oil and gas assets and underlying operating costs such as tariff and transportation expenses charged back to the EnQuest Group based on its proportionate use of infrastructure and according to the total costs of the operator of such infrastructure. Inventories of consumable well supplies and inventories of hydrocarbons are stated at the lower of cost and net realisable value, cost being determined on an average cost basis. 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 EnQuest 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 EnQuest 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 EnQuest Group’s interest in gross production less shrinkage, e.g. due to process fuel used at the terminal or to value adjustments) and the EnQuest Group’s sales. Such an imbalance occurs because the EnQuest 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. The over-lift liability is recorded at the cost of the production imbalance to represent a provision for production costs attributable to the volumes sold in excess of entitlement. The under-lift asset is recorded at the lower of cost and net realisable value, consistent with IAS2, to represent a right to additional physical inventory. An under-lift of production from a field is included in current receivables and an over-lift of production from a field is included in current liabilities.

Cost of sales also includes gains or losses related to the ineffective portion of the EnQuest Group’s foreign exchange hedging contracts.

#### 4.3 ***Impairment to oil and gas assets***

At each balance sheet date, the EnQuest Group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. If any such indication exists, the EnQuest Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs of disposal and its value in use. Discounted cash flow models comprising asset-by-asset life of field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), are used to determine the recoverable amounts. The cash flows have been modelled on a post-tax basis at management’s estimate of a market participant WACC. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the EnQuest Group income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but 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. A reversal of an impairment loss is recognised immediately in the EnQuest Group income statement.

#### **4.4 General and administration expenses**

General and administration expenses include staff costs, depreciation, other general and administration costs and recharge of costs to operations and joint venture partners. Staff costs are capitalised or expensed when incurred. Capitalised staff costs are included within property, plant and equipment or intangible oil and gas assets based on the balance sheet classification on the underlying assets on which the employee has worked. With respect to the assets at which the EnQuest Group is the operator, the EnQuest 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 EnQuest 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 the changes in the fair value of contingent consideration from the acquisition of Magnus and associated infrastructure, recognition of accounting for the excess of fair value over consideration income for the EnQuest Group's acquisitions and a change in fair value on the purchase option relating to the acquisition of Magnus and associated infrastructure, the net foreign exchange gains relating to the effective portion of the EnQuest Group's foreign currency forwards and trades, as well as foreign exchange gains on other working capital and gains relating to the termination of the Tanjong Baram risk service contract.

#### **4.6 Other expenses**

For the periods presented, other expenses are comprised mainly of changes in the decommissioning provision for assets that have ceased production or are fully impaired, changes in relation to the estimate of the Thistle decommissioning provision, net foreign exchange losses, the provision for settlement of the historical KUFPEC claim and changes in the fair value of contingent consideration from the acquisition of Magnus and associated infrastructure.

#### **4.7 Finance costs**

Finance costs primarily include loan and bond interest, unwinding of discount on decommissioning provisions, unwinding of discount on other provisions, unwinding of discount on financial liabilities, finance costs on contingent consideration from the acquisition of Magnus and associated infrastructure, finance charges payable under finance leases, and other financial expenses, less any amounts capitalised in relation to the development costs of any qualifying asset.

#### **4.8 Finance income**

Finance income includes bank interest receivable, unwinding of discount on financial assets 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 EnQuest Group does business. This includes corporate income taxes, UK Corporation Tax, SCT and Malaysian petroleum and corporate income taxes.

### **5. Segments**

For financial reporting purposes, in accordance with IFRS 8 Operating Segments ("IFRS 8"), the Group has identified two significant operating segments, the North Sea and Malaysia. Operations are managed by

location and all information is presented per geographical segment. The information reported to the Chief Operating Decision Maker (as defined in IFRS 8) does not include an analysis of assets and liabilities, and accordingly this information is not presented. A third segment, namely “all other segments”, comprises Dubai and Norway. The Dubai office primarily consists of administrative finance and contracts and procurement teams. There are no producing operations in Dubai. Norway primarily consists of entries relating to the liquidation of EnQuest Norge AS.

## 6. Results of operations

### 6.1 *Comparison of the EnQuest Group’s results of operations for the years ended 31 December 2019 and 2020*

The following table sets forth certain of the EnQuest Group’s historical revenue and expense items for the years ended 31 December 2019 and 2020.

	For the year ended 31 December					
	2019			2020		
	Business performance	Remeasurements and exceptional items	Reported in year	Business performance	Remeasurements and exceptional items	Reported in year
	<i>(in USD millions)</i>					
Revenue and other operating income .....	1,711.8	(65.4)	1,646.5	856.9	8.8	865.6
Cost of sales.....	(1,243.6)	(0.4)	(1,243.9)	(785.5)	(13.6)	(799.1)
<b>Gross profit/(loss) .....</b>	<b>468.3</b>	<b>(65.8)</b>	<b>402.5</b>	<b>71.4</b>	<b>(4.9)</b>	<b>66.6</b>
Net impairment (charge)/reversal .....						
to oil and gas assets.....	–	(812.4)	(812.4)	–	(422.5)	(422.5)
General and administration expenses.....	(7.7)	–	(7.7)	(6.1)	–	(6.1)
Other income.....	3.4	–	3.4	16.3	138.2	154.6
Other expenses.....	(21.9)	(31.7)	(53.6)	(101.6)	(1.0)	(102.6)
<b>Profit/(loss) from operations before tax and finance income/ (costs) .....</b>	<b>442.2</b>	<b>(909.9)</b>	<b>(467.8)</b>	<b>(20.0)</b>	<b>(290.1)</b>	<b>(310.1)</b>
Finance costs .....	(206.6)	(57.2)	(263.8)	(179.8)	(77.3)	(257.1)
Finance income .....	2.4	–	2.4	1.2	–	1.2
<b>Profit/(loss) before tax .....</b>	<b>238.0</b>	<b>(967.1)</b>	<b>(729.1)</b>	<b>(198.7)</b>	<b>(367.3)</b>	<b>(566.0)</b>
Income tax .....	(23.6)	303.5	279.8	172.5	(232.3)	(59.8)
<b>Profit/(loss) for the year attributable to owners of the parent .....</b>	<b>214.3</b>	<b>(663.6)</b>	<b>(449.3)</b>	<b>(26.1)</b>	<b>(599.6)</b>	<b>(625.8)</b>
<b>Other comprehensive income .....</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Items that may be reclassified to profit or loss: .....						
Transfers to income statement of cash flow hedges .....	–	–	–	–	–	–
<b>Total comprehensive loss for the year, net of tax .....</b>	<b>–</b>	<b>–</b>	<b>(449.3)</b>	<b>–</b>	<b>–</b>	<b>(625.8)</b>

#### (a) *Revenue and other operating income*

Revenue and other operating income decreased by \$780.9 million, or 47.4 per cent., to \$865.6 million for the year ended 31 December 2020, from \$1,646.5 million for the year ended 31 December 2019, primarily due to materially lower realised oil prices and lower production.

Revenue is predominantly derived from oil sales and also includes gains or losses from the EnQuest Group’s commodity hedging activities. For the year ended 31 December 2020, oil sales were \$779.9 million compared with \$1,548.2 million in the year ended 31 December 2019. The decrease was driven by significantly lower oil prices, a reduction of production and



a move from a net overlift to a net underlift position at the end of the period. The EnQuest Group's average realised oil price excluding the impact of hedging in the year ended 31 December 2020 was \$41.6/bbl, 35.2 per cent. lower than \$64.2/bbl in the year ended 31 December 2019.

Revenue derived from sales from the EnQuest Group's North Sea operations was \$792.5 million for the year ended 31 December 2020, a decrease of \$737.8 million, or 48.2 per cent., from \$1,530.3 million for the year ended 31 December 2019. This decrease was primarily due to materially lower realised oil prices and lower production. The EnQuest Group's North Sea production, on a working interest basis, decreased by 7,273 boepd, or 12.1 per cent., to 52,680 boepd for the year ended 31 December 2020 from 59,953 boepd for the year ended 31 December 2019. This reduction was primarily driven by the decisions to cease production at the Heather/Broom, Thistle/Deveron and Alma/Galia fields.

Revenue derived from the EnQuest Group's Malaysian operations was \$62.9 million for the year ended 31 December 2020, a decrease of \$82.8 million, or 56.8 per cent., from \$145.7 million for the year ended 31 December 2019. The EnQuest Group's Malaysian production, on a working interest basis, for the year ended 31 December 2020 averaged 6,436 boepd, a decrease of 2,217 boepd, or 25.6 per cent., from 8,653 boepd from the year ended 31 December 2019. This reduction was primarily driven by the impact of the detached riser at the Seligi Alpha platform.

The decrease in revenue during the year ended 31 December 2020 was augmented by a decrease in revenue from the sale of condensate and gas from \$120.2 million for the year ended 31 December 2019 to \$60.5 million for the year ended 31 December 2020. The EnQuest Group's commodity hedges and other oil derivatives generated \$6.1 million of realised losses for the year ended 31 December 2020 compared to gains of \$24.8 million for the year ended 31 December 2019. Of the realised amount recognised during the year, a gain of \$6.2 million was realised in respect of the premium income received on sale of these options (2019: gain of \$4.9 million).

(b) *Cost of sales*

Cost of sales decreased by \$444.8 million, or 35.8 per cent., to \$799.1 million for the year ended 31 December 2020 from \$1,243.9 million for the year ended 31 December 2019. Cost of sales before remeasurements and exceptional items decreased by \$458.1 million, or 36.8 per cent., to \$785.5 million for the year ended 31 December 2020 from \$1,243.6 million for the year ended 31 December 2019. The decrease in cost of sales was primarily due to a decrease in production costs.

Operating costs, which include production costs, tariff and transportation costs and the effect of any realised foreign exchange hedging gains or losses on derivatives related to operating costs, decreased by \$189.5 million, or 36.6 per cent., to \$328.6 million for the year ended 31 December 2020 from \$518.1 million for the year ended 31 December 2019 primarily reflecting the EnQuest Group's focus on cost control and its 2020 transformation programme, the decisions to cease production at Heather/Broom and Thistle/Deveron and the cessation of production at Alma/Galia. As a result of these factors, production costs decreased to \$265.5 million for the year ended 31 December 2020 from \$441.6 million for the year ended 31 December 2019, while tariff and transportation costs decreased to \$63.7 million for the year ended 31 December 2020 from \$74.8 million for the year ended 31 December 2019. There was a loss of \$1.4 million on foreign exchange derivatives relating to operating costs in the year ended 31 December 2020, compared to a loss of \$1.0 million for the year ended 31 December 2019.

Average unit operating costs decreased by \$5.4/Boe, or 26.2 per cent., to \$15.2/Boe for the year ended 31 December 2020 from \$20.6/Boe for the year ended 31 December 2019, primarily due

to a material reduction in costs which more than offset the EnQuest Group's lower production in the year ended 31 December 2020.

Depletion expense decreased by \$86.9 million, or 16.5 per cent., to \$438.2 million for the year ended 31 December 2020 from \$525.1 million for the year ended 31 December 2019, reflecting the asset impairments at half year 2020 and at 31 December 2019, along with lower production.

(c) *Net impairment (charge)/reversal to oil and gas assets*

Net impairment charge to oil and gas assets was \$422.5 million for the year ended 31 December 2020 compared to \$812.4 million for the year ended 31 December 2019. The charge in 2020 was primarily due to changes to the EnQuest Group's oil price assumptions during the year. The charge in 2019 was primarily due to non-cash impairment charges of \$637.5 million on the EnQuest Group's tangible oil and gas assets due to a reduction in long-term oil price, revisions to production profiles at Heather/Broom, Thistle/Deveron and the Dons fields, and the anticipated cessation of production at Alma/Galia; and non-cash impairment charges of \$149.6 million attributable to the write-off of goodwill. The Heather/Broom, Thistle/Deveron and the Dons fields were substantially impaired as a result of the impairment assessment conditions as at 31 December 2019.

(d) *General and administration expenses*

General and administration expenses decreased by \$1.6 million, or 20.8 per cent., to \$6.1 million for the year ended 31 December 2020 from \$7.7 million for the year ended 31 December 2019. This decrease was primarily due to lower staff costs, depreciation charges and other general and administration costs, partially offset by lower amounts rechargeable to joint venture partners.

(e) *Other income*

Other income increased by \$151.2 million to \$154.6 million for the year ended 31 December 2020 from \$3.4 million for the year ended 31 December 2019 primarily due to a \$138.2 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting a change in the assumptions around the timing of cash flows.

(f) *Other expenses*

Other expenses amounted to \$102.6 million for the year ended 31 December 2020, an increase of \$49.0 million from \$53.6 million for the year ended 31 December 2019 primarily due to recognising \$83.2 million in relation to the increase in the decommissioning provision of fully impaired assets (primarily a provision of \$12.0 million in relation to the Heather/Broom field), \$12.0 million relating to the change in estimate of Thistle decommissioning liability and foreign exchange losses of \$4.6 million, partially offset by losses in relation to the fair value recalculation of the Magnus contingent consideration in 2019.

(g) *Finance costs*

The following table sets forth details of the EnQuest Group's finance costs for the years ended 31 December 2019 and 2020.

	Year ended 31 December	
	2019	2020
	(in USD millions)	
Loan interest payable .....	67.7	32.8
Bond interest payable .....	62.7	73.5
Unwinding of discount on decommissioning provisions .....	13.4	14.5
Unwinding of discount on other provisions .....	0.7	0.8
Finance charges payable under leases .....	55.7	50.9
Amortisation of finance fees on loans and bonds .....	5.7	5.4
Other financial expenses .....	2.1	2.0
	<b>208.0</b>	<b>179.8</b>
Less: amounts capitalised to the cost of qualifying assets ....	(1.4)	—
<b>Business performance finance expenses</b> .....	<b>206.6</b>	<b>179.8</b>
Unwinding of discounts on contingent consideration .....	57.2	77.3
<b>Finance costs</b> .....	<b>263.8</b>	<b>257.1</b>

Finance costs decreased by \$6.7 million, or 2.5 per cent., to \$257.1 million for the year ended 31 December 2020 from \$263.8 million for the year ended 31 December 2019. The decrease primarily related to a reduction of \$35.0 million in interest charges associated with the EnQuest Group's loans due to a reduction in principal balance offset by a \$10.8 million increase in interest under the Retail Notes and the High Yield Notes and an increase of contingent consideration due to a larger unwinding of discounts in the year ended 31 December 2020.

#### Finance income

The following table sets forth details of the EnQuest Group's finance income for the years ended 31 December 2019 and 2020.

	Year ended 31 December	
	2019	2020
	(in USD millions)	
Bank interest receivable .....	1.5	0.9
Unwinding of discount on financial asset .....	0.9	0.3
Other financial income .....	—	—
<b>Finance income</b> .....	<b>2.4</b>	<b>1.2</b>

Finance income decreased by \$1.2 million, or 50.0 per cent., to \$1.2 million for the year ended 31 December 2020 from \$2.4 million for the year ended 31 December 2019. This decrease in finance income was primarily due to a decrease in interest receivable from banks and a decrease in the unwinding of a discount in relation to a receivable.

#### (h) *Income tax*

The EnQuest Group recorded an income tax credit before remeasurements and exceptional items, of \$172.5 million for the year ended 31 December 2020 due to the Ring Fence Expenditure Supplement (“**RFES**”) on UK activities and the EnQuest Group recording a loss before tax. RFES is a 10 per cent. uplift allowance that companies are allowed to claim on losses carried forward, limited to a maximum of ten years of claims (or six years in certain circumstances).

The EnQuest Group recorded an income tax expense of \$23.6 million based on the profit before tax in the year ended 31 December 2019.

Including remeasurements and exceptional items, the EnQuest Group recorded an income tax expense of \$59.8 million for the year ended 31 December 2020 compared to an income tax credit of \$279.8 million for the year ended 31 December 2019, primarily due to the partial de-recognition of undiscounted deferred tax assets given the EnQuest Group's lower oil price assumptions in the year ended 31 December 2020.

(i) *Net profit and loss for the year attributable to owners of the parent*

As a result of the factors described above, after remeasurements and exceptional items, the EnQuest Group recorded a net loss of \$625.8 million for the year ended 31 December 2020, compared to a net loss of \$449.3 million for the year ended 31 December 2019.

6.2 *Comparison of the EnQuest Group's results of operations for the years ended 31 December 2018 and 2019*

The following table sets forth certain of the EnQuest Group's historical revenue and expense items for the years ended 31 December 2018 and 2019.

	For the year ended 31 December					
	2018			2019		
	Business performance	Remeasurements and exceptional items	Reported in year	Business performance	Remeasurements and exceptional items	Reported in year
	(in USD millions)					
Revenue and other operating income	1,201.0	97.4	1,298.4	1,711.8	(65.4)	1,646.5
Cost of sales.....	(926.0)	1.7	(924.3)	(1,243.6)	(0.4)	(1,243.9)
<b>Gross profit/(loss)</b> .....	<b>275.0</b>	<b>99.2</b>	<b>374.1</b>	<b>468.3</b>	<b>(65.8)</b>	<b>402.5</b>
Net impairment (charge)/reversal to oil and gas assets .....	—	(126.0)	(126.0)	—	(812.4)	(812.4)
General and administration expenses	(4.0)	—	(4.0)	(7.7)	—	(7.6)
Other income .....	22.4	78.3	100.7	3.4	—	3.4
Other expenses.....	(3.4)	(14.7)	(18.1)	(21.9)	(31.7)	(53.6)
<b>Profit/(loss) from operations before tax and finance income/(costs) ....</b>	<b>290.0</b>	<b>36.7</b>	<b>326.7</b>	<b>442.2</b>	<b>(909.9)</b>	<b>(467.8)</b>
Finance costs .....	(236.1)	—	(236.1)	(206.6)	(57.2)	(263.8)
Finance income .....	3.4	—	3.4	2.4	—	2.4
<b>Profit/(loss) before tax</b> .....	<b>57.3</b>	<b>36.7</b>	<b>94.0</b>	<b>238.0</b>	<b>(967.1)</b>	<b>(729.1)</b>
Income tax .....	20.9	12.4	33.3	(23.6)	303.5	279.8
<b>Profit/(loss) for the year attributable to owners of the parent</b> .....	<b>78.2</b>	<b>49.1</b>	<b>127.3</b>	<b>214.3</b>	<b>(663.6)</b>	<b>(449.3)</b>
<b>Other comprehensive income</b> .....	—	—	—	—	—	—
Items that may be reclassified to profit or loss: .....						
Transfers to income statement of cash flow hedges .....	—	—	—	—	—	—
<b>Other comprehensive income for the year, net of tax</b> .....	—	—	<b>127.2</b>	—	—	<b>(449.3)</b>

(a) *Revenue and other operating income*

Revenue and other operating income increased by \$348.1 million, or 26.8 per cent., to \$1,646.5 million for the year ended 31 December 2019, from \$1,298.4 million for the year ended 31 December 2018, primarily due to an increase in production, the onward sale of third-party gas purchases not required for injection activities at Magnus, and the favourable impact of the EnQuest Group's commodity hedge program, partially offset by lower market prices. In addition, revenue and other operating income within remeasurements and exceptional items included unrealised losses of \$65.4 million in respect of the mark-to-market movement on the EnQuest Group's commodity contracts.

The EnQuest Group's daily average production was 68,606 boepd for the year ended 31 December 2019, compared to 55,447 boepd for the year ended 31 December 2018.

Revenue is predominantly derived from crude oil sales and for the year ended 31 December 2019 crude oil sales were \$1,548.2 million compared with \$1,237.6 million in 2018. The increase in production was principally because of performance improvements at the Kraken FPSO, increased volumes from Scolty/Crathes following the successful completion of a pipeline replacement, high production efficiency at PM8/Seligi and a full year's contribution at 100.0 per cent. working interest from Magnus. These increases were partially offset by shutdowns at Heather/Broom and Thistle/Deveron, lower than expected production and water injection efficiency at the Dons and natural declines across other assets.

Revenue from the sale of condensate and gas was \$120.2 million for the year ended 31 December 2019 compared with \$43.1 million in 2018, primarily as a result of gas sales from Magnus, which includes the combination of produced gas sales and the onward sale of third-party gas purchases not required for injection activities, for which the costs are included in other costs of sales.

The EnQuest Group's commodity hedges and other oil derivatives generated \$24.8 million of realised gains for the year ended 31 December 2019, compared to losses of \$93.0 million in 2018 as a result of the timing at which hedges were entered into and the decrease in market prices.

The EnQuest Group's blended average realised price per barrel of oil sold (excluding the impact of hedging) was \$64.2 for the year ended 31 December 2019, compared to \$69.4 per barrel in 2018. These realised prices are consistent with average oil prices for 2019 and 2018.

(b) *Cost of sales*

Cost of sales increased by \$319.6 million, or 34.6 per cent., to \$1,243.9 million for the year ended 31 December 2019 from \$924.3 million for the year ended 31 December 2018. The increase in cost of sales was primarily due to an increase in production costs and depletion of oil and gas assets. Cost of sales before remeasurements and exceptional items increased by \$317.6 million to \$1,243.6 million for the year ended 31 December 2019 from \$926.0 million in the year ended 31 December 2018. Cost of sales before remeasurements and exceptional items was 72.6 per cent. of revenue and 77.1 per cent. of revenue for the years ended 31 December 2019 and 2018 respectively.

Operating costs, which include production costs, tariff and transportation expenses and the effect of any realised foreign exchange hedging gains or losses on derivatives related to operating costs, increased \$52.2 million, or 11.2 per cent., to \$518.1 million for the year ended 31 December 2019 from \$465.9 million for the year ended 31 December 2018, primarily reflecting a full year's contribution at 100 per cent. working interest from Magnus. Production costs increased to \$441.6 million for the year ended 31 December 2019 from \$396.9 million for the year ended 31 December 2018. Transportation costs increased to \$74.8 million for the year ended 31 December 2019 from \$68.4 million in the year ended 31 December 2018.

Average unit operating cost decreased by \$2.4/Boe, or 10.4 per cent., to \$20.6/Boe for the year ended 31 December 2019 from \$23.0/boe for the year ended 31 December 2018, primarily due to increased production.

Depletion expense increased by \$88.0 million, or 20.1 per cent., to \$525.1 million for the year ended 31 December 2019 from \$437.1 million for the year ended 31 December 2018, primarily due to the full-year effect of a 100.0 per cent. working interest in Magnus.

The charge relating to the EnQuest Group's net lifting position was \$96.9 million, reflecting a switch from a net under lift position of \$68.3 million in the year ended 31 December 2018 to a net over lift position of \$28.6 million in the year ended 31 December 2019. The change in



lifting position reflects the closing positions on Thistle and Heather and the unwind of overlift on Magnus in the year.

(c) *Net impairment (charge)/reversal to oil and gas assets*

Net impairment (charge)/reversal to oil and gas assets was \$812.4 million for the year ended 31 December 2019 compared to \$126.0 million for the year ended 31 December 2018. The charge in 2018 was primarily due to changes in assumptions combined with change in production profiles in the North Sea. The charge in 2019 was primarily due to: non-cash impairment charges of \$637.5 million on the EnQuest Group's tangible oil and gas assets due to a reduction in long-term oil price, revisions to production profiles at Heather/Broom, Thistle/Deveron and the Dons fields, and the anticipated cessation of production at Alma/Galia; and non-cash impairment charges of \$149.6 million attributable to the write-off of goodwill. The Heather/Broom, Thistle/Deveron and the Dons fields were substantially impaired as a result of the impairment assessment conditions as at 31 December 2019.

(d) *General and administration expenses*

General and administration expenses increased by \$3.7 million, or 92.5 per cent., to \$7.7 million for the year ended 31 December 2019 from \$4.0 million reported in the year ended 31 December 2018. The increase was primarily due to higher depreciation charges.

(e) *Other income*

Net other income for the year ended 31 December 2018 was \$82.7 million, and included a fair value gain on step acquisition of the 2018 Transaction Assets of \$74.3 million and net foreign exchange gains of \$21.9 million, which relate to the revaluation of pounds sterling-denominated amounts in the balance sheet following the weakening of pounds sterling against the Dollar.

(f) *Other expenses*

Net other expenses were \$50.2 million for the year ended 31 December 2019. Charges included net foreign exchange losses of \$16.4 million, which relate to the revaluation of pounds sterling-denominated amounts in the balance sheet following the strengthening of pounds sterling against the Dollar. In addition, other income/expenses included remeasurements and exceptional items of \$15.5 million in relation to the fair value recalculation of the Magnus contingent consideration reflecting the improved performance and outlook at the asset, and \$15.6 million in relation to the KUFPEC settlement agreement.

(g) *Finance costs*

Finance costs increased by \$27.7 million, or 11.7 per cent., to \$263.8 million for the year ended 31 December 2019 from \$236.1 million for the year ended 31 December 2018. Finance costs for 2019 include remeasurements and exceptional items of \$57.2 million related to the unwinding of contingent consideration from the acquisition of Magnus and associated infrastructure. This was offset by a decrease in finance costs primarily related to a reduction in loan interest payable following repayments ahead of the amortisation schedule related to the Senior Facility.

The following table sets forth details of the EnQuest Group's finance costs for the years ended 31 December 2018 and 2019.

	Year ended 31 December	
	2018	2019
	(in USD millions)	
Loan interest payable .....	93.4	67.7
Bond interest payable .....	64.2	62.7
Unwinding of discount on decommissioning provisions .....	12.6	13.4
Unwinding of discount on other provisions .....	0.9	0.7
Unwinding of discount on financial liabilities .....	0.1	–
Fair value (gain)/loss on financial Instruments at FVPL .....	0.4	–
Finance charges payable under leases .....	55.8	55.7
Amortisation of finance fees on loans and bonds .....	8.5	5.7
Other financial expenses .....	1.7	2.1
	<b>237.6</b>	<b>208.0</b>
Less: amounts capitalised to the cost of qualifying assets ....	(1.5)	(1.4)
<b>Business performance finance expenses</b> .....	<b>236.1</b>	<b>206.6</b>
Unwinding of discounts on contingent consideration .....	–	57.2
<b>Finance costs</b> .....	<b>236.1</b>	<b>263.8</b>

#### Finance income

Finance income decreased by \$1.0 million, or 29.4 per cent., to \$2.4 million for the year ended 31 December 2019 from \$3.4 million for the year ended 31 December 2018.

The following table sets forth details of the EnQuest Group's finance income for the years ended 31 December 2018 and 2019.

	Year ended 31 December	
	2018	2019
	(in USD millions)	
Bank interest receivable .....	1.8	1.5
Unwinding of discount on financial asset .....	1.5	0.9
Other financial income .....	0.1	–
<b>Finance income</b> .....	<b>3.4</b>	<b>2.4</b>

#### (h) *Income tax*

The EnQuest Group recorded an income tax credit, before remeasurements and exceptional items, of \$23.6 million for the year ended 31 December 2019 compared to an income tax credit of \$20.9 million for the year ended 31 December 2018, primarily due to Malaysian tax and the utilisation of UK losses offset by RFES generated in the year.

Including remeasurements and exceptional items, the EnQuest Group recorded an income tax credit of \$279.8 million compared to an income tax credit of \$33.3 million for the year ended 31 December 2018, primarily due to the tax impact of the non-cash impairment charges recognised in the period (see paragraph 4.3 of this Part 4 (“*Operating and Financial Review of the EnQuest Group*”) above.

#### (i) *Net profit and loss for the year attributable to owners of the parent*

As a result of the factors described above, after remeasurements and exceptional items, the EnQuest Group recorded a net loss of \$449.3 million for the year ended 31 December 2019, compared to a net profit of \$127.3 million for the year ended 31 December 2018.

## 7. Liquidity

The EnQuest Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant results to ensure it has sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the EnQuest Group), production rates and costs.

The EnQuest Group's liquidity requirements arise principally from its capital investment and working capital requirements. For the periods presented, the EnQuest Group met its working capital requirements primarily from oil revenues from the EnQuest Group's producing assets and debt financing through ongoing drawings on the Senior Facility and through other debt financing.

The EnQuest Group held cash and cash equivalents of \$240.6 million, \$220.5 million and \$222.8 million as of 31 December 2018, 2019 and 2020, respectively.

### 7.1 Cash flow

The following table sets forth consolidated cash flow information for the years ended 31 December 2018, 2019 and 2020.

	Year ended 31 December		
	2018	2019	2020
	<i>(in USD millions)</i>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b> .....	<b>788.6</b>	<b>994.6</b>	<b>567.8</b>
Cash received/(paid) on sale/(purchase) of financial instruments .....	(16.4)	4.9	6.2
Proceeds from exercise of Thistle decommissioning option .....	50.0	—	—
Decommissioning spend .....	(10.0)	(11.1)	(41.6)
Income taxes paid .....	(17.8)	(26.2)	(10.4)
<b>Net cash flows from/(used in) operating activities</b> .....	<b>794.4</b>	<b>962.3</b>	<b>522.1</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment .....	(220.2)	(234.2)	(131.4)
Purchase of intangible oil and gas assets .....	—	(3.2)	—
Net cash received on termination of Tanjong Baram risk service contract .....	—	—	51.1
Consideration on exercise of Magnus acquisition option .....	(100.0)	—	—
Repayment of Magnus contingent consideration – Profit share .....	—	(21.6)	(41.4)
Interest received .....	1.6	1.2	0.8
<b>Net cash flows (used in)/from investing activities</b> .....	<b>(318.6)</b>	<b>(257.8)</b>	<b>(120.6)</b>

	Year ended 31 December		
	2018	2019	2020
	(in USD millions)		
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings .....	–	–	–
Net (repayment of)/proceeds from loans and borrowings .....	(182.1)	(394.0)	(210.7)
Repayment of Magnus contingent consideration – Vendor loan .....	(48.6)	(52.7)	(20.7)
Gross proceeds from issue of shares .....	138.9	–	–
Shares purchased by Employee Benefit Trust .....	(6.0)	–	(1.2)
Share issue and debt restructuring costs paid .....	(4.0)	–	–
Repayment of obligations under leases .....	(144.8)	(135.1)	(123.0)
Interests paid .....	(136.5)	(146.0)	(43.0)
Other finance costs paid .....	(20.4)	(2.1)	(2.5)
<b>Net cash flows from/(used in) financing activities .....</b>	<b>(403.6)</b>	<b>(730.0)</b>	<b>(401.0)</b>
<b>Net (decrease)/increase in cash and cash equivalents .....</b>	<b>72.3</b>	<b>(25.6)</b>	<b>0.5</b>
Net foreign exchange on cash and cash equivalents .....	(4.7)	6.6	2.5
Cash and cash equivalents at 1 January .....	169.7	237.2	218.2
<b>Cash and cash equivalents at 31 December or 30 June as applicable .....</b>	<b>237.2</b>	<b>218.2</b>	<b>221.2</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents per statement of cash flows .....	237.2	218.2	221.2
Restricted cash .....	3.4	2.3	1.7
<b>Cash and cash equivalents per balance sheet ....</b>	<b>240.6</b>	<b>220.5</b>	<b>222.8</b>

## 7.2 *Net cash flows from operating activities*

Net cash from operating activities were \$522.1 million generated for the year ended 31 December 2020 compared to \$962.3 million generated for the year ended 31 December 2019. The main drivers for this decrease were materially lower realised prices and a decrease in production, partially offset by the significant reduction in operating expenditure.

Net cash from operating activities was \$962.3 million for the year ended 31 December 2019 compared to \$794.4 million generated for the year ended 31 December 2018. The increase in operating cash was primarily due to the increase in produced volumes during 2019 and realised gains on hedging.

## 7.3 *Net cash flows used in investing activities*

Net cash used in investing activities was \$120.6 million for the year ended 31 December 2020, compared to \$257.8 million of net cash used in investing activities for the year ended 31 December 2019. The net cash used in investing activities for the year ended 31 December 2020 was primarily related to:

- drilling activity at Kraken in the first half of the year, with a new producer-injector pair coming onstream late in the second quarter;
- drilling activity at Magnus in the first quarter of the year, with two new wells coming onstream in March 2020;

- reimbursement of net outstanding capital expenditure following termination of the Tanjong Baram small field risk service contract with PETRONAS; and
- repayment of Magnus contingent consideration.

Net cash used in investing activities was \$257.8 million for the year ended 31 December 2019, compared to \$318.6 million of net cash used in investing activities for the year ended 31 December 2018. The net cash used in investing activities for the year ended 31 December 2019 was primarily related to:

- the completion of the drill centre four drilling program at Kraken;
- the drilling of two wells at the PM8/Seligi field in Malaysia and the start of drilling two new wells at Magnus; and
- two sub-sea pipeline replacement projects at Scolty/Crathes and at the Dunlin bypass in respect of Thistle and the Dons.

The net cash used in investing activities for the year ended 31 December 2018 was primarily related to:

- the cash consideration of \$100.0 million for the acquisition of the 2018 Transaction Assets; and the completion of the Ythan production well in the Dons; and
- the drilling programme of drill centre 4 at Kraken, two new wells at Magnus, one new well at Heather, and two new wells at PM8/Seligi.

For a more detailed description of the EnQuest Group's recent capital expenditure, see paragraph 7.5 of this Part 4 ("*Operating and Financial Review of the EnQuest Group*") below.

#### 7.4 ***Net cash flows used in financing activities***

Net cash flows used in financing activities was an outflow of \$401.0 million for the year ended 31 December 2020 compared to an outflow of \$730.0 million for the year ended 31 December 2019. The decrease is primarily driven by a reduction in interest charge due to repayment of borrowings. Net cash flows used in financing activities amounted to an outflow of \$403.6 million in the year ended 31 December 2018.

For a more detailed description on the EnQuest Group's recent financing activities, see paragraph 9 of this Part 4 ("*Operating and Financial Review of the EnQuest Group*").

#### 7.5 ***Capital investment***

The primary objective of the EnQuest 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 EnQuest Group regularly monitors the capital requirements of the business over the short, medium and long term, in order to enable the EnQuest Group to better anticipate the timing of requirements for additional capital.

Capital investment represents the EnQuest Group's cash outflow on capital additions, being expenditure on property, plant and equipment and intangible oil and gas assets. The following table sets forth a reconciliation of the EnQuest Group's capital investment to capital additions for the years ended 31 December 2018, 2019 and 2020.



	Year ended 31 December		
	2018	2019	2020
	<i>(in millions of \$)</i>		
Capital expenditure .....	182.9	180.7	83.6
Non-cash acquisition of 75.0 per cent. of Magnus	(869.3)	—	—
Capitalised interest.....	(1.5)	(1.4)	—
Capital accruals and other .....	38.8	58.1	47.8
<b>Capital investment .....</b>	<b>220.2</b>	<b>237.5</b>	<b>131.4</b>

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 EnQuest Group's cash outflow on capital expenditure for the years ended 31 December 2018, 2019 and 2020.

	Year ended 31 December		
	2018	2019	2020
	<i>(in millions of \$)</i>		
Kraken .....	121.0	102.9	60.8
Magnus.....	8.8	19.4	32.8
Other UK North Sea .....	67.8	102.1	33.5
Malaysia.....	19.5	13.0	4.3
Exploration and evaluation .....	0.5	0.1	—
Other .....	2.6	—	—
<b>Capital investment .....</b>	<b>220.2</b>	<b>237.5</b>	<b>131.4</b>

The EnQuest Group's capital investment in 2020 principally related to drilling activity at Kraken and Magnus.

The EnQuest Group's capital investment in the year ended 31 December 2019 principally related to drilling at Kraken, Magnus and PM8/Seligi and the EnQuest Group's pipeline projects in the UK North Sea.

The EnQuest Group's capital investment in the year ended 31 December 2018 principally related to drilling at Kraken, Magnus, Heather/Broom and PM8/Seligi.

#### 7.6 *Future capital investment*

The EnQuest Group's capital investments are largely focused on low-cost, short-cycle drilling projects to develop the EnQuest Group's existing material reserves and resource. The EnQuest Group's 2021 capital expenditure programme is primarily related essential safety and maintenance related activities, with an intention to return to drilling at its Magnus and PM8/Seligi fields from 2022, with drilling at Kraken currently expected in 2023.

### 8. **Contractual obligations and contingent liabilities**

The following table sets forth the EnQuest Group's remaining contractual maturity for its non-derivative financial liabilities with contractual repayment periods as of 31 December 2020.

The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the EnQuest Group could be required to pay including interest projected to be paid thereon.

Contractual obligations (in millions of \$)	Payments due by period					Total
	On demand	Up to 1 year	1-2 years	2-5 years	More than 5 years	
Loans and borrowings .....	–	430.2	39.8	–	–	470.1
Bonds <sup>(1)</sup> .....	–	–	–	1,255.5	–	1,255.5
Contingent considerations .....	–	78.2	77.1	254.3	401.3	810.9
Obligations under finance leases .....	–	133.8	130.7	337.2	217.0	818.6
Trade and other payables .....	–	249.1	0.1	–	–	249.2
<b>Total</b> .....	–	<b>891.4</b>	<b>247.6</b>	<b>1,847.0</b>	<b>618.3</b>	<b>3,604.2</b>

(1) Includes both the High Yield Notes and the Retail Notes. Maturity analysis profile for the High Yield Notes and the Retail Notes includes semi-annual coupon interest. This interest is only payable in cash if the average dated Brent oil price is equal to or greater than \$65/bbl for the six months preceding one month before the coupon payment date.

As is common within the EnQuest Group's industry, the EnQuest 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 2018, 2019 and 2020, the EnQuest Group had future capital commitments of \$15.7 million, \$17.9 million and \$nil, respectively. These amounts represent the EnQuest Group's obligations during the course of the following years to fulfil its contractual commitments. It is expected that such commitments will be met from cash from operations and other available liquidity without a material adverse effect on the EnQuest Group's financial position, results of operations or cash flows.

The decrease in capital commitments from \$17.9 million as of 31 December 2019 to \$nil as of 31 December 2020 is primarily due to the Group engaging in lower levels of capital projects.

The EnQuest Group also has potential liability for decommissioning the EnQuest Group's assets. The EnQuest Group makes full provision for the future costs of decommissioning its oil production facilities and pipeline systems on a discounted basis based on the EnQuest Group's decommissioning liability.

With respect to Heather, GKA, Thistle/Deveron, Magnus and PM8/Seligi, the decommissioning provisions are based on the EnQuest Group's contractual obligations rather than its working interest in the fields. The EnQuest Group makes decommissioning provisions on a working interest basis for the Dons, Broom, Alma/Galia, Alba, Kraken, Scolty/Crathes and part of the working interest in the SVT.

The EnQuest Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the EnQuest Group's assets. At 31 December 2020, an estimated \$329.2 million is expected to be utilised between one and five years (2019: \$155.6 million), \$145.1 million within six to ten years (2019: \$339.8 million), and the remainder in later periods.

As of 31 December 2020, the EnQuest Group has discounted this liability at a rate of 2 per cent., in line with 2019. The unwinding of the discount is classified as a finance cost.

The EnQuest Group enters into surety bonds principally to provide security for its decommissioning obligations. See paragraph 9.3 of this Part 4 ("*Operating and Financial Review of the EnQuest Group*") below.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which the Directors believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The Company cannot assure you, however, that actual decommissioning costs will not be materially greater than its estimates. See risk factor 3.10 entitled "*The EnQuest Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*".

## 9. Financing

The EnQuest Group's liquidity requirements arise principally from its capital investment and working capital requirements. For the periods presented, the EnQuest Group met its capital investment and working capital requirements primarily from oil sales revenues, oil hedge proceeds and the proceeds of debt

financing. After the completion of this offering, the EnQuest Group expects to meet its liquidity requirements through cash generated from its operations and oil hedge proceeds.

The EnQuest Group's actual financing requirements will depend on a number of factors, many of which are beyond its control, including the price of crude oil.

#### 9.1 ***Equity financing***

As of 31 December 2020 the EnQuest Group had 1,695,801,955 allotted and fully paid ordinary shares of 5 pence each.

#### 9.2 ***Debt financing***

Total debt as of 31 December 2020 amounted to \$1,497.3 million.

As of 31 December 2020, the EnQuest Group's total debt in respect of the Retail Notes together with the High Yield Notes was \$1,048.4 million.

In April 2014, the EnQuest Group issued a US\$650 million high yield bond with an originally scheduled maturity of 15 April 2022 and paying a 7 per cent. coupon semi-annually in April and October. In 2013, the EnQuest Group issued a £155 million retail bond with an originally scheduled maturity of 15 February 2022 and paying a 5.5 per cent. coupon semi-annually in February and August. For the interest period commencing 15 August 2016, in accordance with the terms of the bond, the rate of interest increased to 7 per cent. following the determination of the Company's leverage ratio at 31 December 2015. On 21 November 2016, EnQuest amended both the High Yield Note and Retail Note pursuant to a scheme of arrangement whereby all notes were exchanged for new notes. The new notes continue to accrue a fixed coupon of 7 per cent. payable semi-annually in arrears but interest will only be payable in cash if during the six months prior to an interest payment date average dated Brent is equal to or above US\$65 per barrel (the "**Cash Payment Condition**"). If the Cash Payment Condition is not satisfied in respect of an interest payment date, the interest due is not paid in cash and is capitalised and satisfied by the issue of additional notes. EnQuest pays interest on the High Yield Notes semi-annually on 15 April and 15 October of each year. The High Yield Notes will mature on 15 October 2023. EnQuest pays interest on the retail notes semi-annually on 15 February and 15 August of each year. The retail notes will mature on 15 October 2023.

The High Yield Notes require the EnQuest Group to comply with certain financial covenants. See paragraph 18.6(l) of Part 12 ("*Additional Information*").

As of 31 December 2020, drawings under the Senior Facility were \$377.3 million (including PIK interest but net of unamortised finance fees). The Senior Facility comprises (i) a \$1.125 billion term loan tranche (\$360.0 million of which was outstanding as of 31 December 2020); and (ii) a \$75 million multicurrency revolving credit tranche (after allowing for letter of credit utilisation of \$28.8 million, \$46.2 million remained available for drawdown as of 31 December 2020). The EnQuest Group may draw on the Senior Facility provided that (a) no default is ongoing; (b) the repeating representations (as defined therein) are true in all material respects as of the date of utilisation; and (c) the proposed drawing would not lead to the EnQuest Group exceeding the maximum available commitments at that time. Borrowings under the Senior Facility are subject to mandatory repayment out of excess cash flow (excluding amounts required for approved capital expenditure), assessed on a six-monthly basis.

The following table sets forth information on the EnQuest Group's total debt as of 31 December 2020, excluding unamortised arrangement fees.

	as of 31 December 2020	
	Current	Non-current
	<i>(in millions of \$)</i>	
Senior Facility.....	377.3	–
Sculptor Facility .....	27.9	39.8
SVT Working Capital Facility .....	9.2	–
High Yield Note .....	–	799.2
Retail Note .....	–	249.2
<b>Total .....</b>	<b>414.4</b>	<b>1,088.2</b>

The following table sets forth the EnQuest Group's remaining contractual maturity for debt, as of 31 December 2020. The table has been compiled based on the undiscounted cash flows of financial liabilities on the earliest date on which the EnQuest Group can be required to pay.

	as of 31 December 2020
	<i>(in millions of \$)</i>
31 December 2020	
Due within one year.....	430.3
Due within one to five years .....	1,295.3
Due after five years .....	–
<b>Total.....</b>	<b>1,725.6</b>

On 10 June 2021, the Company entered into an up to \$750,000,000 RBL, partly to refinance some of its existing debt and partly to fund the Acquisition. The RBL may be utilised in US dollars or pounds sterling by drawing of cash advances or by issuances of letters of credit. There is an accordion option, such that the Company can increase commitments by an amount of up to \$200 million on three occasions (subject to arranging such additional commitments).

For a more detailed description of the RBL and the EnQuest Group's other financing arrangements, see paragraph 18.6(a) of Part 12 ("*Additional Information*").

### 9.3 *Letters of credit and surety bonds*

The EnQuest Group enters into letters of credit and surety bonds principally to provide security for its decommissioning obligations.

As at 11 May 2021, the EnQuest Group had entered into the following letters of credit:

- £2.2 million in respect of the EnQuest Group's lease at Annan House in Aberdeen, expiring 24 June 2021;
- £16.5 million in respect of the EnQuest Group's decommissioning obligations in Broom, expiring 31 December 2021;
- £7.6 million in respect of the EnQuest Group's decommissioning obligations in Dons, expiring 31 December 2021; and
- £7.3 million in respect of the EnQuest Group's decommissioning obligations in Alma/Galia, expiring 31 December 2021.

As at 11 May 2021 the EnQuest Group had entered into the following surety bonds:

- £27.2 million (expiring 31 December 2021) in respect of the EnQuest Group's decommissioning obligations in Dons and benefitting Ithaca;

- £69.5 million (expiring 31 December 2021) in respect of the EnQuest Group's decommissioning obligations in Heather and benefitting BG;
- \$5.0 million (expiring 31 December 2021) benefitting Unocal International Corporation which also relates to Heather; and
- £18.7 million (expiring 31 December 2021) in respect of the EnQuest Group's decommissioning obligations in Alba and benefitting Ithaca.

The EnQuest Group does not currently have letters of credit or surety bonds in respect of its other assets. See risk factor 3.10 entitled "The EnQuest Group may face unanticipated increased or incremental costs in connection with decommissioning obligations".

## **10. Qualitative and quantitative disclosures about market risk**

### **10.1 *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 EnQuest Group. The EnQuest Group has a credit policy that governs the management of credit risk, including the establishment of counterparty credit limits and specific transaction approvals. The EnQuest Group trades only with recognised international oil and gas companies, commodity traders and shipping companies. As of 31 December 2018, 2019 and 2020, the EnQuest Group had trade receivables past due of \$5.0 million, \$2.4 million and \$2.6 million, respectively. The EnQuest Group had joint venture receivables past due but not impaired of \$1.6 million, \$0.1 million and \$2.5 million as of 31 December 2018, 2019 and 2020, respectively.

As of 31 December 2020, the EnQuest Group had three customers accounting for 77 per cent. of outstanding trade and other receivables (2019: four customers, 84 per cent.; 2018: three customers, 81 per cent.) and one joint venture partners accounting for 16 per cent. of joint venture receivables (2019: two joint venture partners, 26 per cent.; 2018: two joint venture partners, 41 per cent.). The EnQuest Group sells its production lifted to buyers to ports in Northwestern Europe, the United States, the Mediterranean and/or the Far East.

With respect to credit risk arising from the EnQuest Group's other financial assets, which comprise cash and cash equivalents, the EnQuest Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For banks and financial institutions, only those with an A-/A3 credit rating or better are accepted. The EnQuest 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.

### **10.2 *Liquidity risk management***

Liquidity and refinancing risks refer to the risk that the EnQuest Group will not be able to obtain sufficient financing from lenders and the capital markets to meet the EnQuest Group's working capital and project financing and refinancing requirements. The EnQuest Group monitors its liquidity risk by reviewing the EnQuest Group's cash flow requirements on a regular basis relative to the EnQuest Group's existing bank facilities and the maturity profile of its borrowings. The EnQuest Group closely monitors and manages the EnQuest 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 EnQuest Group's portfolio of producing fields and potential delays in development projects. In addition to the EnQuest Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the EnQuest Group's financial capacity and flexibility.

As of 31 December 2020, the EnQuest Group had drawn down \$377.3 million under the Senior Facility. The EnQuest Group held cash and cash equivalents of \$240.6 million, \$220.5 million and



\$222.8 million as of 31 December 2018, 2019 and 2020, respectively. As at the date of this document, the EnQuest Group has not drawn down under the RBL.

### 10.3 *Foreign currency risk management*

The EnQuest Group is exposed to foreign currency risk arising from movements in currency exchange rates. The EnQuest Group's functional currency is the US dollar, primarily because the EnQuest Group prices its oil in US dollars and substantially all of the EnQuest Group's revenues (97 per cent. in 2018, 94 per cent. in 2019 and 92 per cent. in 2020) are denominated in US dollars. However, the EnQuest Group's operations are entirely outside the United States and the majority of its costs are denominated in currencies other than the US dollar. Additionally, a portion of the EnQuest Group's debt is denominated in currencies other than the US dollar. As a result, the EnQuest Group is exposed to both transactional and translational foreign exchange risk.

The EnQuest Group's transactional foreign currency risk arises primarily from sales or purchases in currencies other than the EnQuest Group's functional currency, the US dollar. The EnQuest Group manages this risk by converting US dollar receipts at spot rates periodically and as required for payments in other currencies. In 2020, 8 per cent. (2019: 6 per cent.; 2018: 3 per cent.) of the EnQuest Group's sales and 86 per cent. (2019: 95 per cent.; 2018: 42 per cent.) of costs were denominated in currencies other than the US dollar. The EnQuest Group also enters into foreign currency swap contracts from time to time to manage short-term exposures.

Additionally, the EnQuest Group's Retail Notes require the payment of interest and principal in pounds sterling.

The EnQuest Group's translational foreign currency exposure arises from the translation of assets and liabilities denominated in currencies other than US dollars. To mitigate the risks of substantial fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70 per cent. of non-US dollar portion of its annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100 per cent. can be hedged.

The EnQuest Group will continue to consider opportunities to enter into foreign exchange hedging contracts.

The following table sets forth the impact on the EnQuest Group's pre-tax profit (due to change in the fair value of monetary assets and liabilities) of the variations in the US dollar to pound sterling exchange rate covered below.

	<b>Pre-tax profit</b>	
	<b>+10 per cent. dollar rate increase</b>	<b>-10 per cent. dollar rate increase</b>
	<i>(in millions of \$)</i>	
31 December 2020 .....	(46.2)	46.2
31 December 2019 .....	(47.2)	47.2
31 December 2018 .....	(41.9)	41.9

No assurances can be made that the EnQuest Group's financial condition and results of operations will not be negatively affected by risks related to foreign currency movements.

### 10.4 *Commodity price risk management*

#### (a) *Oil price hedging*

The EnQuest Group is exposed to the impact of changes in oil prices on its revenue and profits generated from sales of crude oil. The EnQuest 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.

For the year ended 31 December 2020, the EnQuest Group hedged approximately 62.0 per cent. of 2020 entitlement oil production with approximately 12.5 MMbbls of oil at an average floor price of approximately \$44/bbl. This includes approximately 1.1 MMbbls hedged at an average floor price of approximately \$52/bbl in accordance with the Sculptor Facility.

The following table sets forth the impact on the EnQuest Group's pre-tax profit of the variations in crude oil prices covered below on the fair value of derivative financial instruments, with all other variables held constant.

	<b>Pre-tax profit</b>	
	<b>+10 per cent. dollar rate increase</b>	<b>-10 per cent. dollar rate increase</b>
	<i>(in millions of \$)</i>	
31 December 2020 .....	(8.0)	1.4
31 December 2019 .....	(22.9)	20.5
31 December 2018 .....	(40.3)	45.1

(b) *Commodity derivative contracts at fair value through profit or loss*

Commodity derivative contracts are designated as at FVTPL, and gains and losses on these contracts are recognised as a component of revenue. These contracts typically include bought and sold call options, bought put options and commodity swap contracts.

For the year ended 31 December 2020, gains totalling \$2.7 million (2019: losses of \$40.6 million) were recognised in respect of commodity contracts designated as fair value through profit or loss. This included losses totalling \$6.1 million (2019: gains of \$24.8 million) realised on contracts that matured during the year, and mark-to-market unrealised gains totalling \$8.8 million (2019: losses of \$65.4 million). Of the realised amounts recognised during the year, a gain of \$6.2 million (2019: gain of \$4.9 million) was realised in business performance revenue in respect of the amortisation of premium income received on sale of these options. The premiums received are amortised into business performance revenue over the life of the option.

The mark-to-market value of the EnQuest Group's open contracts as at 31 December 2020 was a liability of \$2.0 million (2019: liability of \$10.8 million).

## 11. Interest rate risk management

Interest rate risk refers to the risk that market interest rates will increase, resulting in higher borrowing costs under the EnQuest Group's credit facilities which have floating interest rates, including the Senior Facility, the Sculptor Capital Facility and the SVT Working Capital Facility, each of which has a LIBOR linked interest rate.

The EnQuest Group may be affected by changes in market interest rates at the time it needs to refinance any of its indebtedness.

## 12. Critical accounting estimates and judgements

This "Operating and Financial Review" discusses the EnQuest 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 EnQuest Group's current judgements and estimates. See risk factor 3.23 entitled "*The EnQuest Group's tax liability*

*is subject to estimation and the EnQuest Group may be adversely affected by changes to tax legislation or its interpretation or increases in effective tax rates in the jurisdictions in which it does business”.*

This listing of critical accounting policies is not intended to be a comprehensive list of all the EnQuest 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.

#### **12.1 *Oil and gas reserves***

The business of the EnQuest Group is to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner. The process in determining the estimates of oil and gas reserves requires critical judgement. The judgements, which inform the estimates of oil and gas reserves, result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing and the calculation of contingent consideration, the anticipated date of decommissioning and the depletion charges in accordance with the unit of production method, as well as the going concern assessment.

The EnQuest Group uses 2P reserves as the basis for calculations of expected future cash flows from underlying assets because this represents the reserves management intend to develop. Third-party audits of the EnQuest Group’s reserves and resources are conducted annually.

#### **12.2 *Impairment testing of oil and gas assets and goodwill and valuation of Magnus Contingent Consideration***

Determination of whether oil and gas assets or goodwill have suffered any impairment requires an estimation of the fair value less costs to dispose of the cash generating units (“CGU”) to which oil and gas assets and goodwill have been allocated. The calculation requires the entity to estimate the future cash flows expected to arise from the CGU using discounted cash flow models comprising asset-by-asset life of field projections using management’s best estimates of oil and gas reserves, future oil prices and other Level 3 inputs (based on the IFRS 13 fair value hierarchy).

Determination of the Magnus contingent consideration valuation requires an estimation of the fair value less costs to dispose of the cash generating unit, the Magnus asset. The calculation requires the entity to estimate the future cash flows expected to arise from the CGU using discounted cash flow models comprising asset-by-asset life of field projections using managements best estimates of oil and gas reserves, future oil prices and other Level 3 inputs (based on the IFRS 13 fair value hierarchy).

As the production and related cash flows can be estimated from the EnQuest Group’s experience, management believes that the estimated cash flows expected to be generated over the life of each field are the appropriate basis upon which to assess goodwill and individual assets for impairment.

The key assumptions required for the calculation of the discounted cash flow models are:

- Oil prices;
- Oil and gas reserves;
- Production profiles based on life of field internal estimates including assumptions on performance of assets;
- Related life of field opex, capex and decommissioning costs derived from the EnQuest Group’s business plan adjusted for changes in timing based on the production profiles used as above;
- Discount rates driven by a market participants weighted average cost of capital; and
- Currency exchange rates based on management’s estimate of future prices.

The discount rate applied to fair value less costs of disposal calculations reflects management's estimate of a market participant weighted average cost of capital ("WACC"). The discount rate is a post-tax discount rate and is reviewed and, where necessary, adjusted on an annual basis.

At each balance sheet date, the EnQuest Group assesses assets or CGUs for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. 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 its fair value less costs of disposal and its value in use. Discounted cash flow models comprising asset-by-asset life of field projections and risks specific to assets, using Level 3 inputs (based on IFRS 13 fair value hierarchy), have been used to determine the recoverable amounts. The cash flows have been modelled on a post-tax basis at management's estimate of a market participant WACC. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the EnQuest Group income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but 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. A reversal of an impairment loss is recognised immediately in the EnQuest Group income statement.

### 12.3 *Decommissioning provision*

Provisions for decommissioning and restoration costs are estimates based on current legal and constructive requirements, current technology and price levels for the removal of facilities and plugging and abandoning of wells. These parameters are based on information and estimates deemed to be appropriate by the EnQuest Group at the current time. The present value is calculated using amounts discounted over the useful economic life of the assets. The effect of changes resulting from these items, along with the change in expected timing, work scope and amount of expenditure, to the timing or the amount of the original estimate of the decommissioning provision, could result in a material adjustment of these provisions and is reflected on a prospective basis. Due to the significant estimates and assumptions, the carrying amounts of decommissioning provisions are reviewed on a regular basis.

Provision for future decommissioning costs is made in full when the EnQuest Group has an obligation: to dismantle and remove a facility or an item of plant; to restore the site on which it is located; and when a reasonable estimate of that liability can be made. The EnQuest Group's provision primarily relates to the future decommissioning of production facilities and pipelines. A decommissioning asset and liability are recognised, within property plant and equipment and provisions respectively, at the present value of the estimated future decommissioning costs. The decommissioning asset is amortised over the life of the underlying asset on a unit of production basis over proven and probable reserves, included within depletion in the EnQuest Group's income statement. Any change in the present value of estimated future decommissioning costs is reflected as an adjustment to the provision and the oil and gas asset. The unwinding of the decommissioning liability is included under finance costs in the EnQuest Group's income statement. These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which management 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. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain.

#### 12.4 *Deferred taxation*

The EnQuest Group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make assumptions and estimates relating to future oil prices and oil and gas reserves (as discussed above) and the estimated future costs, to assess the amount of deferred tax that can be recognised.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the EnQuest Group 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the EnQuest 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 deferred income taxes relate to the same taxation authority and that authority permits the EnQuest Group to make a single net payment.



## PART 5

### FINANCIAL INFORMATION ON THE ENQUEST GROUP

#### 1. Background

The consolidated financial statements of the EnQuest Group as at and for the year ended 31 December 2018, as set out in the 2018 Financial Statements, the consolidated financial statements of the EnQuest Group as at and for the financial year ended 31 December 2019, as set out in the 2019 Financial Statements and the consolidated financial statements of the EnQuest Group as at and for the financial year ended 31 December 2020, as set out in the 2020 Financial Statements, are incorporated by reference into this document. See Part 14 (*“Documents Incorporated by Reference”*). A copy of each of these documents is available for inspection in accordance with paragraph 27 of Part 12 (*“Additional Information”*).

The audit reports for each of the financial years ended 31 December 2018, 31 December 2019, and 31 December 2020 were unqualified.

The consolidated financial statements for the financial years ended 31 December 2019 and 31 December 2018 were prepared in accordance with IFRS as adopted by the EU. The consolidated financial statements for the financial year ended 31 December 2020 was prepared in conformity with the requirements of the Companies Act 2006 and IFRS as adopted by the EU.

#### 2. Cross reference list

Investors are referred to Part 14 (*“Documents Incorporated by Reference”*) for specific items of information which have been incorporated by reference into this document.

## PART 6

### OPERATING AND FINANCIAL REVIEW OF THE GOLDEN EAGLE ASSET

*The following review should be read in conjunction with Part 1 (“Letter from the Chairman – Summary information on the Golden Eagle Area Development”) of this document, Part 8. (“GaffneyCline CPR on the Golden Eagle Area Development”) of this document, the financial information of the Golden Eagle Asset as at and for the years ended 31 December 2018, 2019 and 2020, which is set out in Part 7 (“Financial Information on the Golden Eagle Asset”) of this document and the other financial information contained elsewhere in this document. Prospective investors should read the entire document (including information incorporated into this document by reference) and not just rely on the information set out below, and you should not rely solely on key and summarised information. Deloitte LLP issued an audit opinion in respect of the financial information for the Golden Eagle Asset for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.*

*The Company encourages you to read the following discussion in conjunction with the Golden Eagle Asset’s consolidated financial statements and the related notes thereto referred to in Part 7 (“Financial Information on the Golden Eagle Asset”).*

*The following discussion includes forward-looking statements which, although based on assumptions that the Golden Eagle Asset consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled “Important Information – Information regarding forward-looking statements” and “Risk Factors” in this document.*

#### **1. Overview**

The Golden Eagle Area Development comprises three fields, namely, Golden Eagle, Solitaire and Peregrine located approximately 110 km north-east of Aberdeen, offshore in the UKCS in water depths of up to 114 metres. The Golden Eagle field was discovered in 2007 and first oil was produced in 2014 following development by Nexen Oil, and the Solitaire and Peregrine fields were subsequently developed as satellites with subsea wells tied back to the Golden Eagle field facilities. The Golden Eagle Area Development covers two UK Licences namely P300 and P928 and the current joint venture partnership consists of CNOOC with 36.54 per cent.; NEO Energy with 31.56 per cent.; ONE DYAS with 5.21 per cent. and Suncor with 26.69 per cent. EnQuest Heather entered into a conditional agreement with Suncor on 3 February 2021 to purchase Suncor’s interest in the Golden Eagle Area Development.

The Golden Eagle Area Development produces good quality, sweet, low acid 36o API oil from Upper Jurassic and Lower Cretaceous Punt and Burns reservoirs. Production is conducted via 15 gas-lifted subsea wells, including the G16 well completed and brought on stream in late 2020. There are six water injection wells which are all on the Golden Eagle field, with the Solitaire and Peregrine fields producing under natural depletion with limited aquifer influx. There are two subsea drill centres situated to the North (six slots) and South (four slots) of the facilities, which produce oil to a bridge linked wellhead platform (“WHP”) and a production utilities and quarters (“PUQ”) platform via rigid, pipe-in-pipe flowlines and two production and four gas lift and water injection risers. The WHP and PUQ are supported by a four steel leg substructure in 100 metres water depth.

Crude oil from the Golden Eagle Area Development is processed on the platform and then transported through the Golden Eagle pipeline to the Claymore line, where it is then routed to the Flotta system and processed into stabilized Flotta Gold blend at the Flotta Terminal. Gas is currently exported from the platform to the Ettrick ‘T’ piece and pipeline into the SAGE system for processing and sales at St Fergus. However, gas exports are due to finish in 2022 as from then on all available gas will be utilised for fuel. Oil production from inception to the year ending 31 December 2020 was 109.7 MMBbl gross of which 86 per cent. was from the Golden Eagle field.

As at 31 December 2020, the gross 2P oil reserves attributable to the Golden Eagle Area Development are 70.4 MMbbl and gross 2P gas reserves are 15.2 Bscf. (13.6 Bscf of which will be consumed as fuel for operations). Gross 2C oil resources are 11.6 MMbbl and gross 2C gas resources are 2.43 Bscf.

For the year ended 31 December 2020, the revenue attributed to the Golden Eagle Asset was \$95.4 million and cost of sales was \$66.8 million. Gross profit attributable to the Golden Eagle Asset was \$28.6 million and the profit and comprehensive income for the year ended 31 December 2020 was \$15.7 million. From Completion, the EnQuest Group will account for the Golden Eagle Asset in US dollars as a single cash-generating unit.

Technical information in this paragraph has been extracted from the GaffneyCline CPR on the Golden Eagle Area Development. For further details please see Part 8 (“*GaffneyCline CPR on the Golden Eagle Area Development*”).

## **2. Significant factors affecting results of operations**

### **2.1 Price of oil**

The Golden Eagle Asset is exposed to the impact of changes in Dated Brent crude oil prices. Changes in oil prices can impact the levels of the Golden Eagle Asset’s reserves and, therefore, depletion charges, as well as revenues, which in turn would impact on the Golden Eagle Asset’s profits and cash flow. Low oil prices, as experienced in 2020, typically result in significant reductions in capital expenditure budgets, cancellation or deferral of projects and reductions in discretionary expenditures. For further details please see paragraph 2.1 (Price of Oil) of Part 4 (“*Operating and Financial Review of the EnQuest Group*”).

### **2.2 Production volumes**

In addition to oil prices, production volumes are a primary revenue driver. The Golden Eagle Asset’s production levels also affect the level of its reserves and depletion charges. The volume of the Golden Eagle Asset’s oil reserves and resources and production volumes may be lower than estimated or expected.

The Golden Eagle Asset’s production on a working interest basis decreased by 13.3 per cent to 7.8 mboepd for the year ended 31 December 2020 from 9.0 mboepd for the year ended 31 December 2019 due to natural reservoir decline. A four-well infill drilling project commenced in 2020, with the final well completed and tied-in and producing in June 2021. As of the date of this document, the Golden Eagle Asset’s production remains materially unaffected by the COVID-19 pandemic or the implementation by the UK government of any related measures.

### **2.3 Reserves**

The Golden Eagle Asset estimates its 2P reserves, which are reflected in the Golden Eagle Asset’s financial statements, using standard recognised evaluation techniques. This estimate is reviewed internally at least annually and is also evaluated annually. In the years ended 31 December 2018 and 31 December 2019 the Golden Eagle Asset’s reserves were evaluated by Sproule Associates Limited and Sproule International Limited and in the year ended 31 December 2020 the Golden Eagle Asset’s reserves were evaluated by GLJ Ltd. The Golden Eagle Asset estimates future development costs taking into account the level of development required to produce the reserves the Golden Eagle Asset has elected to develop. The amount of development costs in turn influences the economic recoverability of resources and, therefore, what proportion of resources are recognised as reserves.

Separately, the depletion of oil assets charged to the Golden Eagle Asset’s income statement under cost of sales is dependent on the estimate of the Golden Eagle Asset’s oil reserves. An increase in estimated reserves will cause a reduction in the charge to the Golden Eagle Asset’s annual income statement because a larger base exists on which to depreciate the asset. Conversely, a decrease in estimated reserves will cause an increase in the charge to the Golden Eagle Asset’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 Golden Eagle Asset's cash flow.

This document presents information concerning the Golden Eagle Asset's reserves which have been audited by GaffneyCline in connection with the Transaction. For further details please see Part 8 (*"GaffneyCline CPR on the Golden Eagle Area Development"*)

#### **2.4 *Development and impairment***

The Golden Eagle Asset faces inherent risks in connection with its development and production activities. These risks include the difference between estimated and actual reserves, the Golden Eagle Asset's cost efficiency in development, timing of production activities and its level of production.

Assets that have an indefinite life – for example, intangible assets not ready for use – are not subject to amortisation and are tested annually 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. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **2.5 *Derivative financial instruments***

The Golden Eagle Asset classifies its financial instruments into one of the following categories: 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 FVTPL, 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.

#### **2.6 *Currency exchange rates***

The Golden Eagle Asset's functional currency is the pound sterling, primarily because a substantive amount of its costs are denominated in pounds sterling. However, because a substantive amount of its revenues are denominated in US dollars its results are affected by changes in the US dollar/pound sterling exchange rate. The Golden Eagle Asset's presentational currency is US dollar.

#### **2.7 *Taxation***

Taxation can have a significant impact on the Golden Eagle Asset's results of operations. The Golden Eagle Asset is subject to UK Corporation Tax and SCT, being 40 per cent., as part of Suncor.

The current tax charge/credit has been estimated on the basis of the headline rate of current tax applicable to a North Sea oil and gas asset, being 40 per cent., but adjusted for any factors specific to the Golden Eagle Asset, including consideration as to the correction of adjustments in respect of prior years.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when 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.

## 2.8 *Operating Costs*

### (a) *Fixed*

Fixed operating costs are substantially independent from production levels and therefore do not automatically increase (or decrease) with an increase (or decrease) of the Golden Eagle Asset's level of production. Fixed operating costs include routine and non-routine maintenance costs, certain labour costs and power costs. Certain regular maintenance programmes also result in the temporary shut-in of production. An increase in fixed operating costs will result in an increase in underlying operating costs per barrel due to higher costs with no associated increase in production.

### (b) *Variable*

The variable element of operating costs will increase (or decrease) with the level of production. An increase (or decrease) in production will result in an increase (or decrease) in underlying variable operating costs. The primary variable operating costs include the costs associated with the use of the Claymore line, the Flotta system and the Flotta Terminal.

## 3. *Explanation of income statement items*

### 3.1 *Revenue*

The Golden Eagle Asset generates revenue through contracts with customers for the sale of crude oil, gas and condensate to third parties and for the provision of infrastructure to its customers in exchange for a tariff. 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 company expects to receive for the transfer of the goods to the customer.

### 3.2 *Cost of sales*

The Golden Eagle Asset's cost of sales includes operating costs, depreciation, depletion and amortisation, movements in net underlift balance and transportation.

### 3.3 *Tax on profit*

Tax on profit represents the estimated tax charge on the basis of UK Corporation Tax and SCT applicable to a North Sea oil and gas asset, being 40 per cent., and deferred tax under laws applicable to the Golden Eagle Asset.

## 4. *Results of operations*

The following table sets forth certain of the Golden Eagle Asset's historical revenue and expense items for the years ended 31 December 2018, 2019 and 2020.

	For the year ended 31 December		
	2020	2019	2018
	<i>(in USD millions)</i>		
Revenue .....	95.4	209.3	334.4
Cost of Sales .....	(66.6)	(95.4)	(136.1)
<b>Gross profit .....</b>	<b>28.8</b>	<b>113.9</b>	<b>198.3</b>
Unwinding of discount on decommissioning .....	(3.7)	(3.6)	(4.4)
<b>Profit before taxation .....</b>	<b>25.1</b>	<b>110.3</b>	<b>193.9</b>
Tax on profit .....	(10.4)	(43.0)	(79.4)
<b>Profit and comprehensive income for the financial year .....</b>	<b>14.7</b>	<b>67.3</b>	<b>114.5</b>



#### 4.1 *Comparison of the Golden Eagle Asset's results of operations for the years ended 31 December 2018, 31 December 2019 and 31 December 2020*

##### (a) *Revenue*

Revenue decreased by \$113.9 million, or 54.4 per cent., to \$95.4 million for the year ended 31 December 2020, from \$209.3 million for the year ended 31 December 2019, primarily due to materially lower realised oil prices and lower production. Revenue decreased by \$125.1 million, or 37.4 per cent., to \$209.3 million for the year ended 31 December 2019, from \$334.4 million for the year ended 31 December 2018, primarily due to materially lower realised oil prices and lower production.

Revenue is predominantly derived from oil sales. For the year ended 31 December 2020, oil sales were \$95.3 million compared with \$208.4 million in the year ended 31 December 2019 and \$330.5 million in the year ended 31 December 2018. The decrease was driven by significantly lower oil prices, a reduction of production and an increased net underlift position at the end of the period. The Golden Eagle Asset's average realised oil price for year ended 31 December 2020 was \$39.00/Boe compared to \$61.95/Boe 2019 and \$68.61/Boe 2018. Over the period price has reduced by 41.7 per cent.

The Golden Eagle Asset's North Sea production, on a working interest basis, decreased by 4,536 boepd, or 36.7 per cent., to 7,829 boepd for the year ended 31 December 2020 from 12,365 boepd for the year ended 31 December 2018 (9,009 boepd 2019). This reduction was primarily driven by natural reservoir decline ahead of the positive infill drilling production impact expected for the year ending 31 December 2021.

##### (b) *Cost of sales*

The following table sets forth details of the Golden Eagle Asset's cost of sales for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<i>(in USD millions)</i>		
Operating costs .....	20.9	26.5	28.6
Depreciation, depletion and amortisation.....	52.7	65.6	90.5
(Increase)/decrease in net underlift balance .....	(10.3)	(0.9)	9.9
Transportation .....	3.4	4.1	7.2
<b>Total .....</b>	<b>66.6</b>	<b>95.4</b>	<b>136.1</b>

Cost of sales decreased by \$28.8 million, or 30.2 per cent., to \$66.6 million for the year ended 31 December 2020 from \$95.4 million for the year ended 31 December 2019. The decrease in cost of sales was primarily due to a decrease in depreciation, depletion and amortisation. Cost of sales decreased by \$40.7 million, or 29.9 per cent., to \$95.4 million for the year ended 31 December 2019 from \$136.1 million for the year ended 31 December 2018. The decrease in cost of sales was primarily due to a decrease in depreciation, depletion and amortisation.

Operating costs decreased by \$5.6 million, or 21.1 per cent., to \$20.9 million for the year ended 31 December 2020 from \$26.5 million for the year ended 31 December 2019 primarily reflecting the focus on cost control and transformation in this period. Operating costs decreased by \$2.1 million, or 7.3 per cent., to \$26.5 million for the year ended 31 December 2019 from \$28.6 million for the year ended 31 December 2018 primarily reflecting the focus on cost control and transformation in this period.

Average unit operating costs decreased by \$0.7/Boe, or 9.2 per cent., to \$7.3/Boe for the year ended 31 December 2020 from \$8.0/Boe for the year ended 31 December 2019. Average unit

operating costs increased by \$1.7/Boe, or 26.1 per cent., to \$8.0/Boe for the year ended 31 December 2019 from \$6.4/Boe for the year ended 31 December 2018.

Depreciation, depletion and amortisation expense decreased by \$12.9 million, or 19.7 per cent., to \$52.7 million for the year ended 31 December 2020 from \$65.6 million for the year ended 31 December 2019, due to lower production and reserves adds in period. Depreciation, depletion and amortisation expense decreased by \$24.9 million, or 27.5 per cent., to \$65.6 million for the year ended 31 December 2019 from \$90.5 million for the year ended 31 December 2018, due to lower production and additional reserves being recognised.

(c) *Tax on profit*

The Golden Eagle Asset recorded a tax expense of \$10.4 million in the year ended 31 December 2020, of \$43.0 million in the year ended 31 December 2019 and of \$79.4 million in the year ended 31 December 2018 based on the profit before tax in each year.

(d) *Profit and comprehensive income for the financial year*

As a result of the factors described above, the Golden Eagle Asset recorded a net profit of \$14.7 million for the year ended 31 December 2020, compared to a net profit of \$67.3 million for the year ended 31 December 2019 and a net profit of \$114.5 million for the year ended 31 December 2018.

## **5. Financial risk management objectives and policies**

The Golden Eagle Asset's main activities expose it to a number of financial risks including price risk, foreign exchange risk and liquidity risk. These risks have historically been managed as part of a broader portfolio at the Suncor group level.

## **6. Critical accounting estimates and judgments**

This "Operating and Financial Review" discusses the Golden Eagle Asset's 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 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.

This listing of critical accounting policies is not intended to be a comprehensive list of all the Golden Eagle Asset'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 Golden Eagle Asset's significant accounting policies, the following policies may involve a higher degree of judgement and complexity.

### **6.1 Asset impairment and reversals**

The recoverable amount of CGUs 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, the Golden Eagle Asset's management may also be required to make judgements regarding the likelihood of occurrence of a future event. Changes to these estimates and judgements has an impact on the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

## 6.2 *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. The Golden Eagle Asset's 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 at the end of each reporting period. The Golden Eagle Asset's 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. Assumptions based on the current economic environment have been made which the Golden Eagle Asset's management 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. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain.

## 6.3 *Effect of changing field estimates*

The process in determining the estimates of oil and gas reserves, estimated decommissioning costs, oil price, exchange rate assumptions and other variables requires critical judgement. The judgements, which inform the estimates of oil and gas reserves, result in different future production profiles affecting prospectively the discounted cash flows used in impairment testing, the anticipated date of decommissioning and the depletion charges in accordance with the unit of production method, as well as the going concern assessment.

The Golden Eagle Asset uses 2P reserves as the basis for calculations of expected future cash flows from underlying assets because this represents the reserves management intend to develop. Third-party audits of the Golden Eagle Asset reserves and resources have historically been conducted annually.

## 6.4 *Fair value of financial instruments*

The Golden Eagle Asset determines the fair value of a financial instrument through internal models and valuation methodologies based on observable market data, including forward commodity prices, movements in currency exchange rates and movements in interest rates. If not available, the Golden Eagle Asset uses third party models and valuation methodologies that utilise similar data. In addition to market information, the Golden Eagle Asset incorporates transaction-specific details that it believes market participants would utilise in a fair value measurement, including the impact of non-performance risk.

## PART 7

### FINANCIAL INFORMATION ON THE GOLDEN EAGLE ASSET

#### Section A: Accountant's report on the historical financial information

**Deloitte.**

1 New Street Square  
London  
EC4A 3HQ

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

30 June 2021

Dear Sirs/Mesdames

#### **Golden Eagle Area Development Asset (“Target”)**

We report on the financial information of the Target for the three years ended 31 December 2020 set out in Part 7 of the combined prospectus and Class 1 Circular relating to the acquisition of Target dated 30 June 2021 of EnQuest PLC (the “**Company**”) (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.

#### **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 the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 and of its profits and cash flows for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 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.

### **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 2 and Note 3 of the 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

Deloitte LLP

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.*



## Section B: Financial information on the Golden Eagle Asset

### Income statement

		2020	2019	2018
	Note	\$000	\$000	\$000
<b>Turnover</b> .....	5	95,413	209,292	334,419
Cost of sales .....	6	(66,630)	(95,393)	(136,111)
<b>Gross profit</b> .....		28,783	113,899	198,308
Unwinding of discount on decommissioning .....	12	(3,684)	(3,594)	(4,447)
<b>Profit before taxation</b> .....		25,099	110,305	193,861
Tax on profit .....	7	(10,359)	(42,988)	(79,376)
<b>Profit and comprehensive income for the financial year</b> ..		14,740	67,317	114,485

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

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

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

### Balance sheet

		2020	2019	2018
	Note	\$000	\$000	\$000
<b>Non-current assets</b>				
Intangible assets .....	8	502	487	605
Tangible assets .....	8	131,191	146,962	194,815
Deferred tax asset .....	13	2,209	–	–
		133,902	147,449	195,420
<b>Current assets</b>				
Inventory .....	9	13,411	12,447	13,063
Trade and other receivables .....	10	11,123	41,401	37,138
		24,534	53,848	50,201
<b>Total assets</b> .....		158,436	201,297	245,621
<b>Current liabilities</b>				
Trade and other payables .....	11	(14,040)	(6,350)	(10,195)
<b>Net current assets</b> .....		10,494	47,498	40,006
<b>Non-current liabilities</b>				
Provisions for liabilities .....	12	(138,740)	(112,689)	(92,707)
Deferred tax liabilities .....	13	–	(14,199)	(41,448)
		(138,740)	(126,088)	(134,155)
<b>Total liabilities</b> .....		(152,780)	(133,238)	(144,350)
<b>Net assets</b> .....		5,656	68,059	101,271

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

## Statements of directly attributable cash flows

	2020	2019	2018
	\$000	\$000	\$000
<b>Cash flows from operating activities</b>			
Gross profit for the financial year .....	28,783	113,899	198,308
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation .....	52,670	65,647	90,486
(Increase)/decrease in debtors .....	29,826	(3,000)	13,736
(Increase)/decrease in stocks .....	(554)	996	(641)
Increase/(decrease) in trade creditors .....	(7,091)	4,037	3,546
Directly attributable cash flows from operating activities .....	103,634	181,579	305,435
<b>Cash flows from investing activities</b>			
Purchases of fixed assets .....	(15,813)	(250)	(14,747)
Directly attributable cash flows from investing activities .....	(15,813)	(250)	(14,747)
<b>Directly attributable net cash flows</b> .....	87,821	181,329	290,688

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

## Notes to the financial information

### 1. General information

The Golden Eagle Asset is an asset owned by Suncor Energy UK 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. The intention is for the Golden Eagle Assets to be transferred into a shell legal entity, North Sea (Golden Eagle) Resources Limited, and that EnQuest will purchase that entity. The acquisition will be funded from cash raised as part of the new debt arrangement and an equity raise.

### 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 2018 to 31 December 2020, 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 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 IFRS, as applied by EnQuest in the preparation of its 2020 Financial Statements 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 163 above 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.

(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 is 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 162 above 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 owns the Golden Eagle Asset. 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 3 years ended 31 December 2020. Adjustments have been made for any factors specific to the Golden Eagle Asset, including relevant adjustments in respect of prior years.
- 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.

(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, 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, 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 acquisition of the Golden Eagle Asset by EnQuest is 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 EnQuest 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, and to repay current 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 twelvemonth 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 years 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.

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 year end, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange 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 year, and the balance sheet is translated at the rate applicable to the balance sheet date. The relevant exchange rates are shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
US dollar exchange rate			
Average	1.28	1.27	1.34
Closing	1.35	1.31	1.27

#### 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.

#### *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 annually 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 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 year.

### 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 year, 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 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 future taxable profits will be available against which the temporary differences can be utilised. 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 Golden Eagle 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. These measures have caused significant disruption to business operations and a significant increase in economic uncertainty, with reduced demand for commodities leading to volatile prices and currency exchange rates, and a decline in long-term interest rates. The operations and business of the Golden Eagle Asset are particularly sensitive to a reduction 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 downturn have been considered in management's estimates, and assumptions at

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 years 2018, 2019 or 2020.

(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 at the end of each reporting period. 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 \$13.3 million before taxation (2019: \$15.8 million, 2018: \$14.9 million).*

## 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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Europe .....	95,413	157,709	268,490
Other .....	—	51,583	65,929
	<b>95,413</b>	<b>209,292</b>	<b>334,419</b>

## 6. Cost of sales

	2020	2019	2018
	\$000	\$000	\$000
Operating costs .....	20,926	26,534	28,579
Depreciation, depletion and amortisation (note 8) .....	52,670	65,647	90,486
Change in net underlift/overlift balance .....	(10,346)	(881)	9,858
Transportation .....	3,380	4,093	7,188
	<u>66,630</u>	<u>95,393</u>	<u>136,111</u>

The Golden Eagle Asset does not have any direct employees.

## 7. Tax on profit

	2020	2019	2018
	\$000	\$000	\$000
<b>Current tax</b>			
Current tax charge on profits of the year .....	26,285	70,661	112,076
<b>Deferred tax</b>			
Deferred tax charge/(credit) (note 13) .....	(16,483)	(26,200)	(34,032)
Adjustments in respect of previous years .....	557	(1,473)	1,332
	<u>(15,926)</u>	<u>(27,673)</u>	<u>(32,700)</u>
<b>Total tax charge</b> .....	<u>10,359</u>	<u>42,988</u>	<u>79,376</u>

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

	2020	2019	2018
	\$000	\$000	\$000
Profit before taxation .....	25,099	110,305	193,861
Tax on profit before taxation at UK tax rate of 40% applicable to a North Sea oil and gas producer (2019 and 2018: 40.00%) .....	10,040	44,122	77,544
Effects of:			
Investment allowance .....	(988)	(17)	(718)
Adjustments in respect of previous years .....	557	(1,473)	1,332
Other .....	750	356	1,218
	<u>10,359</u>	<u>42,988</u>	<u>79,376</u>

## 8. Fixed assets

	2020	2019	2018
	\$000	\$000	\$000
<b>Intangible assets – oil and gas exploration assets</b>			
At beginning of year .....	487	605	920
Transfers to tangible .....	–	(158)	(278)
Additions .....	–	25	–
Exchange difference .....	15	15	(37)
	<u>502</u>	<u>487</u>	<u>605</u>



<b>Tangible assets</b>	<b>Producing fields \$000</b>	<b>Decom- missioning \$000</b>	<b>Total \$000</b>
<b>Cost</b>			
At 31 December 2017 .....	819,963	93,065	913,028
Transfers .....	278	–	278
Additions/changes in decommissioning .....	14,747	(23,973)	(9,226)
Exchange difference .....	(48,033)	(5,364)	(53,397)
At 31 December 2018 .....	786,955	63,728	850,683
Transfers .....	158	–	158
Additions/changes in decommissioning .....	225	13,359	13,584
Exchange difference .....	24,750	2,003	26,753
At 31 December 2019 .....	812,088	79,090	891,178
Additions/changes in decommissioning .....	15,813	18,739	34,552
Exchange difference .....	25,535	2,399	27,934
At 31 December 2020 .....	853,436	100,228	953,664
<b>Accumulated depreciation</b>			
At 31 December 2017 .....	538,887	65,946	604,833
Charge .....	88,818	1,668	90,486
Exchange Difference .....	(35,565)	(3,886)	(39,451)
<b>Exchange difference</b>			
At 31 December 2018 .....	592,140	63,728	655,868
Charge .....	60,619	5,028	65,647
Exchange difference .....	20,539	2,162	22,701
At 31 December 2019 .....	673,298	70,918	744,216
Charge .....	48,936	3,734	52,670
Exchange difference .....	23,222	2,365	25,587
At 31 December 2020 .....	745,456	77,017	822,473
<b>Net book value</b>			
At 31 December 2018 .....	194,815	–	194,815
At 31 December 2019 .....	138,790	8,172	146,962
At 31 December 2020 .....	107,980	23,211	131,191

At 31 December 2020, the balance of assets under construction included in tangibles and not subject to depreciation or depletion was \$10.7 million (31 December 2019 – \$1.4m, 31 December 2019 – \$1.4 million).

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

	2020	2019	2018
	\$000	\$000	\$000
Materials and supplies.....	13,411	12,447	13,063

The inventory value includes £6.4 million (2019: £6.2 million) of inventory for current and future development wells and £1.5 million (2019: £1.6 million) for pipeline stock.

## 10. Trade and other receivables

	2020	2019	2018
	\$000	\$000	\$000
Trade receivables.....	–	–	36,726
Underlift.....	10,641	192	–
Accrued income.....	39	41,020	197
Other debtors.....	443	189	215
	11,123	41,401	37,138

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

	2020	2019	2018
	\$000	\$000	\$000
Trade payables.....	953	–	716
Accrued expenses.....	13,087	6,350	8,311
Overlift.....	–	–	1,168
	14,040	6,350	10,195

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. As disclosed in Note 3, overlift is valued at the lower of cost and NRV at the prevailing balance sheet date. Trade payables are non-interest bearing and settled on terms within 15 days.

## 12. Provisions for liabilities

	2020	2019	2018
	\$000	\$000	\$000
Decommissioning costs.....	138,740	112,689	92,707

The movement on decommissioning costs comprises:

	2020	2019	2018
	\$000	\$000	\$000
At beginning of year .....	112,689	92,707	119,337
Changes .....	18,739	13,359	(23,973)
Unwinding of discount .....	3,684	3,594	4,447
Exchange difference .....	3,628	3,029	(7,104)
	138,740	112,689	92,707

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 3.10% was used to discount the provision recognised at 31 December 2020 (31 December 2019 – 3.30%; 31 December 2018 –4.20%). 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	Decommissioning provision	Other	Total
	\$000	\$000	\$000	\$000
At 31 December 2017.....	123,324	(47,735)	1,338	76,927
Charge/(credit) to income statement (note 7)	(40,076)	8,322	(946)	(32,700)
Exchange difference .....	(5,080)	2,331	(30)	(2,779)
At 31 December 2018.....	78,168	(37,082)	362	41,448
Credit to income statement (note 7) .....	(20,979)	(6,617)	(77)	(27,673)
Exchange difference .....	1,791	(1,376)	9	424
At 31 December 2019.....	58,980	(45,075)	294	14,199
Charge/(credit) to income statement (note 7)	(7,652)	(8,563)	289	(15,926)
Exchange difference .....	1,350	(1,858)	26	(482)
At 31 December 2020.....	52,678	(55,496)	609	(2,209)

### 14. Financial commitments

#### Capital commitments

	2020	2019	2018
	\$000	\$000	\$000
Commitments for the acquisition of intangible and tangible fixed assets .....	5,947	766	1,794

Capital commitments predominately relate to the infill drilling.

### 15. Subsequent events

Subsequent to 31 December 2020, the ultimate parent company reached an agreement to sell the company's 26.69% working interest in the Golden Eagle Area Development Asset for US\$325 million plus contingent consideration up to US\$50 million. The effective date of the sale is 1 January 2021 and is expected to close no later than the third quarter of 2021, subject to financing and shareholder approval of the purchaser along with other closing conditions and certain regulatory approvals.

## **PART 8**

CESR 132

CESR 133

### **GAFFNEYCLINE CPR ON THE GOLDEN EAGLE AREA DEVELOPMENT**

Gaffney  
Cline

# Project Golden Eagle: Competent Person's Report

Prepared for

EnQuest PLC

9th June 2021



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## Appendices

Appendix I:	SPE PRMS Definitions
Appendix II:	Glossary
Appendix III:	Production and Cost Forecasts

**EnQuest PLC**

15 Lower Regent Street, Cunard House,  
London, SW1Y 4LR

**J.P. Morgan Securities plc**

25 Bank Street, Canary Wharf  
London, E14 5JP  
United Kingdom

## Project Golden Eagle: Competent Person's Report

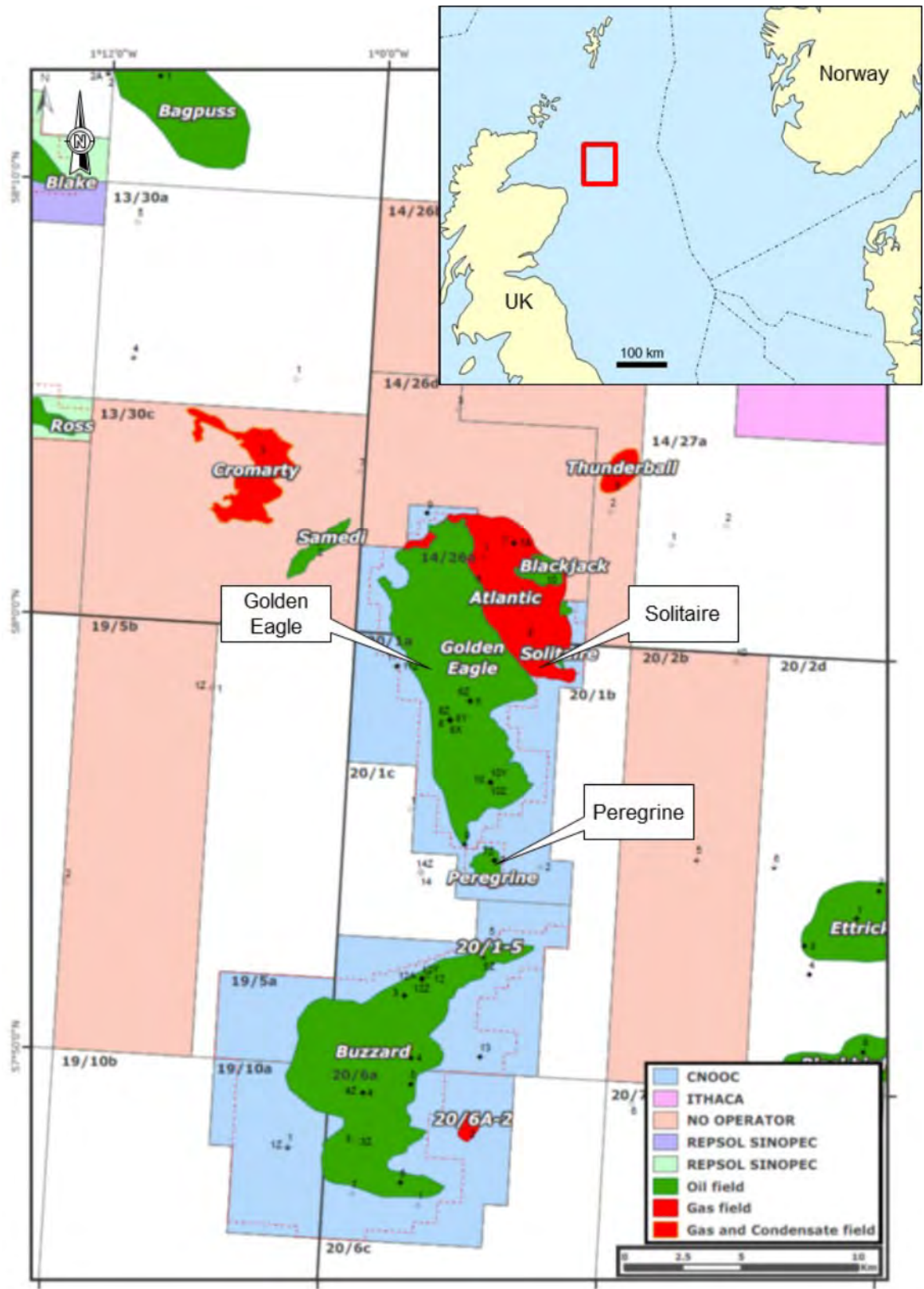
### Introduction

At the request of EnQuest PLC (EnQuest), Gaffney, Cline & Associates Limited (GaffneyCline) has prepared this Competent Person's Report (CPR) for the Golden Eagle Area Development (GEAD), which is operated by CNOOC Petroleum Europe Limited (CNOOC or "the Operator"). The location of the asset in the UK sector of the North Sea is shown in Figure 1.

GaffneyCline understands that EnQuest entered into a conditional agreement with Suncor Energy UK Limited (Suncor) on 3<sup>rd</sup> February 2021 (the Call Option Deed) to purchase Suncor's 26.69% working interest in GEAD, having completed its own evaluation of the asset. In preparing this CPR, GaffneyCline has performed a due diligence review of EnQuest's evaluation, which included full access to the data provided by Suncor in a Virtual Data Room (VDR).

This CPR has been prepared for inclusion in a combined prospectus and circular for, amongst other things, (1) the approval by the shareholders of EnQuest of the acquisition of the GEAD interest as a reverse takeover under the Listing Rules of the Financial Conduct Authority (FCA); (2) the admission and offer of new ordinary shares to be offered by way of a firm placing and placing and open offer to new and existing institutional and retail investors in EnQuest pursuant to an offer of shares pursuant to Regulation S under the US Securities Act of 1933, as amended (Offer Shares), to the premium listing segment of the Official List of the FCA and admission to trading on the main market for listed securities of London Stock Exchange plc; and (3) the re-admission of the ordinary shares in EnQuest upon completion of the acquisition of the GEAD interest to the premium listing segment of the Official List of the FCA and admission to trading on the main market for listed securities of London Stock Exchange plc.

Figure 1: Golden Eagle Development Location Map



Source: EnQuest



Furthermore, for the purposes of UK Prospectus Regulation Rule 5.3.2R(2)(f), GaffneyCline accepts responsibility for the information contained in the CPR and confirms that, to the best of its knowledge, the information contained in the CPR is in accordance with the facts and makes no omission likely to affect its import.

The CPR is based on data provided by EnQuest, the accuracy and completeness of which GaffneyCline has relied upon. EnQuest has provided GaffneyCline with a data set of technical information, including production, geological, geophysical, petrophysical, engineering and financial data as well as the fiscal terms applicable to the asset.

This CPR has an effective date of 31<sup>st</sup> December 2020 ("Effective Date").

This CPR relates specifically and solely to the subject matter as defined in the scope of work, as set out herein, and is conditional upon the specified assumptions. The report must be considered in its entirety and must only be used for the purpose for which it is intended.

In the preparation of this CPR, GaffneyCline has used the definitions of Reserves and Contingent Resources contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists and Engineers in June 2018, Version 1.01 (see Appendix I).

A full Glossary is shown in Appendix II.

## Executive Summary

The GEAD came on stream in 2014 with production from the Golden Eagle Field via the Golden Eagle production platform. Two satellite fields, Solitaire and Peregrine, were subsequently developed as subsea tiebacks to the platform. A further discovery of gas with condensate, Pacific, has not yet been developed. There were a total of 14 production wells on-stream in mid-2020 and a four-well infill drilling programme began in late 2020, with two wells completed (one in production) as at the Effective Date. Further drilling programmes are under consideration for 2023 and 2025.

Oil is currently exported to the Flotta Terminal in the Orkney Islands via the Claymore Field, but the Flotta operators served a 24-month termination notice on 1<sup>st</sup> May 2020 with the intent of re-negotiating commercial terms. The Operator is currently reviewing potential alternative export routes such as via the Forties Pipeline System. For the economic analysis presented in this CPR, GaffneyCline has assumed that oil is exported via FPS from mid-2023.

Overall, the data available for the GEAD are extensive and the quality is good. Further, the asset has been developed and operated at a high level of international standards. The reservoir performance has been good and the waterflood has been well managed. From the data reviewed, the production facilities also appear to be in good condition and well maintained, although GaffneyCline has not conducted a site visit. The GEAD development facilities are relatively new by North Sea standards, and GEAD was the 6<sup>th</sup> largest producing field in the UKCS in 2019.

## Reserves Summary

The oil and gas Reserves attributable to GEAD are summarized in Table 1 and Table 2 respectively. These relate to future production from the existing wells and the remaining wells in the 2020/21 drilling campaign. Reserves are shown both as gross (100%) volumes for the asset, and the net volumes attributable to Suncor's interest.

**Table 1: Summary of Oil Reserves  
as at 31<sup>st</sup> December 2020**

Gross Oil Reserves (MMBbl)			Net Working Interest (%)	Net Oil Reserves (MMBbl)		
Proved	Proved plus Probable	Proved plus Probable plus Possible		Proved	Proved plus Probable	Proved plus Probable plus Possible
49.3	70.4	118.0	26.69	13.2	18.8	31.5

### Notes:

1. Gross Field Reserves are 100% of the volumes estimated to be commercially recoverable from the field.
2. Net Reserves are those attributable to Suncor's interest.
3. Numbers may not add up due to rounding.

**Table 2: Summary of Gas Reserves  
as at 31<sup>st</sup> December 2020**

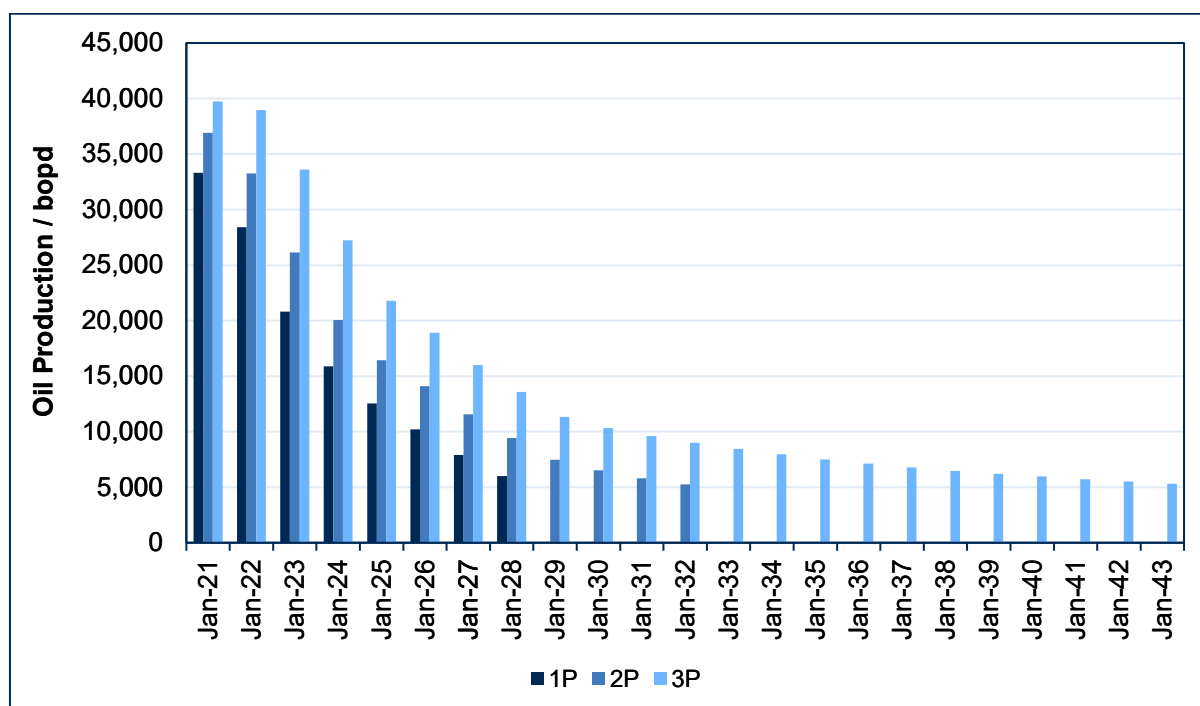
Type	Gross Gas Reserves (Bscf)			Net Working Interest (%)	Net Gas Reserves (Bscf)		
	Proved	Proved plus Probable	Proved plus Probable plus Possible		Proved	Proved plus Probable	Proved plus Probable plus Possible
Sales Gas	0.8	1.6	3.0	26.69	0.23	0.42	0.79
Fuel Gas	9.8	13.6	22.4	26.69	2.60	3.62	5.98
<b>Total</b>	<b>10.6</b>	<b>15.2</b>	<b>25.4</b>	<b>26.69</b>	<b>2.83</b>	<b>4.04</b>	<b>6.77</b>

**Notes:**

1. Gross Field Reserves are 100% of the volumes estimated to be commercially recoverable from the field.
2. Net Reserves are those attributable to Suncor's interest.
3. Numbers may not add up due to rounding.

Note that the Effective Date for the estimation of Reserves and Resources is 31<sup>st</sup> December 2020. In keeping with the requirements of SPE-PRMS (see Appendix I), the Reserves reported here have been subject to an Economic Limit Test (ELT). GaffneyCline's own oil and gas price scenarios applicable at the Effective Date have been used for this and the economic cut-off is found to occur at end 2032 in the Proved plus Probable case (end 2028 for the Proved case). Production and cost profiles for the Reserves cases are presented in Appendix III; the oil production profiles are shown in Figure 2.

**Figure 2: Gross Oil Production Profiles for Reserves Cases**



## Contingent Resources Summary

The Best estimate (2C) oil and gas Contingent Resources (Development Pending) attributable to GEAD are summarized in Table 3 and Table 4 respectively. These relate to potential future production from the 2023 and 2025 drilling campaigns. Contingent Resources (Development Unclarified) attributed to the Pacific gas-condensate discovery are discussed in the body of this report.

**Table 3: Summary of Oil 2C Contingent Resources (Development Pending)  
as at 31<sup>st</sup> December 2020**

Project	Gross Oil 2C Contingent Resources (MMBbl)	Net Working Interest (%)	Net Oil 2C Contingent Resources (MMBbl)
2023/2025 Drilling Campaigns	11.6	26.69	3.0

**Notes:**

1. Gross Field Contingent Resources are 100% of the volumes estimated to be commercially recoverable from the project, in the event that it goes ahead.
2. Net Contingent Resources are those attributable to Suncor's interest.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or not at all (i.e. no "Chance of Development" factor has been applied).
4. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved

**Table 4: Summary of Gas 2C Contingent Resources (Development Pending)  
as at 31<sup>st</sup> December 2020**

Project	Type	Gross Gas 2C Contingent Resources (Bscf) 2C	Net Working Interest (%)	Net Gas 2C Contingent Resources (Bscf) 2C
2023/2025 Drilling Campaigns	Sales Gas	0.29	26.69	0.08
	Fuel Gas	2.15	26.69	0.57
	<b>Total</b>	<b>2.43</b>	<b>26.69</b>	<b>0.65</b>

**Notes:**

1. Gross Field Contingent Resources are 100% of the volumes estimated to be commercially recoverable from the project, in the event that it goes ahead.
2. Net Contingent Resources are those attributable to Suncor's interest.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or not at all (i.e. no "Chance of Development" factor has been applied).
4. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved

## Economic Summary

GaffneyCline has calculated reference Net Present Values (NPVs) associated with the Reserves cases on a pre-tax basis, as EnQuest has advised that it is currently not in a tax-paying position for UK Ring-Fenced Corporation Tax. Resulting NPVs at 10% discount rate are shown in Table 5.

GaffneyCline's own oil and gas price scenarios applicable at the Effective Date, adjusted for quality and location, have been used in preparing these NPVs. All NPVs quoted are those exclusively attributable to Suncor's interest in the GEAD.

**Table 5: Pre-Tax NPV at 10% Discount Rate of Future Cash Flow from Reserves  
Net to Suncor's Interest, as at 31<sup>st</sup> December 2020**

Net Present Values (US\$ MM)		
Proved	Proved plus Probable	Proved plus Probable plus Possible
337.3	495.7	752.4

**Notes:**

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset on a pre-tax basis.
2. The reference NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.



## Discussion

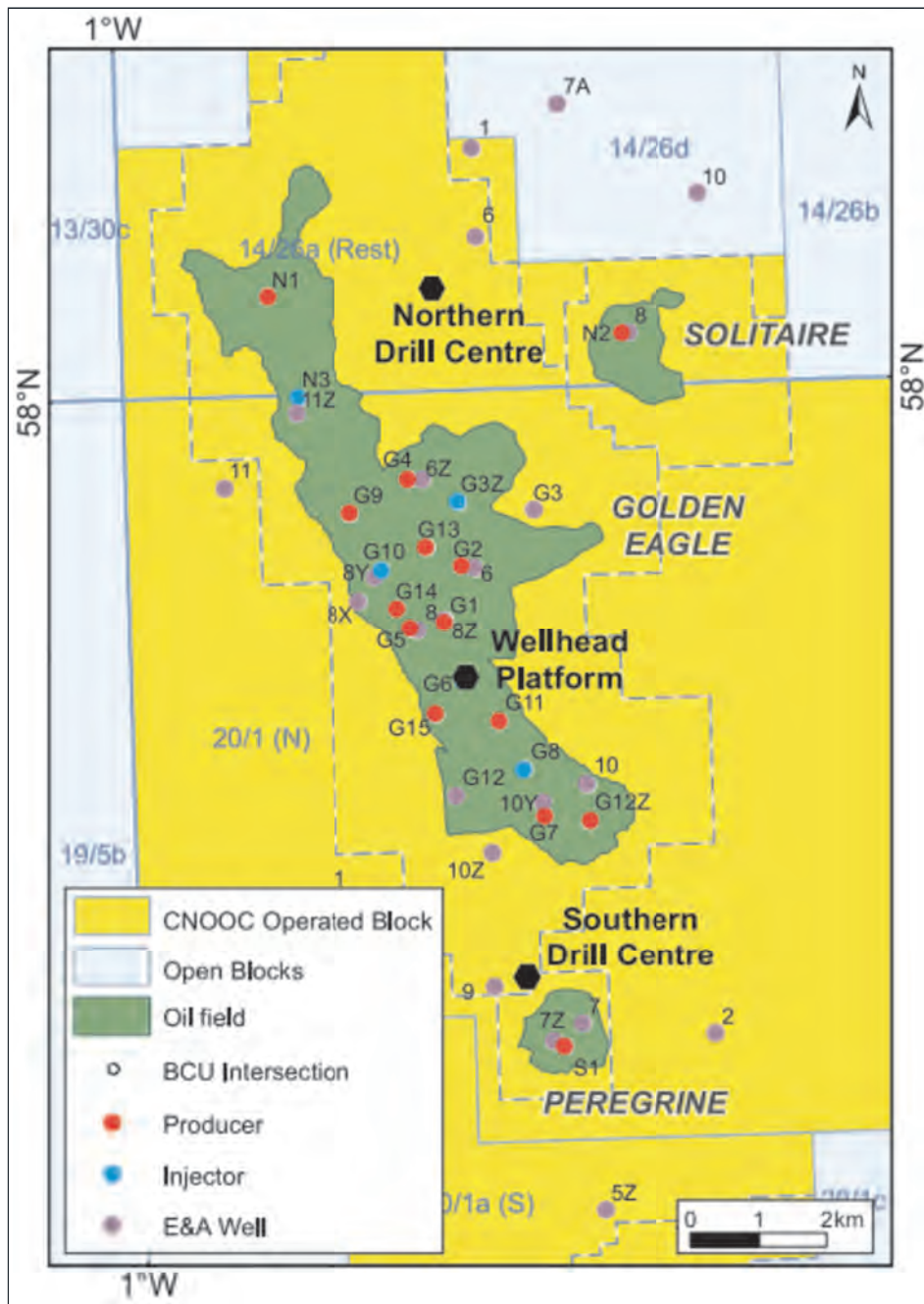
### 1 Description of Asset

The Golden Eagle Area Development (GEAD) comprises three fields, namely, Golden Eagle, Solitaire and Peregrine located about 70 miles (110 km) north-east of Aberdeen, offshore in the UKCS in water depths of up to 374 ft (114 m). The Golden Eagle field was discovered in 2007 and first oil was produced in 2014. Solitaire and Peregrine are two much smaller satellites whose subsea wells are tied back to the facilities. Oil production up to end 2020 was 109.7 MMBbl gross of which 86% is from Golden Eagle.

The GEAD area covers two UK Licences namely P.300 and P.928 and the current joint venture partnership consists of CNOOC, the Operator, with 36.54%; NEO Energy with 31.56%; ONE DYAS with 5.21% and Suncor Energy with 26.69%. EnQuest entered into the Call Option Deed with Suncor on 3<sup>rd</sup> February 2021 to purchase Suncor's interest in the GEAD joint venture.

The three fields are a combination of structural and stratigraphic traps. The Upper Jurassic and Lower Cretaceous Punt and Burns reservoirs are hydraulically isolated and produce a good quality, sweet, low acid 36° API oil and are produced via 14 (15 including the G16 well drilled and brought on stream in late 2020) gas lifted production wells. There are six water injection wells, all on the Golden Eagle field itself with Solitaire and Peregrine producing under natural depletion with limited aquifer influx. A base map of the GEAD area is shown in Figure 3 (the G16 well and the other three targets for the 2020/21 drilling campaign are not shown). Table 7 lists the wells drilled in the GEAD.

### Figure 3: Basemap of the Golden Eagle Area



Source: Pinnock & Dutton (2020)<sup>1</sup>

<sup>1</sup> Pinnock & Dutton (2020). The Golden Eagle, Peregrine and Solitaire fields, Blocks 14/26a and 20/01, UK North Sea; In: Goffey, G. & Gluyas, J.G. (eds.) 2020. United Kingdom Oil and Gas Fields: 50<sup>th</sup> Anniversary Commemorative Volume. Geological Society, London, Memoirs, 52, 740-754.

**Table 6: Wells Drilled in Golden Eagle Area Development**

Field	Well	Year	Reservoir	Status
Golden Eagle	20/01-6	2006	Burns	E&A
Golden Eagle	20/01-6Z	2007	Burns	E&A
Peregrine	20/01-7	2008	Burns	E&A
Peregrine	20/01-7Z	2008	Burns & Punt	E&A
Golden Eagle	20/01-8	2009	Burns & Punt	E&A
Golden Eagle	20/01-8Z	2009	Burns & Punt	E&A
Golden Eagle	20/01-8Y	2009	Burns (water bearing) & Punt	E&A
Golden Eagle	20/01-8X	2009	Punt	E&A
Golden Eagle	20/01-9	2009	Burns (water bearing) & Punt	E&A
Golden Eagle	20/01-10	2009	Burns (water bearing) & Punt	E&A
Golden Eagle	20/01-10Z	2009	Burns (water bearing) & Punt (no net reservoir)	E&A
Golden Eagle	20/01-10Y	2009	Burns & Punt	E&A
Golden Eagle	20/01-11	2009	-	E&A
Golden Eagle	20/01-11Z	2009	Burns (water bearing) & Punt	E&A
Golden Eagle	20/01-G1	2014	Burns & Punt	Producer
Golden Eagle	20/01-G2	2014	Burns	Producer
Golden Eagle	20/01-G3	2015	Burns	Unknown
Golden Eagle	20/01-G3Z	2015	Burns	Injector
Golden Eagle	20/01-G4	2015	Burns	Injector (Shut-In Producer)
Golden Eagle	20/01-G5	2015	Burns & Punt	Producer
Golden Eagle	20/01-G6	2015	Burns & Punt	Injector
Golden Eagle	20/01-G7	2015	Burns & Punt	Producer
Golden Eagle	20/01-G8	2015	Burns & Punt	Injector
Golden Eagle	20/01-G9	2015	Punt	Producer
Golden Eagle	20/01-G10	2016	Punt	Injector
Golden Eagle	20/01-G11	2026	Punt	Producer
Golden Eagle	20/01-G12	2016	Burns & Punt	Unknown
Golden Eagle	20/01-G12Z	2016	Burns & Punt	Producer
Golden Eagle	20/01-G13	2016	Burns	Producer
Golden Eagle	20/01-G14	2016	Burns & Punt	Producer
Golden Eagle	20/01-G15	2016	Punt	Producer
Golden Eagle	14/26a-N1	2014	Punt	Producer
Golden Eagle	14/26a-N3	2015	Burns & Punt	Injector
Golden Eagle	BPF (20/01-G16)	2020	Punt	Producer
Golden Eagle	HPJ (20/01-G17)	2020	Burns	Producer
Peregrine	20/01-S1	unknown	Burns & Punt	Producer
Peregrine	20/01-S2	unknown	Burns & Punt	Producer
Solitaire	14/26a-8	2001	Burns	E&A
Solitaire	14/26a-N2	unknown	Burns	Producer

## 2 Geology and Geophysics

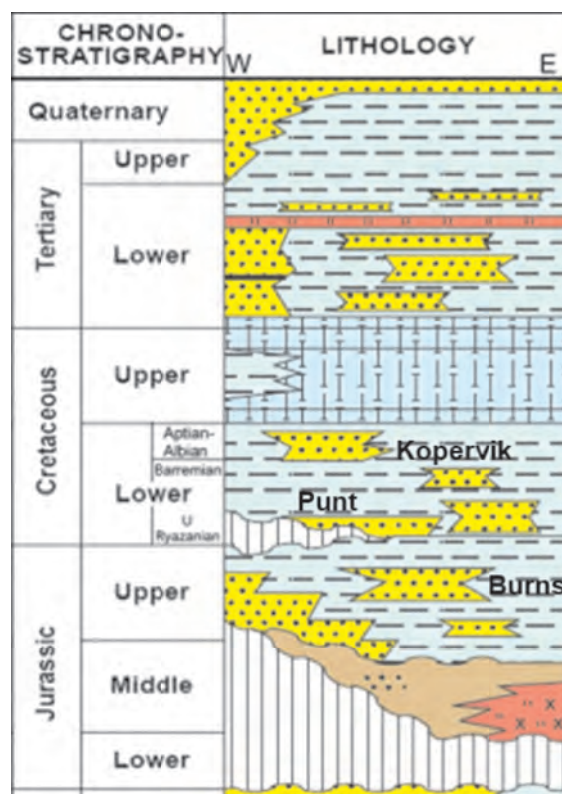
### 2.1 Regional Geological Setting and Plays

The Golden Eagle Area is located in the Outer Moray Firth on the southwest-northeast trending Grampian Arch, between the Cromarty sub-basin to the northwest and the Ettrick sub-basin to the southeast. The structural setting in the Moray Firth changed from pre-rift to syn-rift during the Late Jurassic, which is characterised by overall transgression and widening of the basin. Clastic deposits of the Humber Group, such as organic rich shales (e.g. Kimmeridge Clay), gravity flows of sands or conglomerates (e.g. Burns and Claymore sandstones), marine transgressive sands (e.g. Piper sandstone), and paralic to fluvial sands, silts, and coals (Sgiath units) were deposited in the area.

Continued extensional rifting into the Early Cretaceous has only been observed locally in the Moray Firth, e.g. in the Halibut Horst Area. Tectonics related to the Late Kimmerian and Austrian orogeny are thought to have resulted in transpression and inversion, overprinting the overall eustatic sea-level rise, which continued throughout the Early Cretaceous. Deep-water clastic sediments were deposited basinward during episodes of sea-level fall, such as for example the Kopervik sands. Throughout the Early Cretaceous, basinal mudstones and marls were the predominant facies with sandstones deposited regionally as well. Main stratigraphic units are the Punt, Coracle, and Kopervik Sandstone members. The distribution of Low Stand sands such as the Punt and Kopervik sandstone was controlled by the structure and paleogeography of the Moray Firth Basin floor at the time. Figure 4 displays a generalised stratigraphy for the Outer Moray Firth.

The main reservoirs in the Golden Eagle Area are the turbiditic Burns and Punt sandstones. Over time the system moved westwards and became increasingly confined. Golden Eagle and Peregrine are located within the same fairway with Peregrine displaying more mature sediment, being in a more distal location. The Burns sandstone at Solitaire is thought to belong to a different fairway, also encountered by the Blackjack exploration well (Well 14/26a-10) at the Atlantic Field.

Figure 4: Stratigraphic Column, Outer Moray Firth



Source: Marshall et al. (2018)<sup>2</sup>

## 2.2 Geophysical Data and Interpretation

GaffneyCline's review of the geophysical dataset and interpretation was primarily carried out via an online virtual dataroom. Several supporting presentation-style reports were also provided, which covered various aspects of the data and its interpretation. The geophysical dataset at Golden Eagle is relatively comprehensive and has continued to evolve throughout the life of the project.

The early seismic data consisted of a merge of four seismic surveys, which were re-processed into a single contiguous and consistent dataset. Since that time the 2010 TGS MF10 regional survey was acquired and was used as a basis of the FDP. An additional seismic survey was acquired in 2015, which was an Ocean Bottom Node (OBN) baseline survey for a 4D seismic programme. This was re-shot in 2018 with the first monitor survey.

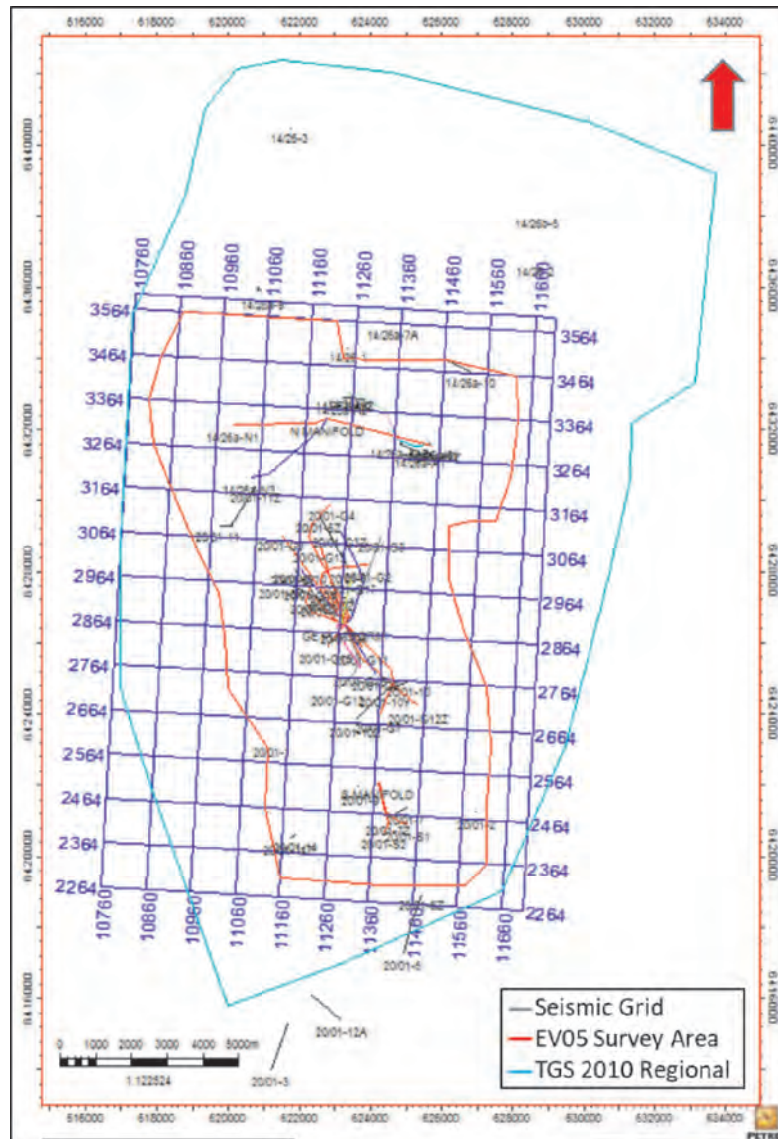
The OBN survey covers the vast majority of the main area of interest (Figure 5), and is merged with the regional TGS dataset around the edges of the survey, in order to provide full fold coverage across the entire AOI. GaffneyCline looked at the merge between the two datasets and the merge is very good, with very few artefacts discernible in the merge area. There is

<sup>2</sup> Marshall et al (2018). Goldeneye: Tomorrow Never Dies (or a field Only Lives Twice); In: Bowman, M. & Levell, B. (eds.) 2018. Petroleum Geology of NW Europe: 50 Years of Learning – Proceedings of the 8<sup>th</sup> Petroleum Geology Conference, 547-560.



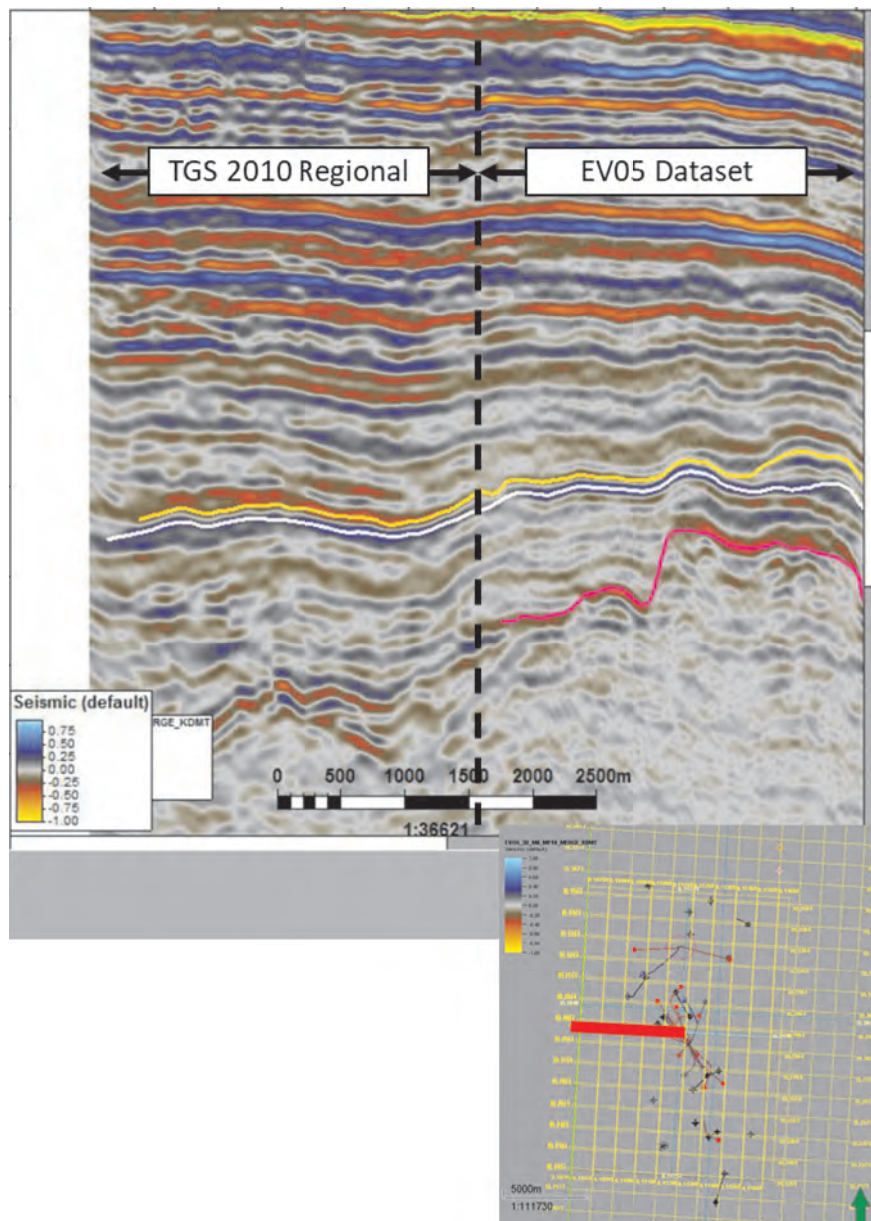
possibly a slight reduction in amplitude, but this is not significant, does not impact the structural interpretation and is not likely to be present across the entire merge area (Figure 6).

### Figure 5: 3D Seismic Coverage



Source: Suncor Virtual Dataroom

Figure 6: EV05 to TGS Data Merge



Source: Suncor Virtual Dataroom

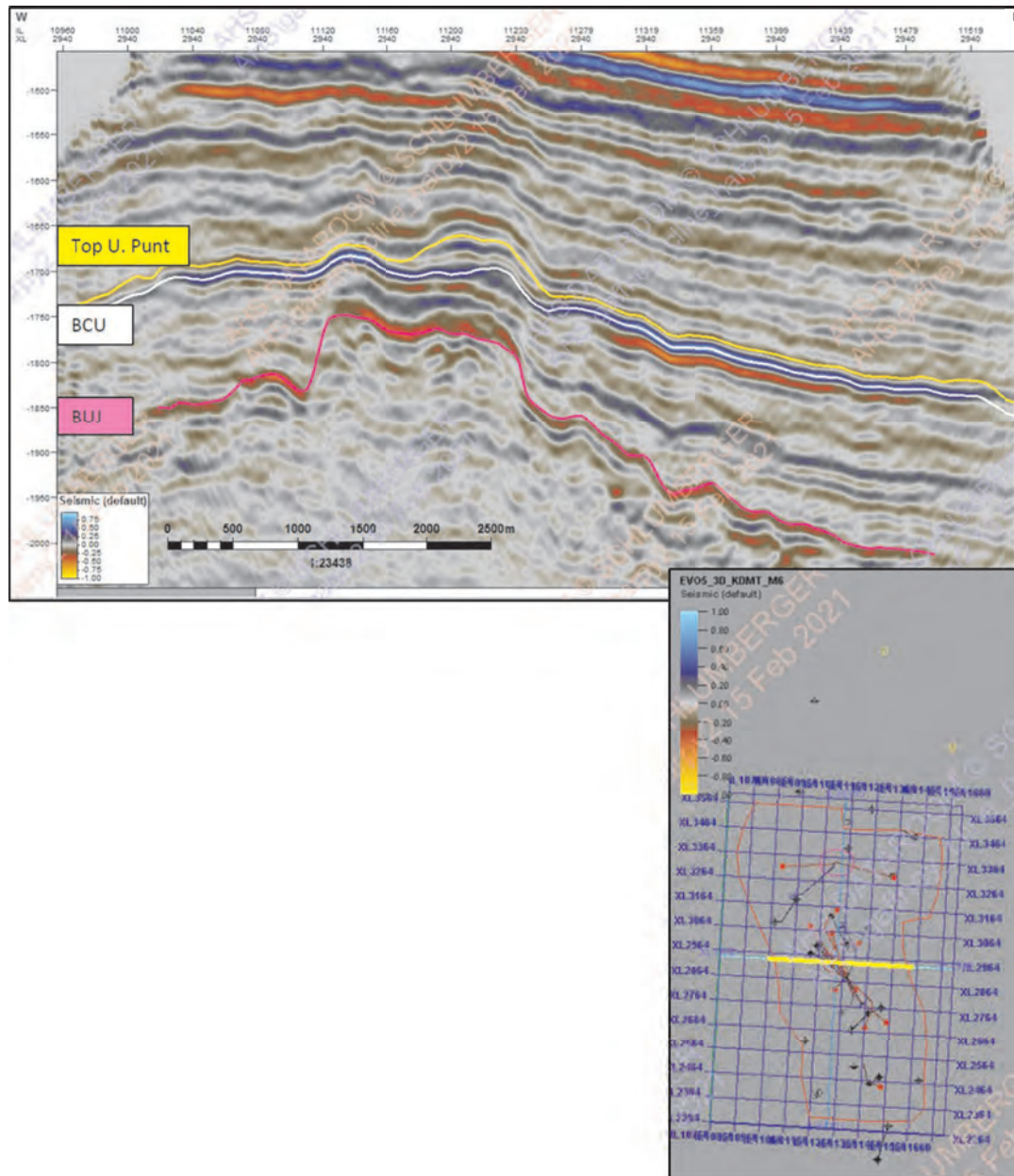
A spectral analysis of the latest OBN dataset suggests that the dominant frequency in the main field area is approximately 27 Hz, with a frequency range of 5 to 65 Hz. Given a velocity of 3,050 m/s (derived from well data), this suggests an approximate theoretical vertical resolution of 28 m, at the Base Cretaceous Unconformity (BCU) level.

The supporting documentation (presentation files and the FDP document) shows that the seismic data was tied to the wells using synthetic seismograms and the images provided show a good tie was achieved.

The key seismic horizon is the BCU, which is interpreted using the merged field-wide seismic dataset. Using the latest seismic dataset (EV05 & TGS regional), this horizon corresponds to

a broad high amplitude peak event, which is laterally continuous and coherent over the study area (Figure 7). The amplitude does vary laterally, but remains sufficiently consistent to allow a high confidence interpretation. GaffneyCline reviewed the interpretation of this event in the dataroom and confirms that it is robust, the base pick is snapped to the peak amplitude of the event.

**Figure 7: EV05 to TGS Data Merge**



Source: Suncor Virtual Dataroom

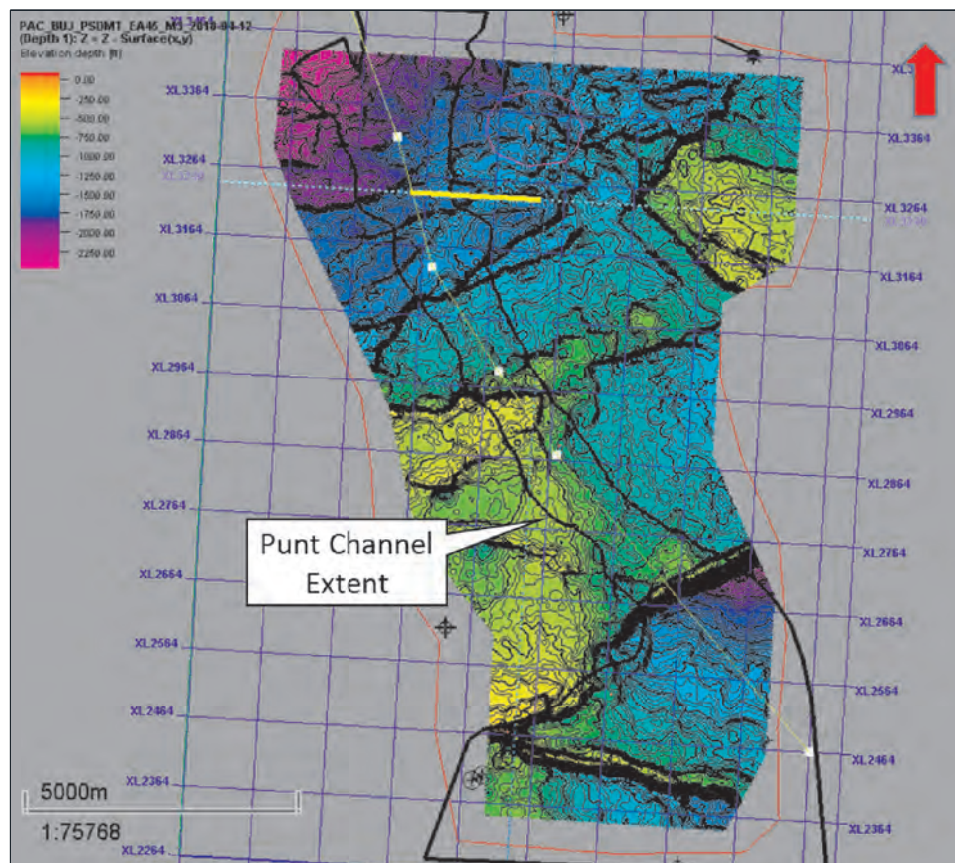
The Top Punt structural surface is also derived through seismic interpretation. The Top Punt is picked using a trough event, which is typically directly above the BCU peak event. The Top Punt is generally lower confidence, in that it has less amplitude than the BCU and is less



laterally continuous and coherent. However, as it is generally directly above the BCU, the BCU can be used as a guide surface, which in turn makes the Punt relatively high confidence. The Top Punt reservoir itself consists of channel complex trending generally from north to south, which is identified on the seismic data as an extra seismic cycle between the Top Punt and the BCU pick (Figure 7). Due to lateral geological variability, the internal architecture and the seismic response does change along the length of the channel. However, interpretation of the broad channel package is reasonable to high confidence over the entire area.

A review of the structural model showed that very few faults were included. GaffneyCline reviewed the seismic data for faulting to ensure that the structural model honoured the faulting observed. Faults are imaged on the 3D dataset as vertically consistent reflector terminations. It is clear that the base Upper Jurassic (BUJ) is affected by intense faulting, but these faults die-out vertically towards the BCU, which is not affected by faulting to the same magnitude as the BUJ. An isochron map between the BCU and BUJ (Figure 8) showed thickness changes across the strike of the larger faults that affect the BCU level. A review of this map (Figure 8) showed that the key faults likely to affect the Burns and Punt reservoirs are likely to be included in the structural model.

**Figure 8: BCU to BUJ Isochron**



Source: Suncor Virtual Dataroom

It may be the case that sub-seismic faults affect the reservoir, but these are unlikely to completely offset and segment the reservoir. In addition to this, injector and producer wells are situated in such a way that it is very unlikely that there will be large areas of the field that remain completely segmented from the rest of the field.

In order to create a depth surface, several steps are undertaken in the time to depth conversion process. Initially, a layered velocity model is used to convert the seismically derived time surfaces to depth. The velocity layer intervals are picked at key surfaces (Top Chalk, Top Hod, Plenus Marl, BCU and BUJ), across which there are relatively large velocity changes. The velocity model is derived from and tied to a significant number of well penetrations and is relatively high confidence itself. Residual depth error analysis carried out in 2017 suggested that standard deviations of approximately  $\pm 70$  ft should be carried into uncertainty modelling. At the Punt level, the uncertainty was found to be a lot less with residual depth errors in the order of approximately 30 to 40 ft.

Subsequent to the initial time to depth conversion using the velocity model, the depth surface is revised using information from the 4D dataset. The 4D dataset has been shown to harden in response to the presence of water sweep, which allows edits to the depth surface to reflect this. The application of this process has resulted in local edits to depth surface and overall there is a shallowing to the top surface which has increased the GRV and resultant STOIP.

The 2015 to 2018 4D seismic dataset has been calibrated to the wells and can be used qualitatively for the planning of infill wells. The 2020 infill well programme was planned with reference to the 4D dataset and two of the wells were drilled as at the Effective Date, which allowed some analysis of the confidence in the predictive quality of the 4D data. (As a postscript the third well has now also been drilled – March, 2021).

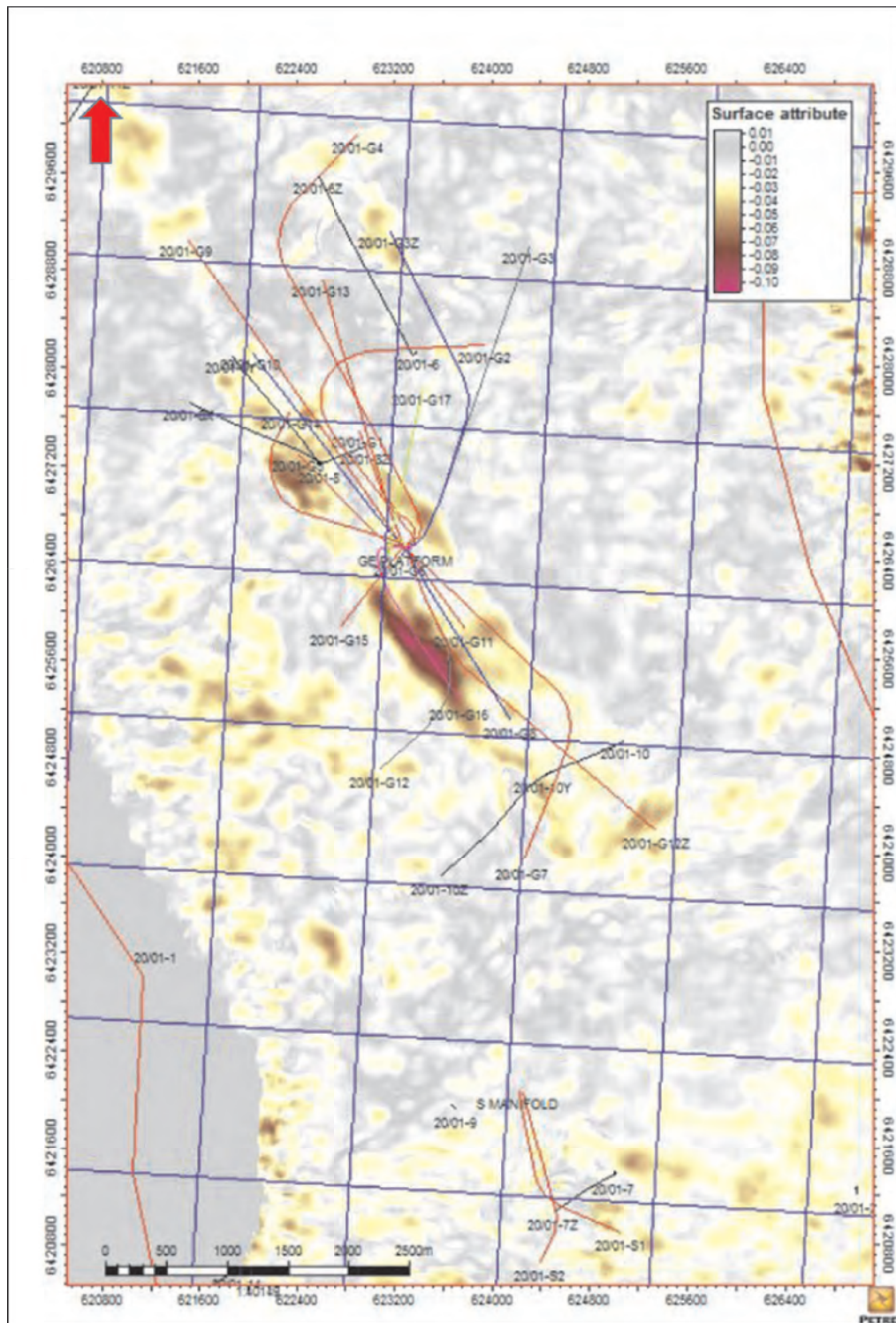
Work by CNOOC suggests that the Burns reservoir has a 4D response which is dominated by water sweep and this is best imaged by a maximum amplitude over a 50 ms window below the BCU, which is interpreted as a seismic hardening response. The Punt reservoir response is more complicated and is likely to be a composite response of saturation and pressure changes, but a single seismic attribute is not capable of resolving the full detail. Supporting reports and files within the Petrel project in the data room suggests that this is assumed to be best imaged on a minimum amplitude extraction over a 50 ms window above the BCU.

The supporting files do provide an insight into the work done by CNOOC and it was possible to replicate the seismic responses above and below the BCU of the Burns (Figure 9) and Punt sands respectively (Figure 10). However, no really detailed reports were provided that show analysis of the 4D response and what the potential limitations are. For example, it is stated that it is a composite response, which likely means that it is potentially a non-unique response in certain areas, which may give rise to false positive responses. In addition, the thickness of the Punt reservoir varies significantly across the field, so more confidence would be gained by examination of the impact of thickness on the seismic response. It is likely that more detailed work has been carried out by CNOOC, but not provided as part of the dataset for this study.





Figure 10: Minimum Amplitude over 50 ms Window Above BCU Showing 4D Punt Response



Source: Generated by GaffneyCline in Suncor Virtual Dataroom

The first two wells of the four well 2020/2021 infill programme have been drilled at the time of writing this report. Both of the wells came in on depth prognosis, which provides a good level



of support for the time to depth conversion methods. Interval thickness (or length for the horizontal HPJ/G17 well) were also at the P50 to P10 values of the prognosis.

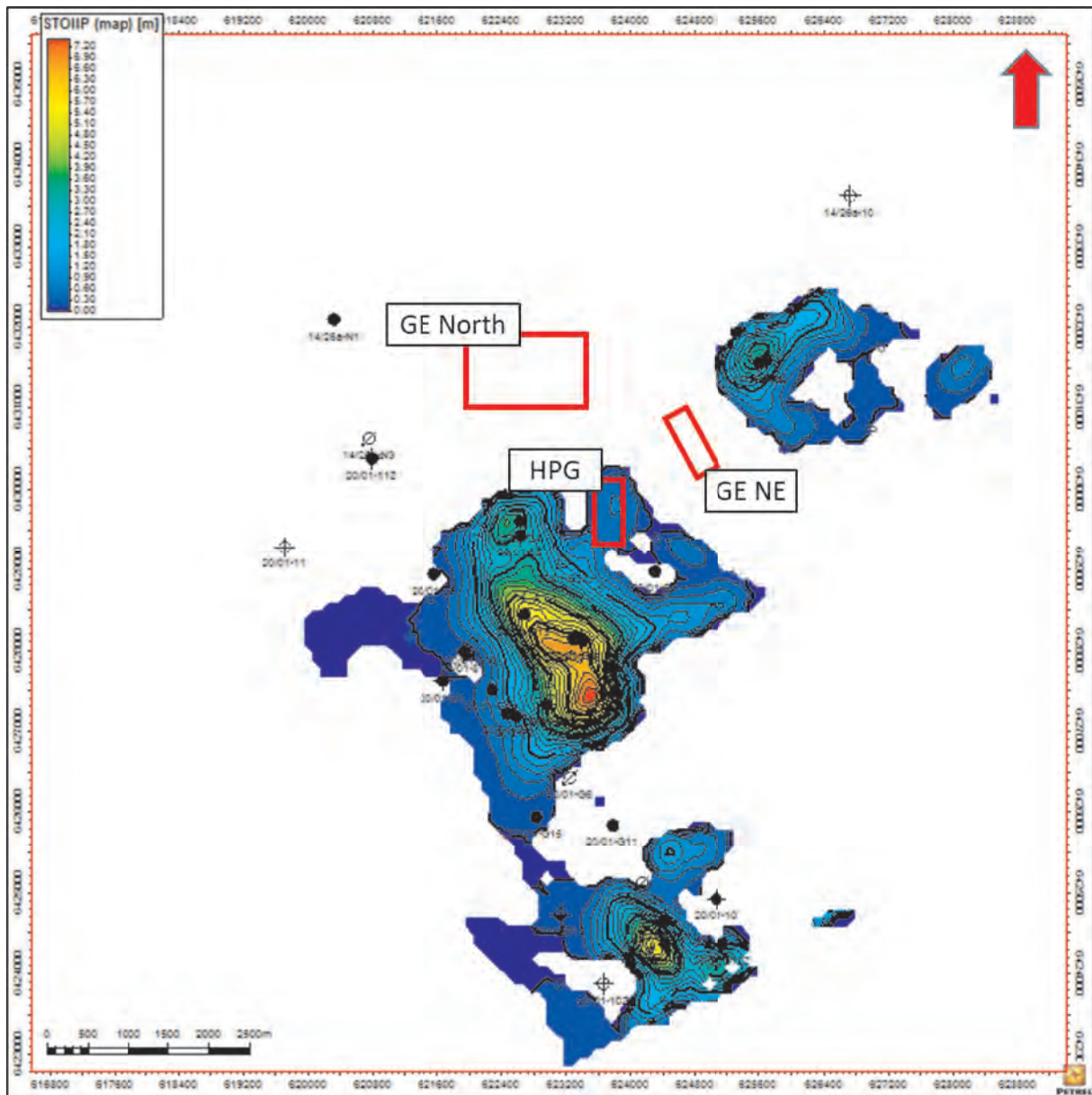
The G17 (HPJ) well targeted Burns sands in an area where the 4D suggested an un-swept area. The initial well results suggest an un-swept area with very low water saturations and pressures as expected. These observations go some way to calibrating the 4D response in the Burns sands.

The G16 (BPF) well was drilled into an area where the 4D suggested the Punt reservoir was not adequately swept or pressuring up due to injection and initial observations from the well itself agreed with this. However, as at the Effective date there were some early indications that the medium to long term production might not be as consistent as expected. This perhaps highlights the need to better understand the 4D response in terms of the limitations of the dataset. (as a postscript the operator reports that the well is now flowing at about 6,300 bopd – March, 2021).

The remaining two wells of the 2020/2021 infill campaign target the Punt reservoir. One of the well locations is supported by the 4D response, so will provide further calibration to the 4D response.

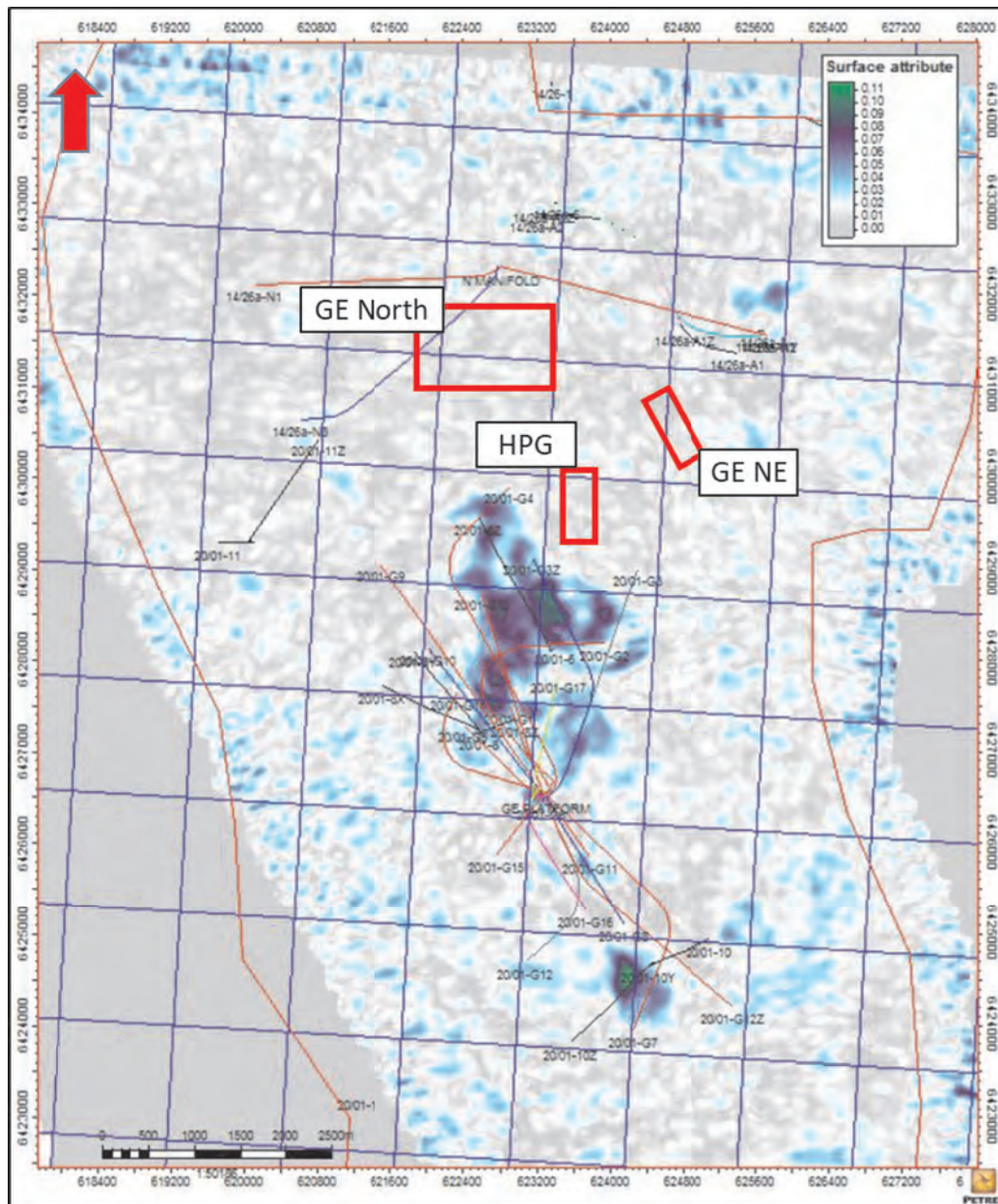
Some information was also provided in the dataset concerning a future drilling programme, which is planned for implementation in 2023 to 2025. This proposed seven well infill programme assumes 4 subsea producers and 3 platform producers. These wells are planned to target Burns and Punt reservoir locations. Approximate subsurface locations for these wells were provided by Suncor in the virtual dataroom. It is likely that these locations will be refined in future work. GaffneyCline overlaid the current suggested well locations with the 4D response and STOIP maps at the relevant reservoir levels (Figure 11 to Figure 14). Discussions with EnQuest during the project show that they are taking a cautious approach to this infill programme and are not assuming that all of these wells will be successful. GaffneyCline agrees with this approach at the current time.

**Figure 11: 2023-2025 Infill Programme - Burns Targets  
Approximate Locations Overlain with Burns STOIP**



Source: Suncor Virtual Dataroom

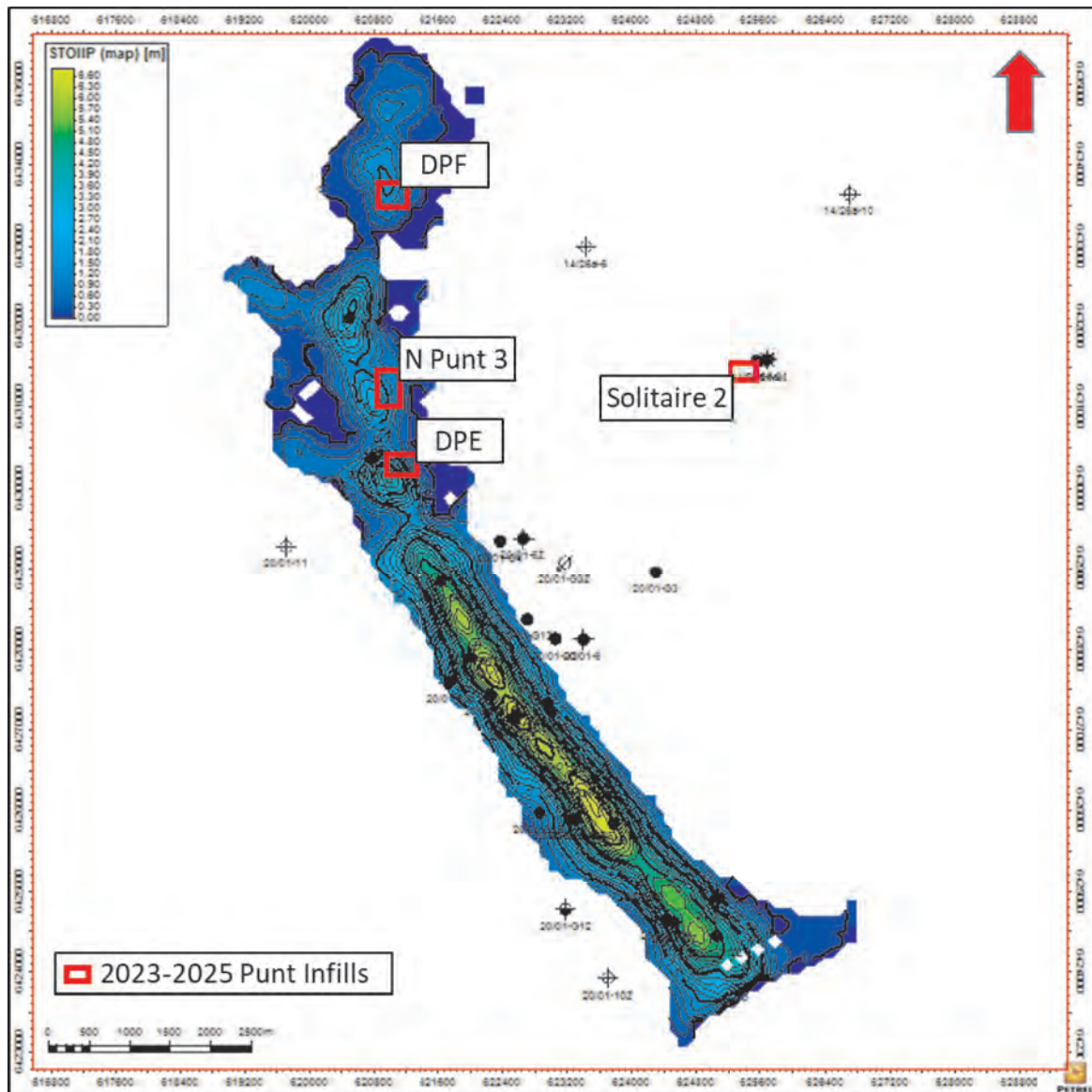
**Figure 12: 2023-2025 Infill Programme - Burns Targets  
Approximate Locations Overlain with Burns 4D Response**



Source: Suncor Virtual Dataroom

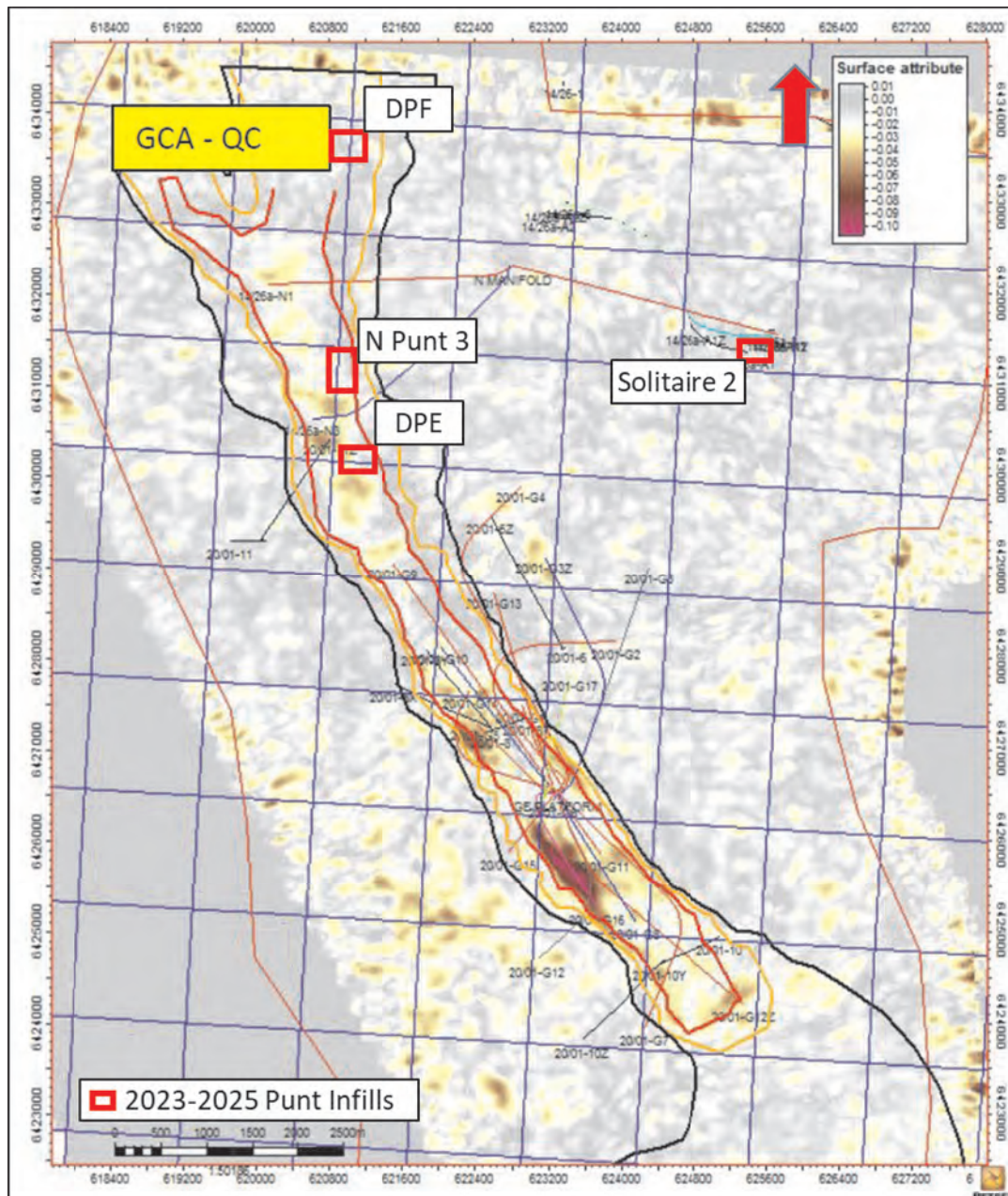


**Figure 13: 2023-2025 Infill Programme - Punt Targets  
Approximate Locations Overlain with Punt STOIP**



Source: Suncor Virtual Dataroom

**Figure 14: 2023-2025 Infill Programme - Punt Targets**  
**Approximate Locations Overlain with Punt 4D Response**



Source: Suncor Virtual Dataroom

GaffneyCline reviewed the most recent static model available in the VDR, which is “Ph3V2.2” last modified on 18<sup>th</sup> November 2020. Depth surfaces for the BCU and Top Punt from seismic interpretation were incorporated as horizons in the static model. Other model horizons were built from isochore thickness maps. Depth surfaces for the main reservoir horizons, such as Top Upper Punt, BCU, Top Upper Burns, and Base Burns (in progress) were adjusted to reflect the results of the EVO5 4D seismic survey. GaffneyCline accepted the fairway extent for the Burns and Punt sandstones as presented in the VDR, which is based on seismic interpretation and well control, e.g. isochore thickness maps to outline the extent of the Burns sandstone due to differential compaction, and mapping of channel extent for the Punt sandstone, which were used to guide the facies distributions in the static model.

The reservoir properties and contact depths applied to the model are overall consistent with the well data. The model was built according to industry standard best practice and forms the basis for GaffneyCline’s STOIP estimation.

### 2.3 Petrophysics

GaffneyCline’s review of the petrophysical interpretation on Golden Eagle involved spot-checks on the reservoir properties via both the virtual dataroom and CPI binder pdf, as well as the review of various reports and presentations that outlined the interpretation methodology and the basis of the free water levels used.

The Golden Eagle fields contain two hydraulically isolated siliciclastic reservoir units – the Lower Cretaceous Punt and the Upper Jurassic Burns, displaying good to excellent reservoir quality sands, with net-to-gross ranging from 0.22 – 0.94 v/v, porosity from 0.16 – 0.24 v/v and water saturation from 0.50 – 0.22 v/v.

A total of fourteen exploration and appraisal wellbores have been drilled across the GEAD, with 34 wellbores overall in the database. Data acquisition from these wells has been comprehensive, with core having been taken from seven wells in the Punt Sandstone and six wells in the Burns Sandstone with associated routine (RCA) and special core analyses (SCAL) performed (over 1,600 ft of core cut), fluid samples taken in all wells (sampling both oil and water) and DST’s conducted in three wells. All wells have been logged with the standard “triple combo” of gamma ray, resistivity and porosity (acoustic/density/neutron) tools, along with 3D resistivity and spectroscopy logging in all appraisal wells and extensive acquisition of nuclear magnetic resonance (NMR) logging across the appraisal and development wells.

Numerous iterations on the petrophysical interpretation have been performed, with the current petrophysical model being deterministic and using the Juhasz saturation model in order to compensate for the shale conductivity observed in the reservoir.

Both log-derived porosity (density) and permeability are well calibrated to core measurements.

Capillary pressure (Pc) data (both mercury injection and porous plate measurements) have been used to model water saturation in the static and dynamic models. The free water level (FWL) is well constrained by both log observations and from extensive formation pressure data.

Log-derived water saturations are deemed to be on the pessimistic side in the Punt Sandstone, especially when compared to the Dean-Stark saturation core measurements. This is due to the laminated nature of the reservoir causing the resistivity response to be somewhat



suppressed and lower than the true resistivity. The Burns Sandstone contains very little shale content, however, thin beds are present which will also effect the true resistivity response.

Work is still ongoing to improve the saturation model, with the use of a core-based facies model being integrated with permeability and capillary pressures to populate the 3D models. It is hoped that the link to facies will help improve the representativeness of water saturations more effectively.

The FWL has been intersected by numerous wells, namely 20/1-6, -6Z and -10Y in the Burns Sandstone and 20/1-10 and -11Z in the Punt Sandstone at Golden Eagle and in 20/1-7 and -7Z in the Burns Sandstone at Peregrine. Formation pressure data interpretation shows a common FWL of 7,244 ft TVDss at the Golden Eagle Field. A deeper FWL is observed at Peregrine in the Burns Sandstone at 7,493 ft TVDss, with an inferred FWL for the Punt Sandstone at 7,281 ft TVDss, based on the extrapolation of the regional water gradient and the intersect with the oil gradient derived from the Punt data.

Deeper FWL's have been estimated in Burns South at 7,266 ft TVDss, based on 20/1-G12Z. Log data from other wells show ODTs ranging to 7,270 ft TVDss, with these interpretations integrating resistivity responses with NMR and core fluorescence. Therefore, there is still some uncertainty that needs to be addressed, so a range of 7,244 ft TVDss to 7,266 ft TVDss for the FWL has been used in this segment. In the Golden Eagle Southern Terrace segment, FWL's at 7,400 ft TVDss and 7,460 ft TVDss have been inferred for the Punt and Burns reservoirs respectively. This is an undrilled segment and has uncertainty relating to the FWL where a 200ft range of uncertainty has been used in Punt, whereas the Burns FWL is based on the mapped spill point. This segment has a relatively minor percentage of total STOIIIP at GEAD and should not impact the volumes from the current well stock or the proposed infill wells.

The Pacific gas-condensate accumulation to the north of Golden Eagle was discovered by 16/26a-N1 (see Figure 3) in the Lower Cretaceous Kopervik Sandstone. Both the gas-oil contact (GOC) and an oil-water contact (OWC) were penetrated in this well at 6,403 ft TVDss and 6,408 ft TVDss respectively within a good quality, clean sandstone reservoir, confirmed with gradient analyses of the formation pressure data. Porosity has been calculated from the density log, along with the Archie saturation method. Produced water analyses show a formation water salinity of approximately 46,000 ppm NaCl equivalent. The Formation Resistivity Factor (m) and Resistivity Index (n) inputs to the Archie method have been measured from SCAL data, being 1.81 and 1.85 respectively.

## 2.4 Estimation of STOIIIP

### 2.4.1 Golden Eagle, Peregrine, and Solitaire Fields

GaffneyCline has adopted a stochastic approach to estimation of STOIIIP using Monte Carlo analysis, which was applied to each field and reservoir. GaffneyCline used the gross rock volume (GRV) from the static model Best Case and applied a variance of  $\pm 10\%$  to allow for uncertainty in the structural envelope and contact depth. Other inputs to the Monte Carlo calculation are derived from the petrophysical evaluation and application of reasonable ranges based on the available data (Table 8).

**Table 7: Golden Eagle Area Sandstone Reservoirs Petrophysical Averages**

Field	Reservoir	NTG (v/v)	Average Net Porosity (v/v)	Average Net Sw (v/v)
Golden Eagle	Punt	0.55	0.18	0.31
Golden Eagle	Supra Burns	0.10	0.16	0.42
Golden Eagle	Burns	0.40	0.23	0.29
Peregrine	Punt	0.54	0.17	0.36
Peregrine	Burns	0.80	0.23	0.28
Peregrine South	Punt	0.52	0.17	0.48
Peregrine South	Burns	0.45	0.21	0.31
Solitaire	Burns	0.72	0.22	0.35

The variance applied to the NTG ratio is  $\pm 20\%$ . A variance of  $\pm 0.02$  p.u. was applied to the Best Case porosity and a variance of  $\pm 0.05$  s.u. was applied to the hydrocarbon saturation.

Table 9 summarises the resulting STOIP estimates. The Operator's Best Case STOIP estimate is 431.5 MMBbl which is about 0.35% less than GaffneyCline's estimate.

**Table 8: Golden Eagle, Peregrine, and Solitaire Fields, Estimated STOIP**

Field	Reservoir	STOIP (MMBbl)		
		Low	Best	High
Golden Eagle	Punt	154	203	263
Golden Eagle	Supra Burns	16	21	27
Golden Eagle	Burns	119	157	200
Peregrine	Punt	2	2	3
Peregrine	Burns	17	20	25
Peregrine South	Punt	4	5	7
Peregrine South	Burns	6	7	10
Solitaire	Burns	13	16	20
<b>TOTAL</b>		<b>331</b>	<b>433</b>	<b>554</b>

## 2.4.2 Pacific Discovery

GaffneyCline has adopted a stochastic approach to estimation of GIIP using Monte Carlo analysis. GaffneyCline used the GRV from the static model Low, Best, and High Case as inputs. The GRV ranges were presented in the supporting documentation. Neither depth structure maps nor the static model were available for review. Other inputs to the Monte Carlo calculation are derived from the petrophysical evaluation of offset well data. GaffneyCline used lognormal or triangular distributions for the reservoir properties. The inputs are summarised in Table 10.



**Table 9: Overview of Pacific Reservoir Properties**

Property	Min	ML	Max
NTG	0.49	0.74	0.98
Porosity	0.23	0.26	0.30
Water Saturation	0.07	0.24	0.41

Table 11 summarises the resulting GIIP estimates. The Operator reports Low, best and High estimates of 19.6 – 32.6 – 56.3 Bscf (Golden Eagle Pacific Project SELECT Stage Subsurface Evaluation Report (External)). The main reasons these are higher than GaffneyCline's estimates are use of a NTG range of 0.799 – 0.878 – 0.927 and a water saturation range of 0.079 – 0.091 – 0.105. These values seem optimistic when considering the petrophysical averages for all the wells encountering the Kopervik Sandstone in the area.

**Table 10: Pacific Discovery, Estimated Free GIIP**

Discovery	Reservoir	Free GIIP (Bscf)		
		Low	Best	High
Pacific	Kopervik	13	23	41

The operator has identified a 5 ft oil rim (GOC: -6,403 ft TVDss; OWC: -6,408 ft TVDss) and GaffneyCline has applied the same property ranges as for the gas cap, the resulting oil rim STOIP estimate is shown in Table 12.

**Table 11: Pacific Discovery, Estimated STOIP**

Discovery	STOIP (MMBbl)		
	Low	Best	High
Pacific (oil rim)	1.1	1.8	2.7

### 3 Development and Production

The Golden Eagle Field was developed by Nexen (subsequently taken over by CNOOC) and came on-stream in late 2014. Solitaire and Peregrine are two much smaller satellites that tie back to the facilities.

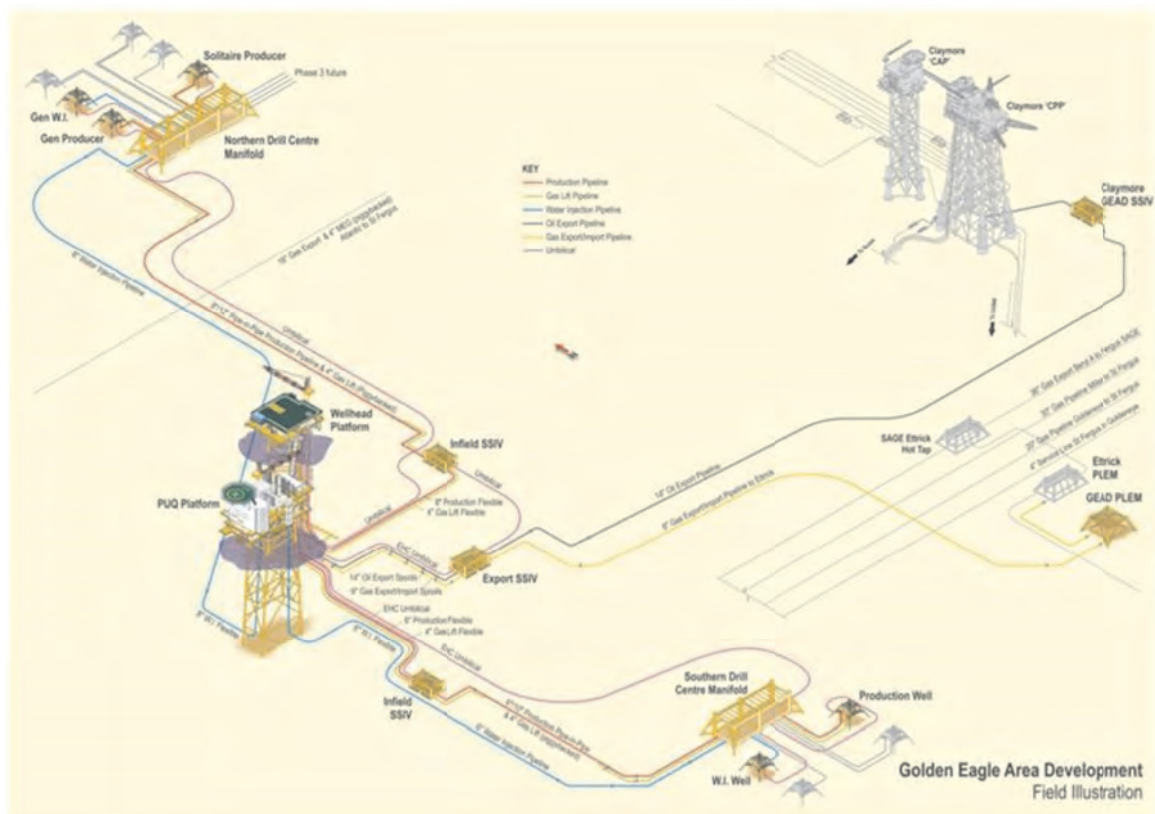
The Upper Jurassic and Lower Cretaceous Punt and Burns reservoirs produce a good quality, sweet, low acid 36° API oil and are produced via 14 gas-lifted subsea wells (plus the G16 well completed and brought on stream in late 2020). There are six water injection wells, all on the Golden Eagle field itself with Solitaire and Peregrine producing under natural depletion with limited aquifer influx. Figure 15 below shows the infrastructure and export routes.

There are two subsea drill centres situated to the North (6 slots) and South (4 slots) of the facilities, which produce oil to a bridge linked wellhead platform (WHP) and a production utilities and quarters (PUQ) platform via rigid, pipe-in-pipe flowlines and two production and four gas lift and water injection risers. The WHP and PUQ are supported by a four steel leg substructure in 100 metres water depth.

Crude oil from the fields is processed on the platform and then transported through the Golden Eagle pipeline to the Claymore line, where it is then routed to the Flotta system and processed into stabilized Flotta Gold blend at the Flotta Terminal. As previously mentioned, the Flotta operators served a 24-month termination notice on 1<sup>st</sup> May 2020 with the intent of re-negotiating commercial terms. The Operator is currently reviewing potential alternative export routes such as via the Forties Pipeline System (FPS). For the economic analysis in this report, GaffneyCline has assumed that oil is exported via FPS from 2023; an additional CAPEX element is included for the necessary re-plumbing and the FPS tariff is assumed.

Gas is currently exported from the platform to the Ettrick 'T' piece and pipeline into the SAGE system for processing and sales at St Fergus. However, gas exports are due to finish in 2022 as from then on all available gas will be utilized for fuel; this is discussed further in section 4.

Figure 15: The Golden Eagle Area Development



Source: EnQuest

Production to end 2020 is 109.7 MMBbl gross of which 86% is from Golden Eagle. Figure 16 shows the oil, gas and water production rates from the start of production through to the Effective Date of end 2020. The corresponding historical water injection is shown in Figure 17.

Figure 16: Historical Oil, Water and Gas Production

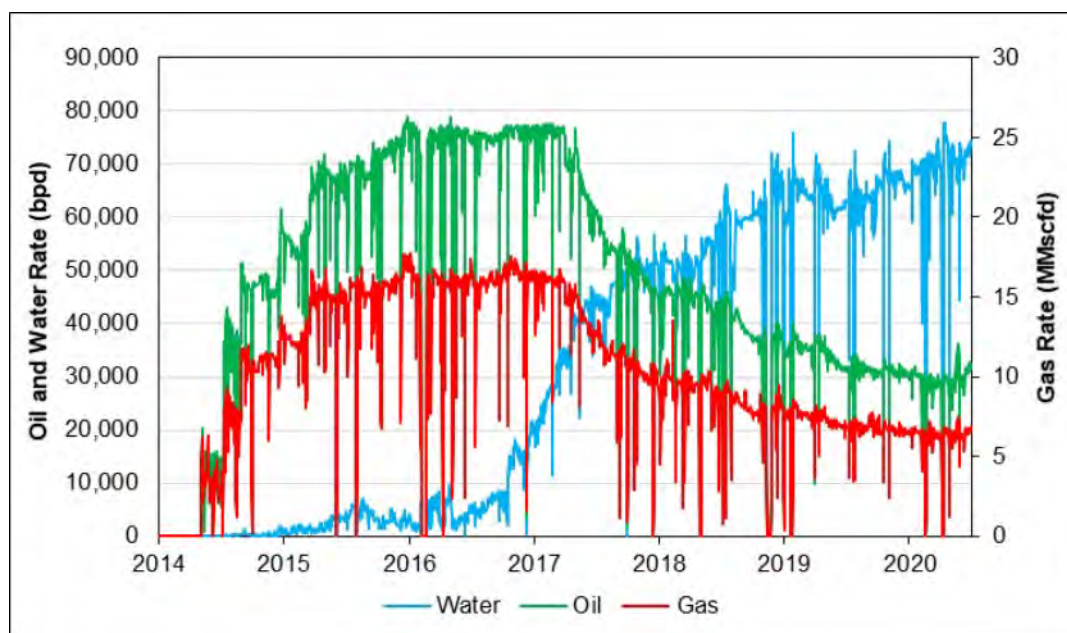
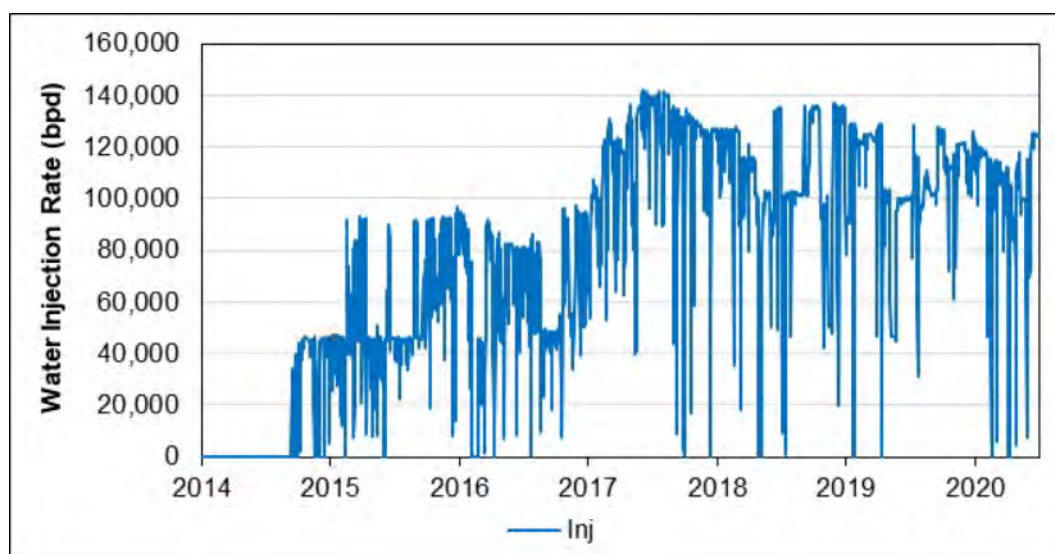


Figure 17: Historical Water Injection



### 3.1 Performance

To date, reservoir performance has been good. All the production wells are lifted with gas and reservoir pressure in the Golden Eagle Field has been maintained by water injection. The Operator has collected an impressive amount of production and pressure data. All the wells have smart completions with surface controlled ICVs (it is reported that all but one are still working) and downhole pressure and temperature gauges. The lower completions consist of standalone sand screens with external packers.

The waterflood seems to be successful and the voidage replacement ratio (VRR) is greater than 1. However, with the onset of water breakthrough, some wells have been choked back



to manage water production. Further, a productivity index (PI) decline has been seen in some wells following water breakthrough. The wells with the largest such declines are wells that are completed in the Punt reservoir, namely G9, G12Z and G5, all with a 30-40% reduction. It is reported that this PI reduction does not affect wells completed in the Burns reservoir.

The Punt reservoir is coarser grained than the Burns with larger grain size variability and is well sorted with smaller pore throats that could be susceptible to clogging by fines migration. The current view is that the blocking of these pore throats by fines is the cause of the PI reduction and the Operator is studying whether an acid wash / squeeze will alleviate the problem. The planned well interventions are primarily to try and resolve this PI reduction issue.

The initial performance of the G16 well drilled in 2020 came in between the expected mid and high case. Unfortunately, the well saw a 50% reduction in PI within a few months of start-up. As at the Effective date EnQuest reported that the well was choked back and flowing at 4,500 bopd. At that time the operator also reported an issue with the packer swelling on this well and the operator was conducting a review to evaluate whether to re-drill this well. (As a postscript the operator has recently dropped the option to re-drill the well and has reported that the well has now stabilised at about 6,300 bopd – March, 2021).

The latest well, G17 was spudded in 4Q 2020, but not completed before the Effective Date. However, from the log data, its performance is expected to be similar to G16 (as a postscript the operator has reported that this well is now producing at rates better than G16 – March, 2021).

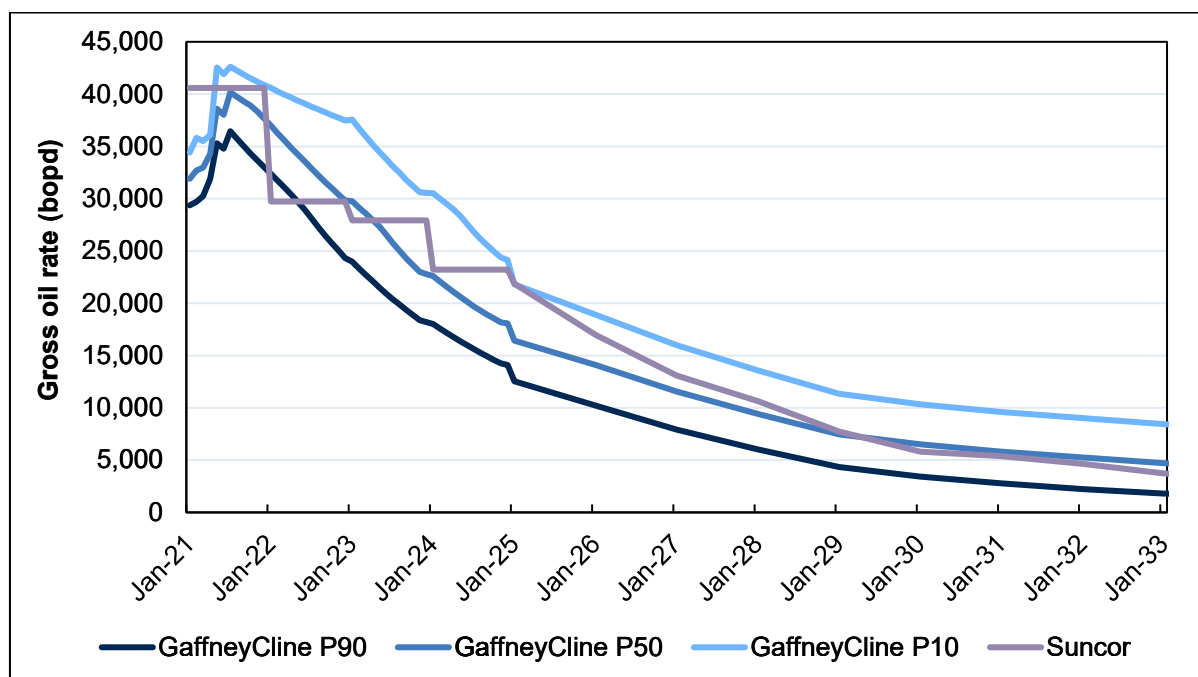
The Operator's reservoir dynamic model has been history matched up to September 2018 and has been used in prediction mode from then onwards. However, the current (September 2020) model shows production performance below actual by about 5,000 bopd. The Operator is currently reviewing this and GaffneyCline would recommend that this anomaly is resolved in the near future.

In the absence of a reliable dynamic model, both the Operator and Suncor have used Decline Curve Analysis (DCA) to estimate future production. EnQuest also conducted a detailed DCA study of production to date and used this to estimate the future performance of the proposed new wells.

GaffneyCline has reviewed all the analysis and reports provided and also performed its own independent DCA analysis, which it has used as the basis for predicting the future performance of the current well stock including the new well (G16) that was brought onstream in late 2020. GaffneyCline has also reviewed the performance predictions for the 2020/21 infill wells, the proposed well interventions and the debottlenecking as described in Section 3.1.1. GaffneyCline's resulting independent Low (P90), Best (P50) and High (P10) production forecasts are shown in Figure 18. Suncor's P50 profile is also shown in Figure 18 for comparison. Note that the Suncor profile includes the proposed 2023 – 2025 drilling campaign whereas GaffneyCline excludes this (potential production volumes associated with this campaign are included in the Contingent Resources).



Figure 18: GaffneyCline's Oil Production Forecasts Compared to Suncor's P50 Forecast



**Notes:**

1. No economic cut-off has been applied to the forecasts shown here.
2. Suncor's forecast includes the proposed 2023 – 2025 drilling campaign whereas GaffneyCline's reserve forecasts exclude it.

### 3.2 Further Development

A range of further development activities have been proposed by the Operator including:

- The 2020/21 Infill well programme** - A four well programme commenced in 2020 and will continue in 2021. Two of the wells have been completed with one on-stream in November 2020 (G16) and the second (G17) due on-stream in January 2021. Initial results are above pre-drill expectations and are expected to validate the Punt 4D seismic response which gives greater confidence for the remaining two wells. The incremental (P50) technically recoverable oil volume associated with this is estimated to be 14.1 MMBbl and this is included in the forecasts shown in Figure 18.
- The proposed 2023 & 2025 Infill well programme** - Further campaigns are scheduled in 2023 (four subsea wells) and 2025 (three platform wells), to be selected from a hopper of targets identified in 2018. Well targets are due to be refined following completion of the current drilling campaigns. Platform and subsea slots are available. GaffneyCline considers these as Contingent Resources as the locations have yet to be finalised and the wells sanctioned. GaffneyCline estimates a Contingent Resource range of 7.4 – 11.6 – 17.3 MMBbl associated with these potential future drilling campaigns.
- Well Interventions** – The operator plans some well intervention work, mostly acid washes, to start in 2021 (initially on two wells). Some wells have seen productivity

decline due to fines migration caused by the onset of water production and this could be resolved by an acid wash/squeeze. Further interventions are planned in the future. The incremental (P50) technically recoverable oil volume is estimated to be 3.4 MMBbl and this is included in the forecasts shown in Figure 18.

- (iv) **Facilities Debottlenecking** – As the field water cut continues to rise, topsides water handling will become a production constraint. The Operator is pursuing a number of opportunities to deliver incremental volumes by increasing the water capacities. Low cost modifications (ca. US\$6 MM gross) to the existing hydro-cyclones are planned in the shut-downs in 2021 and 2024. These modifications should increase the topsides water limit from 90 Mbwpd to 102 and then to 134 Mbwpd and deliver gross incremental (P50) technically recoverable volumes of 3.4 MMBbl. This is included in the forecasts shown in Figure 18.
- (v) **EOR and fuel gas** – The Operator has identified further upside opportunities including EOR and development of the Pacific gas condensate discovery to reduce the cost of fuel gas imports. However, plans for these are immature and they are not considered further in this CPR.
- (vi) **Exploration** – There is some near field exploration potential but capacity issues on the facilities have limited and slowed exploration investment. If ullage becomes available, this could be revisited but this has not been considered further in this CPR.
- (vii) **Third party business** – Although there are a large number of undeveloped discoveries in the area, there has been little development progress. The potential of third party business has not been reviewed by GaffneyCline and has been excluded from consideration in this CPR.

### 3.3 Contingent Resources

As noted above, GaffneyCline has attributed Contingent Resources to the proposed 2023 and 2025 drilling programmes, in the Development pending sub-class. GaffneyCline reviewed the estimates provided by EnQuest and modified them to produce the estimates of oil and gas Contingent Resources shown in Tables 13 and 14. For the economic evaluation thereof, the production profiles shown in Figure 19 were used.

**Table 12: Gross Oil Contingent Resources (Development Pending)  
as at 31<sup>st</sup> December 2020**

Project	1C (MMBbl)	2C (MMBbl)	3C (MMBbl)
2023/2025 Drilling Campaigns	7.4	11.6	17.3

**Notes:**

- Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that it goes ahead.
- The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
- Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

Figure 19: Unrisked Oil Production Profiles, 2023-25 Drilling Campaigns

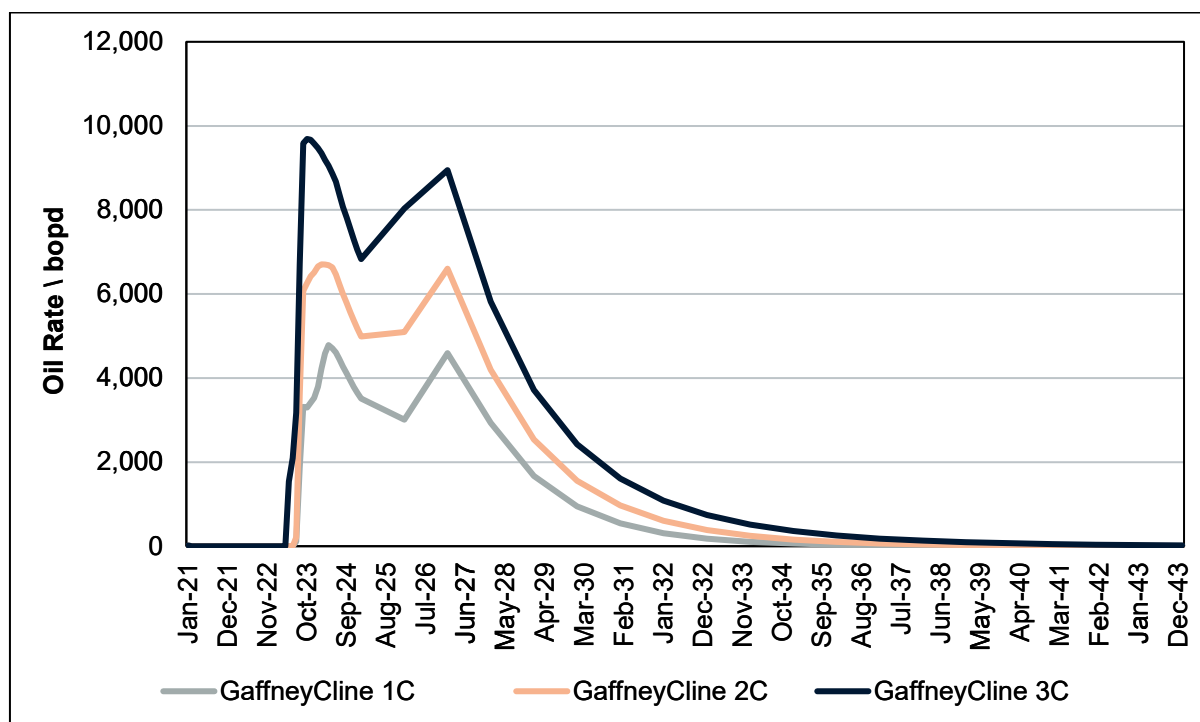


Table 13: Gross Gas Contingent Resources (Development Pending)  
as at 31<sup>st</sup> December 2020

Project	1C (Bscf)	2C (Bscf)	3C (Bscf)
2023/2025 Drilling Campaigns	1.6	2.5	3.7

**Notes:**

1. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that it goes ahead.
2. The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

Contingent Resources are also attributed to Pacific gas-condensate discovery, in the Development Unclassified sub-class, as shown in Table 15 and 16. GaffneyCline reviewed the GIIP estimates as previously discussed and used a suitable recovery factor and Monte Carlo analysis to estimate recoverable gas resources.

**Table 14: Gross Gas Contingent Resources (Development Unclarified)  
as at 31<sup>st</sup> December 2020**

Project	1C (Bscf)	2C (Bscf)	3C (Bscf)
Pacific (gas cap)	7	13	23

**Notes:**

1. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that it goes ahead.
2. The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

GaffneyCline notes that the Operator has examined to see if these resources could be used to supply fuel gas to the GEAD facilities later in field life but it is reported that there are potential facility constraints. The Operator is currently evaluating potential options for the Pacific development in the future.

**Table 15: Gross Condensate Contingent Resources (Development Unclarified)  
as at 31<sup>st</sup> December 2020**

Project	1C (MMBbl)	2C (MMBbl)	3C (MMBbl)
Pacific (gas cap)	0.1	0.2	0.3

**Notes:**

1. Gross Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that it goes ahead.
2. The volumes reported here are “unrisked” in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or may not go ahead at all (i.e. no “Chance of Development” factor has been applied).
3. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved.

GaffneyCline also estimates that the related oil 2C Contingent Resources for the thin oil rim could be 0.4 MMBbl.

## 4 Facilities and Costs

### 4.1 Introduction

GaffneyCline has evaluated the functioning of the plant, the safety and management systems.

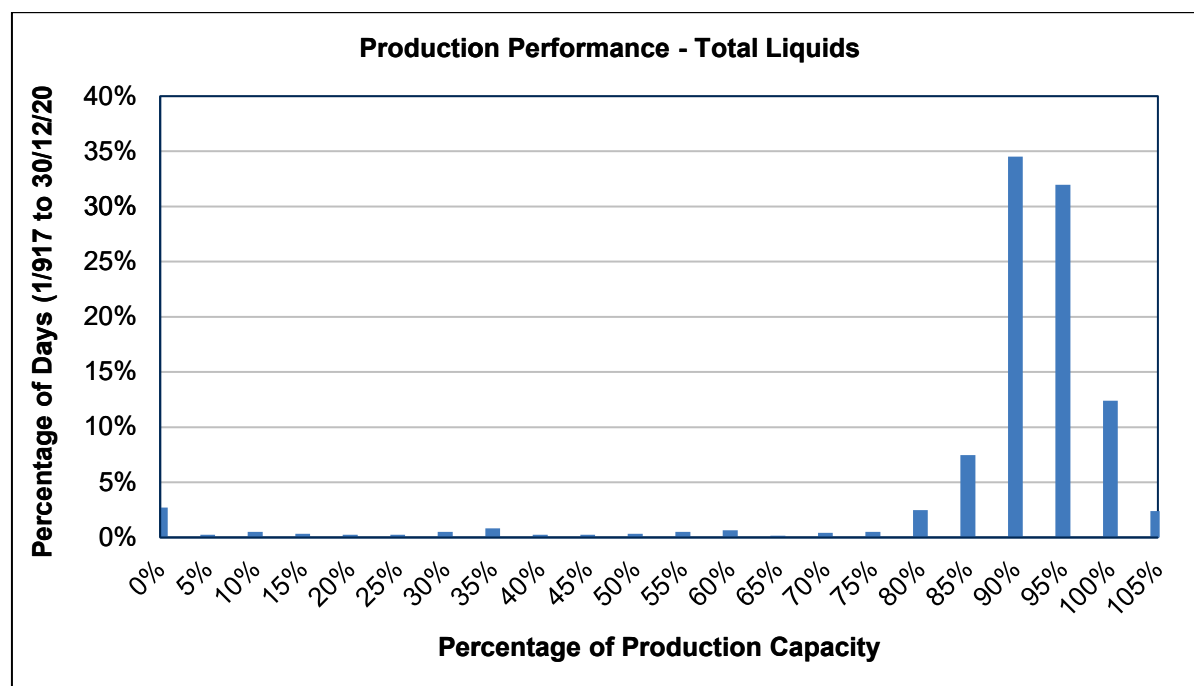
The basis of the review is the 2020 and 2021 WP&Bs which were made available. GaffneyCline also has reviewed the cost estimates and considers them reasonable.

### 4.2 Facilities Availability

GaffneyCline has evaluated the production efficiency (PE) for the production system using the OFM database data. The analysis has been done by looking at well uptime, total liquids production performance and water injection performance. In the case of total liquids and water injection, the analysis has been performed using data from September 2017 onward, after the production system started operating at plateau rates. The evaluation of PE has been done against the design capacity of the separation and water injection trains, as reflected in the FDP, of 110 blpd and 130,000 blpd respectively. GaffneyCline notes that the unit has produced at above its nameplate capacity on several occasions.

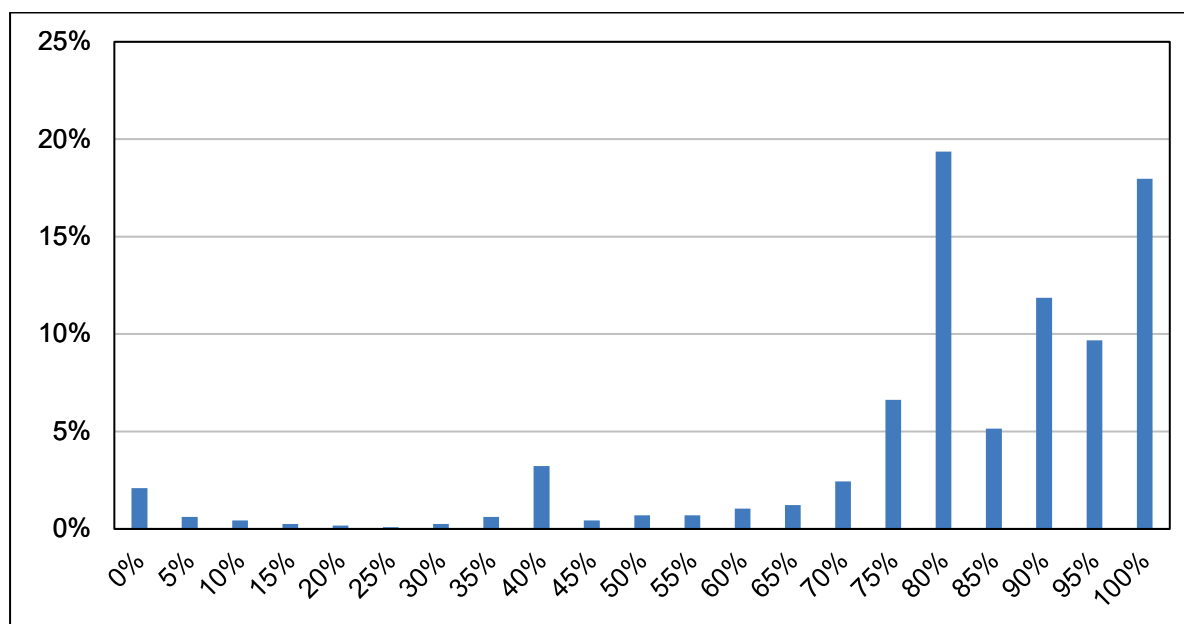
The result of the analysis is shown in Figure 20 and Figure 21. The conclusion GaffneyCline reaches is that the average PE over the plateau period of the production system has been 85% and of the water injection system 82%.

**Figure 20: Production Efficiency Distribution**





**Figure 21: Water Injection Efficiency Distribution**



### 4.3 HSE

GaffneyCline has reviewed the recent TCM and OCM meeting minutes and presentations. The overall impression is of an organisation that has a strong culture of HSE values and performance. The presentations display a culture that conforms with industry best practice in terms of the leading and lagging indicator tracking. The safety and business critical activities are monitored. The overall performance against those criteria is impressive: few incidents are reported, and with few exceptions the performance criteria are met. Failures appear to be investigated promptly and seemingly thoroughly.

There is a backlog of maintenance items that is being actively managed, and the backlog represents approximately one month's work rate (around 8,000 work hours).

### 4.4 CAPEX

In the GaffneyCline Reserves scenarios, the current well programme has two remaining wells to be drilled in 2021. These wells have been included and budgeted for in 2021.

There is uncertainty around the oil export route in the future. The current Flotta export route agreement is under renegotiation, but there is no certainty that these negotiations will be concluded successfully, or certainty regarding the likely tariff that would result. An alternative export route via the Forties system is possible, with an expected capital cost implication of GBP50 MM.

There is a facilities debottlenecking project planned for 2021 and 2023 comprising hydrocyclone upgrades at a cost of around US\$6 MM (GBP4.8 MM). This has been included in the Reserves case profiles.

## 4.5 OPEX

OPEX costs have been relatively stable over recent years, at around GBP80 MM p.a. total. GaffneyCline has accepted the costs as reported to partners, but with the following changes in future.

### 4.5.1 Fuel Costs

GaffneyCline notes that the Golden Eagle facilities produce little gas and the expectation is that the facilities will become gas deficient sometime in 2022. The consumption rate appears to be relatively constant at around 5.5 to 6 MMscfd. There is a plan to import gas from the Sage pipeline to make up the shortfall and GaffneyCline has made allowance for the fuel purchase costs, linked to GaffneyCline's NPB gas price scenario.

### 4.5.2 Transport Costs

As noted above, oil from Golden Eagle is currently exported via the Flotta pipeline system, GaffneyCline understands that the Operator has been served with notice of impending termination of this service, and that alternative export routes are being sought. At present no agreements have been concluded and GaffneyCline has assumed a re-plumb to the Forties Pipeline System and has used the current Forties Pipeline System export tariff of GBP2.0/Bbl from mid-2023 for the purposes of this report.

### 4.5.3 CO<sub>2</sub> Emissions Trading Costs

There is a great deal of uncertainty around what the future holds for emissions costs after the UK left the EU at end 2020. It is likely that a similar system will replace the EU-ETS system, and it is possible that the UK will adopt a system that will seek higher CO<sub>2</sub> emissions prices. However, GaffneyCline has forecast these costs based on the CO<sub>2</sub> emissions from fuel gas consumed, at the current EU price of approximately €26/t current at the time of this report. Golden Eagle is liable for the purchase of allowances for Flotta, but GaffneyCline understands this is not the case for the Forties export route. GaffneyCline has allowed for the Flotta share up to 2023, and then limited the costs to the Golden Eagle development emissions only after that.

### 4.5.4 Abandonment Costs

The operator has a programme of regular updates to the estimates for decommissioning and abandonment costs. GaffneyCline has reviewed these, in particular the most recent in May 2020 and finds that the process is robust. GaffneyCline notes that the latest estimates include costs to abandon the proposed 2023-2025 infill wells which do not form part of GaffneyCline's Reserves cases. Further, there is a CNOOC policy that mandates a 25% contingency be allowed on top of the estimate. Finally, GaffneyCline notes that there have been substantial reductions in the abandonment costs recently in the North Sea. GaffneyCline thus considers that the 25% contingency is likely not needed. GaffneyCline's estimate of the likely total ABEX cost is GBP342 MM.

## 5 Economic Evaluation

GaffneyCline has conducted an Economic Limit Test (ELT) for the Low (P90), Best (P50) and High (P10) Case production profiles and the associated costs to assess Proved, Proved plus Probable and Proved plus Probable plus Possible Reserves for the GEAD. The economic limit (or economic cut-off) is defined as the time when the maximum cumulative net cash flow occurs for a project.

Additionally, GaffneyCline has estimated pre-tax NPVs for each Reserves category based on projected cash flows discounted on a mid-year basis to 31<sup>st</sup> December 2020.

This economic assessment is based upon GaffneyCline's understanding of the fiscal and contractual terms governing the asset, and the various economic and commercial assumptions described herein. The Effective Date of this assessment is 31<sup>st</sup> December 2020 and production and cost profiles are shown in Appendix III.

### 5.1 Fiscal Regime

The fiscal regime in UK is a pure tax regime, with no royalty. Ring-Fenced Corporate Tax (RFCT) rate applicable for upstream operations is 30% and Supplementary Tax (ST) rate is 10%. Tax losses can be carried forward indefinitely. Investment allowance is also available, which is a basin-wide allowance and operates by applying 62.5% of qualifying expenditure incurred post 1<sup>st</sup> April 2015 to reduce the income basis for ST.

The ELT is conducted on a pre-tax basis, so is not impacted by any of the taxes described above. Additionally, EnQuest has advised it is currently not in a tax-paying position for RFCT and, as advised by EnQuest, this assumption has been extended for the duration of the projected cashflows and NPVs have been estimated on a pre-tax basis for this assessment.

### 5.2 Cost and Price Assumptions

GaffneyCline reviewed the CAPEX and OPEX estimates provided by EnQuest and made certain adjustments as discussed Section 4 of the report. All costs have been estimated in 2021 real terms and escalation of 2% per annum has been applied in the cash flow calculations on all costs from 2022 onwards. Some elements of the costs were provided in GBP and have been converted to US\$ using the exchange rate of US\$1.30/GBP.

Oil sold via the Flotta system is assumed to be sold at par to Brent crude price and gas sold via the SAGE transportation system at par to UK National Balancing Point (NBP) price respectively. After the assumed export route switch to the Forties Pipeline System, GEAD crude is estimated to get a US\$1.00/Bbl premium to Brent price due to the low sulphur content and superior crude quality compared to the Forties Blend.

GaffneyCline's 1Q 2021 price scenario for Brent crude oil and NBP gas, used for the economic evaluation, is shown in Table 17.

**Table 16: GaffneyCline 1Q 2021 Price Scenario**

Year	Brent Oil (US\$/Bbl)	NBP Gas (US\$/MMBtu)
2021	51.38	6.32
2022	54.00	5.96
2023	57.00	5.72
2024	60.00	6.00
Thereafter	+2% p.a.	+2% p.a.

### 5.2.1 Decommissioning Costs

Decommissioning cost estimates are discussed in Section 4.5.4. A Decommissioning Security Agreement (DSA) is in place for Golden Eagle and provision payments towards this are made on a post-tax basis from 2022 onwards. Provisions are assumed to be made using Letters of Credit (LoC) and costs towards these have been included in the OPEX estimates.

### 5.2.2 Export Route Switch Costs

Currently crude oil is exported from Golden Eagle via the Flotta system. GaffneyCline understands that Flotta system has served a 24 month termination notice of the transportation agreement in May 2020 and there are ongoing negotiations for an extension. Alternative evacuation route via Forties Pipeline System (FPS) is also being evaluated by Golden Eagle owners in parallel. For this evaluation, we've estimated a negotiated extension of the Flotta system until 2023 and rerouting of liquids via FPS thereafter. Pipeline rerouting costs are discussed in Section 4.4.

GaffneyCline understands that FPS currently operates on a tariff basis and switches to a cost-share basis from 2026. Cost-Share calculations are complex and involve differentiated split of pipeline CAPEX and OPEX between 80+ fields based on existing and future estimated throughput volumes. As a simplifying assumption, FPS transportation tariffs by volume payable by Golden Eagle in 2026 have been assumed to be fixed from 2026 until end of field life for this economic assessment.

## 5.3 Results

Table 18 shows the economic limits for production for the Reserves cases. Resulting Reserves volumes are shown in Tables 1-2 in the Executive Summary.

**Table 17: Cessation of Production Dates**

Proved (1P) Case	Proved Plus Probable (2P) Case	Proved Plus Probable Plus Possible (3P) Case
2028	2032	2043

**Note:**

1. All dates are year-end.

Resulting NPVs for the Reserves cases are shown at a range of discount rates Table 19. Those at 10% discount rate are the same as in Table 5 in the Executive Summary.

**Table 18: Pre-Tax NPV of Future Cash Flow from Reserves  
Net to Suncor's Interest, as at 31<sup>st</sup> December 2020**

Discount Rate (%)	Net Present Values		
	GaffneyCline Forecast Oil Prices and Escalated Costs		
	Proved (US\$ MM)	Proved plus Probable (US\$ MM)	Proved plus Probable plus Possible (US\$ MM)
5.00	347.75	533.15	873.21
<b>10.00</b>	<b>337.31</b>	<b>495.67</b>	<b>752.41</b>
15.00	320.90	455.10	652.59

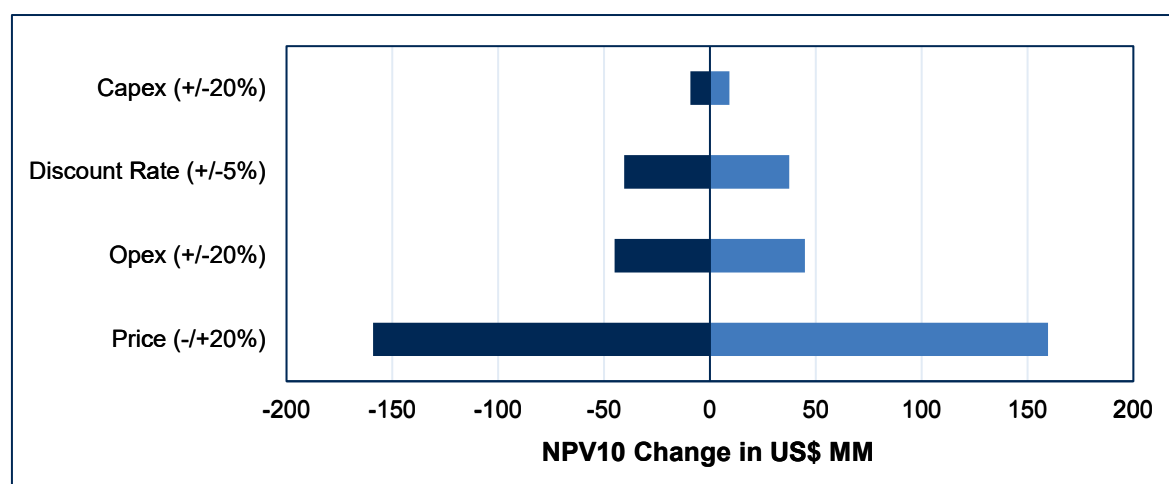
**Notes:**

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset on a pre-tax basis.
2. The reference NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.

## 5.4 Economic Sensitivities

Sensitivity analysis was conducted to understand the impact of variations in benchmark prices, CAPEX, OPEX, and discount rate to the deemed pre-tax NPV10 value of GEAD (i.e. US\$496 MM). Oil price has the highest impact on pre-tax NPV10 value followed by OPEX as shown in Figure 22.

**Figure 22: GEAD Economic Sensitivity Analysis**



**Notes:**

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset on a pre-tax basis.
2. The reference NPVs reported here do not represent an opinion as to the market value of a property or any interest therein.



## Basis of Opinion

This document reflects GaffneyCline's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client and obtained from other sources (e.g., public domain), the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GaffneyCline has not independently verified any information provided by, or at the direction of, the Client and obtained from other sources (e.g., public domain), and has accepted the accuracy and completeness of this data. GaffneyCline has no reason to believe that any material facts have been withheld, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of data such as geoscience and engineering and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report, GaffneyCline has used definitions contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists and Engineers in June 2018, Version 1.01 (see Appendix I).

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resources estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resources estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil and condensate volumes are reported in millions ( $10^6$ ) of barrels at stock tank conditions (MMBbl). Natural gas volumes have been quoted in billions ( $10^9$ ) of standard cubic feet (Bscf). Standard conditions are defined as 14.7 psia and 60°F.

GaffneyCline's review and audit involved reviewing pertinent facts, interpretations and assumptions made by the Client or others in preparing estimates of reserves and resources. GaffneyCline performed procedures necessary to enable it to render an opinion on the appropriateness of the methodologies employed, adequacy and quality of the data relied on,

depth and thoroughness of the reserves and resources estimation process, classification and categorization of reserves and resources appropriate to the relevant definitions used, and reasonableness of the estimates. Further, some limited independent technical work was performed in order to prepare independent estimates of Reserves and Contingent Resources.

## **Definition of Reserves and Resources**

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial and remaining (as of the evaluation's effective date) based on the development project(s) applied.

Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of reserves volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social issues may exist. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.

It must be appreciated that the Contingent Resources reported herein are unrisks in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources. Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development".

GaffneyCline has not undertaken a site visit and inspection because it was not included in the scope of work. As such, GaffneyCline is not in a position to comment on the operations or facilities in place, their appropriateness and condition, or whether they are in compliance with the regulations pertaining to such operations. Further, GaffneyCline is not in a position to comment on any aspect of health, safety, or environment of such operation.

This report has been prepared based on GaffneyCline's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties.

GaffneyCline is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties).

## Use of Net Present Values

It should be clearly understood that the Net Present Values (NPVs) contained herein do not represent a GaffneyCline opinion as to the market value of the subject property, nor any interest in it.

In assessing a likely market value, it would be necessary to take into account a number of additional factors including reserves risk (i.e., that Proved and/or Probable and/or Possible reserves may not be realised within the anticipated timeframe for their exploitation); perceptions of economic and sovereign risk, including potential change in regulations; potential upside; other benefits, encumbrances or charges that may pertain to a particular interest; and, the competitive state of the market at the time. GaffneyCline has explicitly not taken such factors into account in deriving the NPVs presented herein.

## Qualifications

In performing this study, GaffneyCline is not aware that any conflict of interest has existed. As an independent consultancy, GaffneyCline is providing impartial technical, commercial, and strategic advice within the energy sector. GaffneyCline's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GaffneyCline has maintained, and continues to maintain, a strict independent consultant-client relationship with the Client. Furthermore, the management and employees of GaffneyCline have no interest in any of the assets evaluated or are related with the analysis performed, as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work. The team was led by Dr Chris Freeman, and reviewed by Dr John Barker.

Dr Chris Freeman is Technical Director, Petroleum Engineering in GaffneyCline's UK office. He has 39 years' industry experience of which more than 10 have been with GaffneyCline. He holds a Ph.D. in Physics from the University of Cambridge and an MBA in Finance & International Business from Cass Business School in London. He is a member of the Society of Petroleum Engineers, the Petroleum Exploration Society of Great Britain, the Energy Institute and the Institute of Physics (C.Phys.).

Dr John Barker is Technical Director, Reservoir Engineering in GaffneyCline's UK office. He has 36 years' industry experience of which more than 13 have been with GaffneyCline. He holds an M.A. in Mathematics from the University of Cambridge and a Ph.D. in Applied Mathematics from the California Institute of Technology. He is a member of the Society of Petroleum Engineers and of the Society of Petroleum Evaluation Engineers.

It has been a pleasure preparing this Competent Person's Report for EnQuest PLC.

Yours sincerely,

**Gaffney, Cline & Associates Limited**



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Project Manager  
Dr Chris Freeman, Technical Director



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Reviewed by  
Dr John Barker, Technical Director

## **Appendix I**

### **SPE PRMS Definitions**



**Society of Petroleum Engineers, World Petroleum Council,  
American Association of Petroleum Geologists, Society of Petroleum Evaluation Engineers,  
Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysts,  
and European Association of Geoscientists & Engineers**

## **Petroleum Resources Management System**

### **Definitions and Guidelines <sup>(1)</sup>**

**(Revised June 2018)**

**Table 1—Recoverable Resources Classes and Sub-Classes**

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Reserves</b>	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	<p>Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status.</p> <p>To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame.</p> <p>A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.</p> <p>To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.</p>
<b>On Production</b>	The development project is currently producing or capable of producing and selling petroleum to market.	<p>The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves.</p> <p>The project decision gate is the decision to initiate or continue economic production from the project.</p>

<sup>1</sup> These Definitions and Guidelines are extracted from the full Petroleum Resources Management System (revised June 2018) document.

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Approved for Development</b>	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	<p>At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget.</p> <p>The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.</p>
<b>Justified for Development</b>	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	<p>To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame). There must be no known contingencies that could preclude the development from proceeding (see Reserves class).</p> <p>The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.</p>
<b>Contingent Resources</b>	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 owing to one or more contingencies.	<p>Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist.</p> <p>Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.</p>
<b>Development Pending</b>	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	<p>The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status.</p> <p>The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.</p>

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Development on Hold</b>	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	<p>The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical contingency can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status.</p> <p>The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.</p>
<b>Development Unclarified</b>	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	<p>The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development.</p> <p>This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.</p>
<b>Development Not Viable</b>	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	<p>The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.</p> <p>The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.</p>
<b>Prospective Resources</b>	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
<b>Prospect</b>	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
<b>Lead</b>	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
<b>Play</b>	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

**Table 2—Reserves Status Definitions and Guidelines**

Status	Definition	Guidelines
<b>Developed Reserves</b>	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
<b>Developed Producing Reserves</b>	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
<b>Developed Non-Producing Reserves</b>	Shut-in and behind-pipe Reserves.	<p>Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves.</p> <p>In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.</p>
<b>Undeveloped Reserves</b>	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**Table 3—Reserves Category Definitions and Guidelines**

Category	Definition	Guidelines
<b>Proved Reserves</b>	Those quantities of petroleum that, 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.	<p>If deterministic methods are used, the term “reasonable certainty” is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate.</p> <p>The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.</p> <p>In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved.</p> <p>Reserves in undeveloped locations may be classified as Proved provided that:</p> <ul style="list-style-type: none"> <li>A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive.</li> <li>B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.</li> </ul> <p>For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.</p>
<b>Probable Reserves</b>	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	<p>It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.</p> <p>Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.</p> <p>Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.</p>



Category	Definition	Guidelines
<b>Possible Reserves</b>	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	<p>The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate.</p> <p>Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project.</p> <p>Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.</p>
<b>Probable and Possible Reserves</b>	See above for separate criteria for Probable Reserves and Possible Reserves.	<p>The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.</p> <p>In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.</p> <p>Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.</p> <p>In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.</p>

Figure 1.1—RESOURCES CLASSIFICATION FRAMEWORK

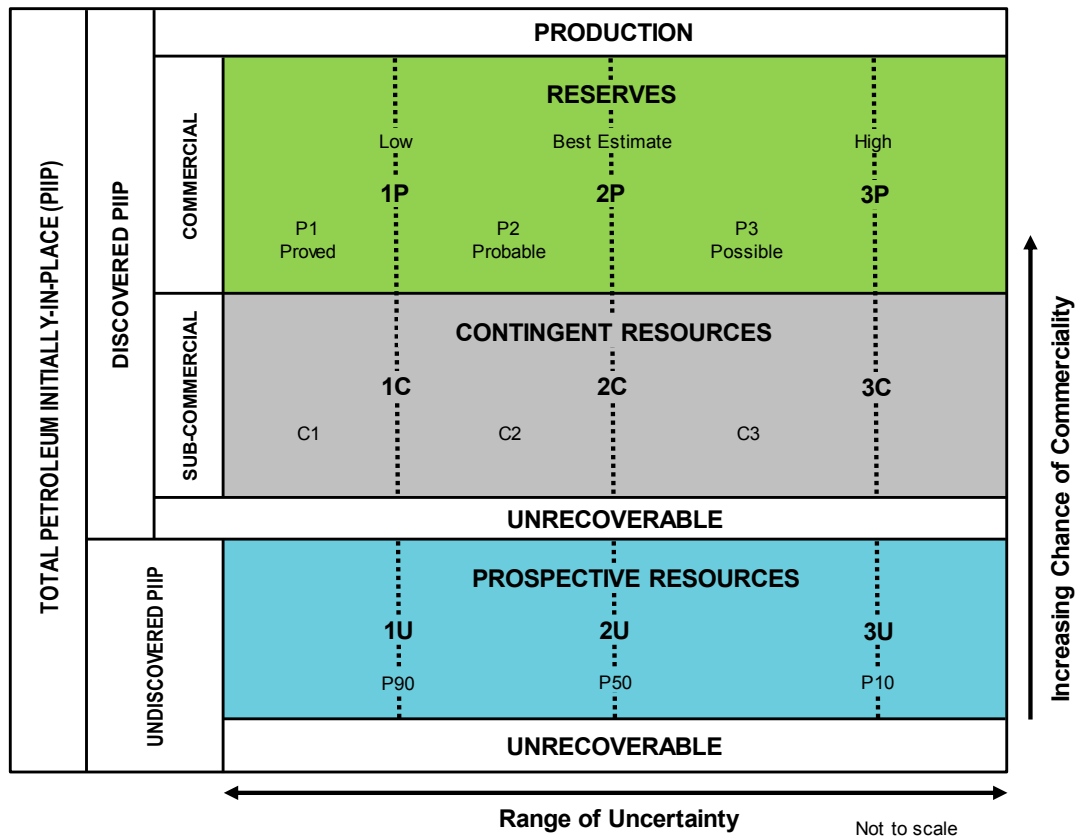
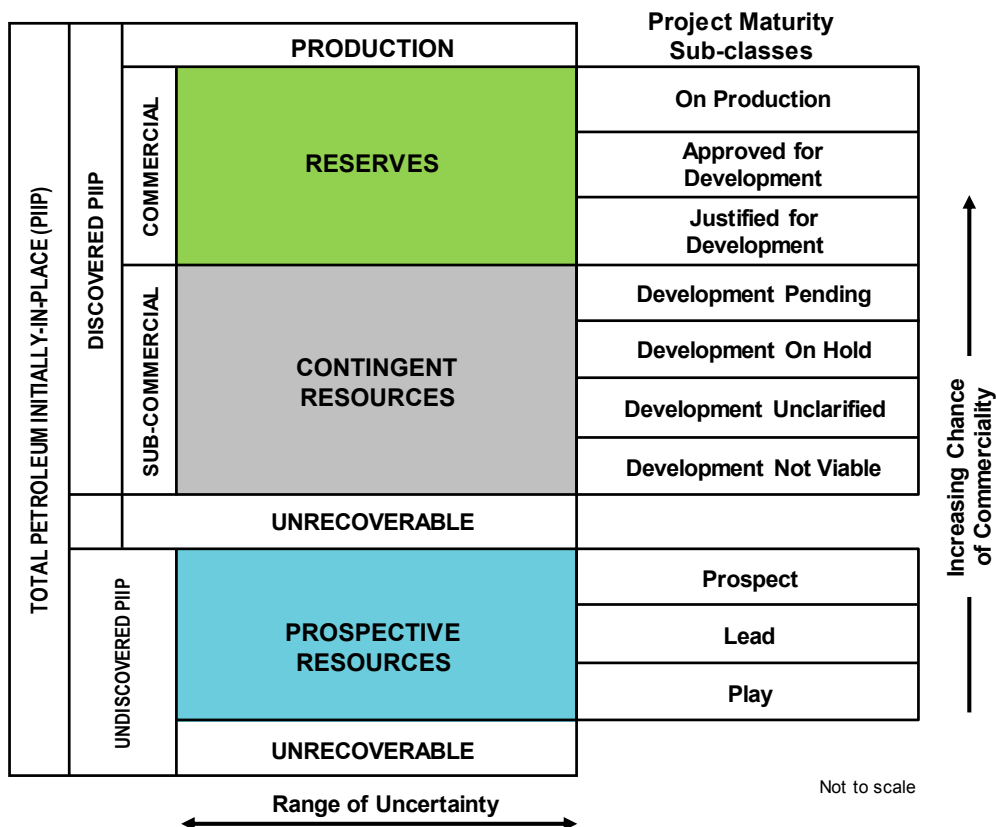


Figure 2.1—SUB-CLASSES BASED ON PROJECT MATURITY



## Appendix II Glossary

## GLOSSARY

### Standard Oil Industry Terms and Abbreviations

ABEX	Abandonment expenditure
ACQ	Annual contract quantity
API	American Petroleum Institute
°API	Degrees API (a measure of oil density)
AAPG	American Association of Petroleum Geologists
AVO	Amplitude versus offset
B	Billion (10 <sup>9</sup> )
Bbl	Barrels
/Bbl	Per barrel
BBbl	Billion barrels
bcpd	Barrels of condensate per day
BHP	Bottom hole pressure
blpd	Barrels of liquid per day
Bm <sup>3</sup>	Billion cubic metres
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
BOP	Blow out preventer
bopd	Barrels oil per day
bpd	Barrels per day
Bscf or Bcf	Billion standard cubic feet
Bscfd or Bcfd	Billion standard cubic feet per day
BS&W	Bottom sediment and water
BTU	British thermal units
bwpd	Barrels of water per day
°C	Degrees Celsius
CAPEX	Capital expenditure
CBM	Coal bed methane
cf	Standard cubic feet
cf/d	Standard cubic feet per day
CIIP	Condensate initially in place
CGR	Condensate to gas ratio
cm	Centimetres
CMM	Coal mine methane
CO <sub>2</sub>	Carbon dioxide
cP	Centipoise (a measure of viscosity)
CSG	Coal seam gas
CT	Corporation tax
DCQ	Daily contract quantity
Dev	Developed
DHI	Direct hydrocarbon indicator
DST	Drill stem test
E&A	Exploration & appraisal
E&P	Exploration and production
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EI	Entitlement interest
EIA	Environmental impact assessment
ELT	Economic limit test
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESP	Electrical submersible pump

EUR	Estimated ultimate recovery
€ / EUR	Euro
°F	Degrees Fahrenheit
FDP	Field development plan
FEED	Front end engineering and design
FPSO	Floating production, storage and offloading vessel
FSO	Floating storage and offloading vessel
ft	Foot/feet
g	Gram
g/cc	Grams per cubic centimetre
G&A	General and administrative costs
GBP	Pounds Sterling
GCoS	Geological chance of success
GDT	Gas down to
GIIP	Gas initially in place
GJ	Gigajoules (one billion Joules)
GOC	Gas oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GTL	Gas to liquids
GWC	Gas water contact
HCIIP	Hydrocarbons initially in place
HDT	Hydrocarbons down to
HSE	Health, Safety and Environment
HUT	Hydrocarbons up to
H <sub>2</sub> S	Hydrogen sulphide
IOR	Improved oil recovery
IRR	Internal rate of return
J	Joule (Metric measurement of energy; 1 kilojoule = 0.9478 BTU)
KB	Kelly bushing
kJ	Kilojoules (one thousand Joules)
km	Kilometres
km <sup>2</sup>	Square kilometres
kPa	Kilopascal (one thousands Pascals)
kW	Kilowatt
kWh	Kilowatt hour
LKG	Lowest known gas
LKH	Lowest known hydrocarbons
LKO	Lowest known oil
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTI	Lost time injury
LWD	Logging while drilling
m	Metres
M	Thousand
m <sup>3</sup>	Cubic metres
MBbl	Thousands of barrels
Mbopd	Thousands of barrels of oil per day
Mcf or Mscf	Thousand standard cubic feet
MCM	Management committee meeting
m <sup>3</sup> d	Cubic metres per day
mD	Millidarcies (a measure of rock permeability)
MD	Measured depth
MDT	Modular dynamic tester (a wireline logging tool)



Mean	Arithmetic average of a set of numbers
Median	Middle value in a set of values
mg/l	milligrams per litre
MJ	Megajoules (one million Joules)
Mm <sup>3</sup>	Thousand cubic metres
Mm <sup>3</sup> d	Thousand cubic metres per day
MM	Million
MMBbl	Millions of barrels
MMBTU	Millions of British Thermal Units
MMcf or MMscf	Million standard cubic feet
Mode	Value that exists most frequently in a set of values = most likely
Mcf or Mscfd	Thousand standard cubic feet per day
MMcf or MMscfd	Million standard cubic feet per day
MW	Megawatt
MWD	Measuring while drilling
MWh	Megawatt hour
mya	Million years ago
n/a	Not applicable
NGL	Natural gas liquids
N <sub>2</sub>	Nitrogen
NOK	Norwegian krone
NPV	Net Present Value
NPV10	Net Present Value at 10% annual discount rate
NTG	Net to gross ratio
OBM	Oil based mud
OCM	Operating committee meeting
ODT	Oil down to
OPEX	Operating expenditure
OWC	Oil water contact
p.a.	Per annum
Pa	Pascal (metric measurement of pressure)
P&A	Plugged and abandoned
PD	Proved developed
PDP	Proved developed producing
%	Percentage
PI	Productivity index
PJ	Petajoules (10 <sup>15</sup> Joules)
ppm	Parts per million
PRMS	Petroleum Resources Management System
PSC / PSA	Production sharing contract / Production sharing agreement
PSDM	Post stack depth migration
psi	Pounds per square inch
psia	Pounds per square inch absolute
psig	Pounds per square inch gauge
PUD	Proved undeveloped
PVT	Pressure volume temperature
P10	Value with a 10% probability of being exceeded
P50	Value with a 50% probability of being exceeded
P90	Value with a 90% probability of being exceeded
RF	Recovery factor
RFT	Repeat formation tester (a wireline logging tool)
RT	Rotary table
RUB	Russian Rouble
R <sub>w</sub>	Resistivity of water

SCAL	Special core analysis
scf	Standard cubic feet
scfd	Standard cubic feet per day
S <sub>o</sub>	Oil saturation
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
SRP	Sucker rod pump
ss	Subsea
ST	Side track
stb	Stock tank barrel
STOIIP	Stock tank oil initially in place
S <sub>w</sub>	Water saturation
t	Tonnes
TD	Total depth
te	Tonnes equivalent
THP	Tubing head pressure
TJ	Terajoules (10 <sup>12</sup> Joules)
Tscf or Tcf	Trillion standard cubic feet
TCM	Technical committee meeting
TOC	Total organic carbon
TOP	Take or pay
tpd	Tonnes per day
TVD	True vertical depth
TVDss	True vertical depth subsea
Undev	Undeveloped
USGS	United States Geological Survey
US\$	United States Dollar
VAT	Value added tax
VSP	Vertical seismic profiling
WC	Water cut
WI	Working interest
WPC	World Petroleum Council
WP&B	Work Programme & Budget
WTI	West Texas Intermediate
wt%	Weight percent
WUT	Water up to
1C	Low estimate of Contingent Resources
2C	Best estimate of Contingent Resource
3C	High estimate of Contingent Resources
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional (time lapse)
1H13	First half (6 months) of 2013 (example of date)
1P	Proved Reserves
2P	Proved plus Probable Reserves
3P	Proved plus Probable plus Possible Reserves
2Q14	Second quarter (3 months) of 2014 (example of date)

## **Appendix III**

### **Production and Cost Forecasts**

**Table AIII.1: Gross Field Production and Cost Forecasts  
Proved Case**

Year	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	CAPEX	OPEX + Tariff
				(GBP MM)	(GBP MM)
2021	33,311	1.7	5.5	68	71
2022	28,414	0.6	5.5	53	66
2023	20,802	0.0	4.5	3	64
2024	15,828	0.0	3.4	6	83
2025	12,540	0.0	2.7	3	74
2026	10,210	0.0	2.2	3	73
2027	7,917	0.0	1.7	3	74
2028	6,014	0.0	1.3	3	75
2029	4,344	0.0	0.9	3	86
2030	3,435	0.0	0.7	3	76
2031	2,770	0.0	0.6	3	76
2032	2,245	0.0	0.5	3	73
2033	1,806	0.0	0.4	3	73
2034	1,461	0.0	0.3	3	84
2035	1,169	0.0	0.3	3	74
2036	936	0.0	0.2	3	74
2037	753	0.0	0.2	3	74
2038	609	0.0	0.1	3	74
2039	492	0.0	0.1	3	85
2040	398	0.0	0.1	3	74
2041	321	0.0	0.1	3	74
2042	259	0.0	0.1	3	74
2043	210	0.0	0.0	3	74
2044	170	0.0	0.0	3	85
<b>Total<sup>2</sup></b>	<b>57.1</b>	<b>0.8</b>	<b>11.4</b>	<b>194</b>	<b>1,809</b>

**Notes:**

1. The CAPEX and OPEX + Tariff are shown in real 2021 terms, with no escalation or inflation applied.
2. Oil totals are in MMBbl, gas totals are in Bscf.
3. **No economic cut-off has been applied to the forecasts shown here and totals do not correspond to Reserves.**

**Table AIII.2: Gross Field Production and Cost Forecasts  
Proved plus Probable Case**

Year	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	CAPEX	OPEX + Tariff
				(GBP MM)	(GBP MM)
2021	36,904	2.5	5.5	68	71
2022	33,262	1.7	5.5	53	67
2023	26,152	0.1	5.5	3	64
2024	19,998	0.0	4.3	6	84
2025	16,434	0.0	3.5	3	75
2026	14,092	0.0	3.0	3	74
2027	11,571	0.0	2.5	3	75
2028	9,426	0.0	2.0	3	76
2029	7,467	0.0	1.6	3	88
2030	6,510	0.0	1.4	3	77
2031	5,814	0.0	1.3	3	78
2032	5,246	0.0	1.1	3	75
2033	4,723	0.0	1.0	3	75
2034	4,295	0.0	0.9	3	86
2035	3,886	0.0	0.8	3	76
2036	3,539	0.0	0.8	3	76
2037	3,249	0.0	0.7	3	76
2038	3,000	0.0	0.6	3	76
2039	2,779	0.0	0.6	3	87
2040	2,589	0.0	0.6	3	76
2041	2,404	0.0	0.5	3	76
2042	2,245	0.0	0.5	3	76
2043	2,101	0.0	0.5	3	76
2044	1,975	0.0	0.4	3	87
<b>Total</b>	<b>83.9</b>	<b>1.6</b>	<b>16.5</b>	<b>194</b>	<b>1,846</b>

**Notes:**

1. The CAPEX and OPEX + Tariff are shown in real 2021 terms, with no escalation or inflation applied.
2. Oil totals are in MMBbl, gas totals are in Bscf.
3. **No economic cut-off has been applied to the forecasts shown here and totals do not correspond to Reserves.**



**Table AIII3: Gross Field Production and Cost Forecasts  
Proved plus Probable plus Possible Case**

Year	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	CAPEX	OPEX + Tariff
				(GBP MM)	(GBP MM)
2021	39,739	3.1	5.5	68	72
2022	38,969	2.9	5.5	53	69
2023	33,612	1.8	5.5	3	66
2024	27,150	0.4	5.5	6	87
2025	21,804	0.0	4.7	3	76
2026	18,902	0.0	4.1	3	76
2027	16,005	0.0	3.4	3	77
2028	13,577	0.0	2.9	3	78
2029	11,336	0.0	2.4	3	90
2030	10,322	0.0	2.2	3	79
2031	9,599	0.0	2.1	3	80
2032	9,012	0.0	1.9	3	77
2033	8,442	0.0	1.8	3	77
2034	7,975	0.0	1.7	3	88
2035	7,515	0.0	1.6	3	78
2036	7,124	0.0	1.5	3	78
2037	6,775	0.0	1.5	3	78
2038	6,475	0.0	1.4	3	78
2039	6,201	0.0	1.3	3	89
2040	5,966	0.0	1.3	3	78
2041	5,718	0.0	1.2	3	78
2042	5,504	0.0	1.2	3	78
2043	5,306	0.0	1.1	3	78
2044	5,135	0.0	1.1	3	89
<b>Total</b>	<b>119.9</b>	<b>3.0</b>	<b>22.8</b>	<b>194</b>	<b>1,894</b>

**Notes:**

1. The CAPEX and OPEX + Tariff are shown in real 2021 terms, with no escalation or inflation applied.
2. Oil totals are in MMBbl, gas totals are in Bscf.
3. **No economic cut-off has been applied to the forecasts shown here and totals do not correspond to Reserves.**

**Table AIII.4: Unrisked Gross Field Production and Cost Forecasts  
Proved plus Probable Case plus 2C Contingent Resources (Development Pending) Case**

Year	Oil Sales (bpd)	Gas Sales (MMscfd)	Gas Used as Fuel (MMscfd)	CAPEX	OPEX + Tariff
				(GBP MM)	(GBP MM)
2021	36,904	2.5	5.5	68	71
2022	33,262	1.7	5.5	53	67
2023	29,151	0.8	5.5	139	64
2024	26,022	0.1	5.5	6	86
2025	21,532	0.0	4.6	71	76
2026	20,695	0.0	4.5	3	76
2027	15,769	0.0	3.4	3	78
2028	11,968	0.0	2.6	3	80
2029	9,024	0.0	1.9	3	92
2030	7,477	0.0	1.6	3	82
2031	6,422	0.0	1.4	3	82
2032	5,632	0.0	1.2	3	80
2033	4,970	0.0	1.1	3	80
2034	4,455	0.0	1.0	3	91
2035	3,990	0.0	0.9	3	81
2036	3,608	0.0	0.8	3	81
2037	3,294	0.0	0.7	3	81
2038	3,030	0.0	0.7	3	81
2039	2,799	0.0	0.6	3	92
2040	2,602	0.0	0.6	3	81
2041	2,413	0.0	0.5	3	81
2042	2,251	0.0	0.5	3	81
2043	2,105	0.0	0.5	3	81
2044	1,978	0.0	0.4	3	92
2045	0	0.0	0.0	0	0
<b>Total</b>	<b>95.5</b>	<b>1.9</b>	<b>18.7</b>	<b>398</b>	<b>1,937</b>

**Notes:**

1. The CAPEX and OPEX + Tariff are shown in real 2021 terms, with no escalation or inflation applied.
2. Oil totals are in MMBbl, gas totals are in Bscf.
3. **No economic cut-off has been applied to the forecasts shown here and totals do not correspond to Reserves.**
4. Incremental production associated with the Contingent Resources is "unrisked" in the sense that no adjustment has been made for the risk that the project may not go ahead in the form envisaged or not at all (i.e. no "Chance of Development" factor has been applied).

## PART 9

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### Section A: Unaudited Pro Forma Financial Information

The unaudited pro forma financial information set out below has been prepared for illustrative purposes only, in accordance with Annex 20 of Commission Delegated Regulation (EU) 2019/980 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 and on the basis of the notes set out below.

The pro forma financial information covers the unaudited pro forma income statement for the year ended 31 December 2020 as if the Transaction and an RBL drawdown of \$600 million had occurred on 1 January 2020 and the unaudited statement of assets and liabilities that has been prepared to illustrate the effect on the consolidated assets and liabilities of EnQuest as at 31 December 2020 as if the Transaction and an RBL drawdown of \$600 million had taken place on that date.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and, does not, therefore, represent the EnQuest Group's actual financial position.

The unaudited pro forma financial information has been prepared on the basis set out in the notes below and has been prepared in a manner consistent with the accounting policies applied by the EnQuest Group for the year ending 31 December 2020 and in accordance with the requirements of Item 2.1 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018.

The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part 9 ("*Unaudited Pro Forma Financial Information*"). The independent accountant's report on the unaudited pro forma financial information is set out in Section B of this Part 9 ("*Unaudited Pro Forma Financial Information*").

## Unaudited pro forma income statement for the year ended 31 December 2020

	Adjustments					
	Consolidated EnQuest results for the year ended 31 December 2020	Golden Eagle Asset results for the year ended 31 December 2020	Increase in DD&A	Deferred tax recognition	Refinancing	Pro forma total
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6
<b>\$ 000's</b>						
Revenue and other operating income .....	865,648	95,413	–	–	–	961,061
Cost of sales .....	(799,081)	(66,630)	(16,226)	–	–	(881,937)
Gross profit .....	66,567	28,873	(16,226)	–	–	79,124
Net impairment to oil and gas assets .....	(422,495)	–	–	–	–	(422,495)
General and administrative expenses .....	(6,105)	–	–	–	–	(6,105)
Other income .....	154,553	–	–	–	–	154,553
Other expenses .....	(102,589)	–	–	–	–	(102,589)
<b>(Loss)/profit from operations before tax and finance income .....</b>	<b>(310,069)</b>	<b>28,783</b>	<b>(16,226)</b>	<b>–</b>	<b>–</b>	<b>(297,512)</b>
Finance costs .....	(257,077)	(3,684)	–	–	1,959	(258,802)
Finance income .....	1,171	–	–	–	–	1,171
<b>(Loss)/profit before tax .....</b>	<b>(565,975)</b>	<b>25,099</b>	<b>(16,226)</b>	<b>–</b>	<b>1,959</b>	<b>(555,143)</b>
Income tax .....	(59,827)	(10,359)	–	299,900	–	229,714
<b>(Loss)/profit for the year attributable to owners of the parent .....</b>	<b>(625,802)</b>	<b>14,740</b>	<b>(16,226)</b>	<b>299,900</b>	<b>1,959</b>	<b>(352,429)</b>
<b>Total comprehensive (loss)/profit for the year, attributable to owners of the parent .....</b>	<b>(625,802)</b>	<b>14,740</b>	<b>(16,226)</b>	<b>299,900</b>	<b>1,959</b>	<b>(325,429)</b>

### Note 1:

The consolidated income statement of EnQuest has been extracted, without adjustment, from the 2020 Financial Statements, as incorporated by reference in Part 14 of this document.

### Note 2:

The income statement of the Golden Eagle Asset have been extracted without adjustment from the financial information on the Golden Eagle Asset for the year ended 31 December 2020 as included in Part 7 (“Financial information on the Golden Eagle Asset”) of this document.

Note that no additional adjustments have been made to reflect any potential overheads relating to absorbing the assets in the EnQuest Group’s structure.

### Note 3:

The unaudited pro forma financial information has been prepared on the basis that the Acquisition will be treated as an asset acquisition as it does not meet the IFRS3 definition of a business combination. In this scenario IFRS 3 requires that the excess of consideration paid over the carrying value of net assets acquired is allocated to the asset and liabilities on the basis of their relative fair values. On the basis that property, plant and equipment represent substantially all of the assets acquired, the excess has been allocated to property plant and equipment.

An additional depreciation, depletion and amortisation (“DD&A”) charge of \$16.2 million has therefore been recognised within cost of sales as if the Acquisition had taken place on 1 January 2020.

The DD&A charge is based on the Golden Eagle Asset reserves identified in the GaffneyCline CPR on the Golden Eagle Area Development, as set out in Part 8 (“GaffneyCline CPR on the Golden Eagle Area Development”), and the actual production of the Golden Eagle Asset in the year ended 31 December 2020.

This adjustment has a continuing impact.

***Note 4:***

Forecast taxable profits expected to be generated by the Golden Eagle Asset will enable the Enlarged Group to recognise a portion of previously unrecognised tax losses and supports the recognition of an associated deferred tax asset and credit to the income statement of \$299.9 million. The recoverability of the deferred tax asset has been assessed based on management's forecast that it is probable that sufficient taxable profits will be available to utilise the deferred tax asset.

***Note 5:***

This adjustment removes the finance costs incurred during the year ended 31 December 2020 of \$43.5 million, consisting of costs incurred in respect of the SFA (\$26.6 million), the Sculptor Facility (\$5.4 million) and BP Vendor Loan (\$11.5 million), on the basis that these facilities will be repaid as explained within Note 5 of the unaudited pro forma statement of assets and liabilities on page 248 of this document.

Those costs have been replaced with the finance costs expected to arise on a \$600 million RBL drawdown, as if the facility been in place at 1 January 2020. This amounts to \$41.5 million.

The net impact is a \$2.0 million decrease in finance costs.

This adjustment has a continuing impact.

***Note 6:***

In preparing the pro forma income statement no account has been taken of the trading or transactions of EnQuest and the Golden Eagle Asset since 31 December 2020.



## Unaudited pro forma statement of assets and liabilities at 31 December 2020

	Adjustments						
	Consolidated EnQuest assets and liabilities as at 31 December 2020	Golden Eagle assets and liabilities as at 31 December 2020	Acquisition	Deferred tax recognition	Refinancing	Capital Raising net of fees	Pro forma total
\$ 000's	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment .....	2,633,917	131,191	333,602				3,098,710
Goodwill .....	134,400						134,400
Intangible oil and gas assets .....	27,546	502					28,048
Deferred tax assets .....	503,946	2,209		299,900			806,055
Other financial assets .....	7						7
<b>Total non-current assets .....</b>	<b>3,299,816</b>	<b>133,902</b>	<b>333,602</b>	<b>299,900</b>	<b>0</b>	<b>0</b>	<b>4,067,220</b>
<b>Current assets</b>							
Inventories .....	59,784	13,411					73,195
Trade and other receivables .....	118,715	11,123					129,838
Current tax receivable .....	5,601						5,601
Cash and cash equivalents .....	222,830		(319,558)		53,812	45,376	2,460
<b>Total current assets .....</b>	<b>406,930</b>	<b>24,534</b>	<b>(319,558)</b>	<b>0</b>	<b>53,812</b>	<b>45,376</b>	<b>211,094</b>
<b>Total assets .....</b>	<b>3,706,746</b>	<b>158,436</b>	<b>14,044</b>	<b>299,900</b>	<b>53,812</b>	<b>45,376</b>	<b>4,278,314</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Borrowings .....	414,430				(405,193)		9,237
Leases liability .....	99,439						99,439
Contingent consideration .....	73,877				(27,626)		46,251
Provisions .....	98,954						98,954
Trade and other payables .....	255,155	14,040					269,195
Other financial liabilities .....	2,007						2,007
Current tax payable .....	0	0					0
<b>Total current liabilities .....</b>	<b>943,862</b>	<b>14,040</b>	<b>0</b>	<b>0</b>	<b>(432,819)</b>	<b>0</b>	<b>525,085</b>
<b>Non-current liabilities</b>							
Borrowings .....	37,854				533,145		570,999
Bonds .....	1,045,041						1,045,041
Leases liability .....	548,407						548,407
Contingent consideration .....	448,384		19,700		(44,589)		423,495
Provisions .....	741,453	138,740					880,193
Deferred tax liabilities .....	6,385						6,385
<b>Total non-current liabilities .....</b>	<b>2,827,524</b>	<b>138,740</b>	<b>19,700</b>	<b>0</b>	<b>488,556</b>	<b>0</b>	<b>3,474,520</b>
<b>Total liabilities .....</b>	<b>3,771,386</b>	<b>152,780</b>	<b>19,700</b>	<b>0</b>	<b>55,737</b>	<b>0</b>	<b>3,999,603</b>
<b>Net (liabilities)/assets .....</b>	<b>(64,640)</b>	<b>5,656</b>	<b>(5,656)</b>	<b>299,900</b>	<b>(1,925)</b>	<b>45,376</b>	<b>278,711</b>

### Note 1:

The assets and liabilities of EnQuest have been extracted without adjustment from the 2020 Financial Statements, as incorporated by reference in Part 14 of this document.

### Note 2:

The assets and liabilities of the Golden Eagle Asset have been extracted, without adjustment, from the financial information on the Golden Eagle Asset for the year ended 31 December 2020, as included in Part 7 of this document.

**Note 3:**

The unaudited pro forma financial information has been prepared on the basis that the Acquisition will be treated as an asset acquisition as it does not meet the IFRS3 definition of a business combination. The acquisition adjustments reflect:

- (a) The Share Consideration for the acquisition of the Golden Eagle Asset being \$325.0 million, subject to customary adjustments in respect of working capital and other interim adjustments. The \$325.0 million has been adjusted for the initial working capital adjustment net of notional tax, resulting in an initial consideration of \$318.0 million.

The calculation of the contingent consideration is based on management's assessment of the most probable outcome of a range of three potential outcomes driven by expected Dated Brent average crude price between July 2021 and June 2023, as outlined in paragraph 5 of Part 1 ("*Letter from the Chairman of EnQuest PLC*") of this document.

Management has assessed the three potential outcomes and based on forecast prices have assessed the most probable outcome is an average Dated Brent oil price of \$55/bbl – \$65/bbl. The consideration payable associated with this potential outcome is \$25 million. A 10 per cent. per annum risk adjusted discount rate has been applied to the gross contingent consideration to reflect the value as at 31 December 2020, resulting in the recognition of \$19.7 million contingent consideration.

The \$319.6 million deducted from cash and cash equivalents includes transaction costs of \$1.6 million.

- (b) The difference between the total consideration and capitalised transaction costs, and the net assets of the Golden Eagle Asset acquired has been allocated to Property, Plant and Equipment.

**Note 4:**

Please refer to Note 4 of the unaudited pro forma income statement on page 246 of this document for details of this adjustment.

**Note 5:**

The financing adjustments assumes an RBL drawdown on 31 December 2020 of \$600 million to facilitate the purchase of the Golden Eagle Asset and repayment of the SFA (\$377.3 million), Sculptor Facility (\$67.7 million) and BP Vendor Loan (\$72.2 million, classified as contingent consideration). Transaction costs of \$29.0 million have been capitalised against the RBL principle and will be amortised across the life of the facility and \$1.9 million of unamortised fees in relation to the Sculptor Facility have been fully amortised.

The finance costs incurred on the repaid facilities, and the finance costs assumed to arise on a drawdown of the RBL during the year ended 31 December 2020 have been adjusted in the unaudited pro forma income statement above.

The unaudited pro forma financial information has been prepared on the basis that assumes the total amounts due as at 31 December 2020 are repaid. The actual amounts repaid will be based on the amounts due at that time.

**Note 6:**

The gross proceeds of the Capital Raising are \$50.0 million.

The net proceeds of \$45.4 million include: (a) the impact of estimated transaction costs of (\$3.4 million), which will be accounted for as a reduction of equity, and (b) the issuance of circa \$1.2 million of shares to the EBT in accordance with the EBT's Irrevocable Undertaking (as explained in paragraph 18.4 of Part 12 ("*Additional Information*")), which is funded by the Company.

**Note 7:**

In preparing the unaudited pro forma statement of assets and liabilities no account has been taken of the trading or transactions of EnQuest or the Golden Eagle Asset since 31 December 2020.

## Section B: Accountant's report on the Unaudited Pro Forma Financial Information



1 New Street Square  
London  
EC4A 3HQ

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

30 June 2021

Dear Sirs/Mesdames,

### **EnQuest PLC (the “Company”)**

We report on the unaudited pro forma financial information (the “**Pro forma financial information**”) set out in Part 9 of the combined circular and prospectus dated 30 June 2021 (the “**Prospectus**”). This report is required in accordance with Annex 20, section 3 of the UK Version of the Commission Delegated Regulation (EU) 2019/980 (the “**Prospectus Delegated Regulation**”) and the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R and is given for the purpose of complying with these requirements and for no other purpose.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Responsibilities**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation.

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.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

### **Basis of preparation**

The pro forma financial information has been prepared on the basis described in Section A, for illustrative purposes only, to provide information about how the Transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2020.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company and North Sea (Golden Eagle) Resources Ltd in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

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 or practices.

### **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.

Yours faithfully

Deloitte LLP

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## PART 10

### CAPITALISATION AND INDEBTEDNESS

#### 1. EnQuest

The following tables show the EnQuest Group's capitalisation as at 31 December 2020 and indebtedness as at 31 March 2021. The following tables do not reflect the impact of the Transaction and the RBL on the EnQuest Group's capitalisation and indebtedness. Please refer to Part 9 ("*Unaudited Pro Forma Financial Information*") for an illustration of the impact of the Transaction and the RBL on the consolidated net assets of the EnQuest Group.

There has been no material change in the EnQuest Group's capitalisation since 31 December 2020 and no material change in the EnQuest Group's indebtedness since 31 March 2021.

#### 1.1 Capitalisation and indebtedness

The information contained in the capitalisation table set out below has been extracted without material adjustment from the 2020 Financial Statements. The information contained in the indebtedness table has been extracted without material adjustment from the 2020 Financial Statements and updated to account for the first quarter of 2021.

	<b>31 December 2020</b> <b>US\$ '000</b>
<b>Shareholders' equity</b>	
Share capital and Share Premium .....	345,420
Share based payment reserve .....	1,016
<b>Total shareholders' equity</b> .....	<b>346,436</b>
<b>Total capitalisation</b> .....	<b>1,843,761</b>
	<b>31 March 2021</b> <b>US\$ '000</b>
<b>Current debt</b>	
Guaranteed <sup>1</sup> .....	11,202
Secured <sup>2</sup> .....	395,384
Unguaranteed/Unsecured <sup>3</sup> .....	—
<b>Total current debt</b> .....	<b>406,585</b>
<b>Total Non-current debt (excluding current portion of long term debt)</b>	
Guaranteed .....	—
Secured .....	—
Unguaranteed/Unsecured <sup>3</sup> .....	1,058,861
<b>Total non-current debt</b> .....	<b>1,058,861</b>

#### Notes:

- Guaranteed debt comprises the SVT Working Capital Facility, which is guaranteed as described in paragraph 18.6(e) of Part 12 ("*Additional Information*").
- Secured debt comprises the SFA, which is secured as described in paragraph 18.6(c) of Part 12 ("*Additional Information*") and the Sculptor Facility, which is secured as described in paragraph 18.6(d) of Part 12 ("*Additional Information*").
- Unsecured debt represents the High Yield Notes and the Retail Notes, as described more fully in paragraphs 18.6(l) and 18.6(f) respectively of Part 12 ("*Additional Information*").



## 1.2 Net Indebtedness

The information contained in this table sets out the unaudited net indebtedness of EnQuest as at 31 March 2021.

	<b>31 March 2021</b>
	<b>US\$ '000</b>
Cash (refer to Note 1) .....	(142,087)
Cash equivalents .....	—
Trading securities.....	—
<b>Liquidity .....</b>	<b>(142,087)</b>
<b>Current financial receivable .....</b>	<b>—</b>
Current bank debt .....	—
Current portion of non-current debt .....	406,586
Other current financial debt.....	—
<b>Current financial debt.....</b>	<b>406,586</b>
<b>Net current financial indebtedness .....</b>	<b>264,499</b>
Non-current bank loans .....	—
Bonds issued .....	1,058,861
Other non-current loans.....	—
<b>Non-current financial indebtedness .....</b>	<b>1,058,861</b>
<b>Net financial indebtedness (refer to Note 2) .....</b>	<b>1,323,360</b>

### Notes:

1. Included within the cash balance at 31 March 2021 is restricted cash of \$35.1 million held in escrow in respect of decommissioning security arrangements and \$1.7 million held in escrow in respect of the unwound acquisition of the Tunisian assets of PA Resources.

## PART 11

### TAXATION

**Each prospective Shareholder should consult their own tax advisers as to the possible tax consequences of buying, holding or selling Ordinary Shares under the laws of their country of citizenship, residence or domicile or other jurisdictions in which they are subject to tax.**

#### **United Kingdom**

The statements below, which relate only to UK taxation, are provided for general information purposes only and do not purport to be a complete analysis of all the potential UK tax consequences of acquiring and holding the New Ordinary Shares as investments and their subsequent disposal. The discussion is not intended to constitute legal or tax advice to any person and should not be so construed.

The statements below are intended to be a general summary of certain UK tax considerations that may arise for prospective investors in relation to the New Ordinary Shares (which may vary depending upon the particular individual circumstances and status of prospective investors). These statements are based on current UK tax law as applied in England and Wales, and the current practice of HMRC (which may not be binding on HMRC) as at the date of this document, both of which may be subject to future revision with retrospective effect. These statements apply only to Shareholders who are resident (and in the case of individuals, domiciled or deemed domiciled) in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold the New Ordinary Shares directly as an investment, who are the absolute beneficial owners of the New Ordinary Shares and who do not hold their shares through a Self-Invested Personal Pension or an Individual Savings Account. Any statements made in respect of tax rates for individual UK Shareholders assume that the Shareholder is a UK resident and domiciled individual who is neither a Scottish taxpayer nor a Welsh taxpayer. Different tax rates may apply to UK resident individuals who are Scottish taxpayers or Welsh taxpayers.

The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their New Ordinary Shares in connection with their office or employment, dealers in securities, broker-dealers, insurance companies, collective investment schemes, traders, brokers, banks, tax exempt entities, persons connected with the Company, persons holding New Ordinary Shares as part of hedging transactions, trustees, pension schemes, and persons acquiring their New Ordinary Shares other than for bona fide commercial purposes, is not considered in this section.

***Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.***

#### **1. Taxation of Chargeable Gains**

##### **1.1 *Acquisition of New Ordinary Shares pursuant to the Placing***

For the purpose of UK tax on chargeable gains, the purchase of New Ordinary Shares pursuant to a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires New Ordinary Shares allotted to them, the New Ordinary Shares acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount of subscription monies paid for the New Ordinary Shares will constitute the capital gains base cost of the new shareholding although subject to capital gains tax share matching rules.

##### **1.2 *Acquisition of New Ordinary Shares pursuant to the Open Offer***

The acquisition of New Ordinary Shares pursuant to the Open Offer may not technically constitute a reorganisation of the share capital of the Company for the purposes of UK taxation on chargeable

gains. The published practice of HMRC to date in respect of open offers has been to treat an acquisition of shares by an existing shareholder up to their *pro rata* entitlement pursuant to the terms of an open offer as a reorganisation but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders, as is the case here. Whether HMRC will treat the Open Offer as a reorganisation, wholly or in part, cannot therefore be guaranteed and specific confirmation has not been sought from HMRC in relation to the Open Offer.

If, or to the extent that the acquisition of the New Ordinary Shares pursuant to the Open Offer is treated as a reorganisation of the Company's share capital for the purposes of the UK taxation on chargeable gains, a Shareholder should not be treated as acquiring a new asset or as making a disposal of any part of their corresponding holding of Existing Ordinary Shares by reason of taking up all or part of that Shareholder's entitlement to New Ordinary Shares. Instead, New Ordinary Shares issued to a Shareholder should be treated as the same asset, and as having been acquired at the same time, as that Shareholder's Existing Ordinary Shares. The amount paid for the New Ordinary Shares acquired under the Open Offer up to a Shareholder's entitlement should be added to the base cost of that Shareholder's Existing Ordinary Shares.

If, or to the extent that, the acquisition of New Ordinary Shares pursuant to the Open Offer is not treated by HMRC as a reorganisation, those shares should be treated as acquired separately from the Existing Ordinary Shares. In that case, the share identification rules would need to be considered in respect of any subsequent disposal or deemed disposal of Ordinary Shares in order to establish which acquisition costs could be taken into account in computing any gain from the disposal or deemed disposal.

### 1.3 ***Disposal of New Ordinary Shares***

A disposal of New Ordinary Shares by a Shareholder who is resident in the UK for tax purposes, or who is not so resident but carries on a trade in the United Kingdom through a branch, agency or permanent establishment in connection with which their investment in the Company is used, held or acquired, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

UK-resident and domiciled individual Shareholders have an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure, and subject to any available relief. The annual exemption is £12,300 for the tax year 2021 – 2022 (the "**Annual Exempt Amount**"). For such individual Shareholders, any chargeable gain arising from a disposal of the New Ordinary Shares which is in excess of the Annual Exempt Amount (or, where the individual has other chargeable gains in the tax year concerned, the unused remainder of the Annual Exempt Amount) and which, when aggregated with that Shareholder's taxable income for the relevant tax year, falls within the basic rate band will be subject to capital gains tax at a rate of 10 per cent. Any amount of such gains which, when aggregated with that Shareholder's taxable income for the relevant tax year, exceeds the basic rate band will be taxed at a rate of 20 per cent.

Generally, an individual Shareholder who has ceased to be resident in the UK for tax purposes for a period of five years or less and who disposes of New Ordinary Shares during that period may be liable on their return to the UK to UK taxation on any chargeable gain realised (subject to any available exemption or relief). Special rules apply to Shareholders who are subject to tax on a "split-year" basis, who should seek specific professional advice if they are in any doubt about their position.

Corporate Shareholders who are resident in the UK for tax purposes (or who are not so resident but carry on a trade in the UK through a branch agency or permanent establishment in connection with which their investment in the Company is used, held or acquired) will generally be subject to UK corporation tax at the rate of corporation tax applicable to that Shareholder on chargeable gains arising on a disposal of their New Ordinary Shares. The rate of UK corporation tax is currently 19 per cent., however the Finance Act 2021 provides that the main rate of corporation tax will rise to 25 per cent. from 1 April 2023.

Shareholders who are neither resident in the United Kingdom, nor temporarily non-resident for the purposes of the anti-avoidance legislation referred to above, and who do not carry on a trade in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, should not be subject to United Kingdom taxation on chargeable gains on a disposal of their New Ordinary Shares. They may, however, be subject to foreign taxation under their local law and personal circumstances.

## **2. Taxation of Dividends**

### **2.1 Dividend withholding tax requirements of the Company**

No UK tax is required to be withheld from dividend payments by the Company.

### **2.2 UK resident individual Shareholders**

UK resident individuals are entitled to a nil rate of income tax on the first £2,000 of dividend income in the tax year 2021/2022 (the “**Nil Rate Amount**”). Any dividend income received by a UK resident individual Shareholder in respect of the New Ordinary Shares in excess of the Nil Rate Amount (taking account of any other dividends and dividend distributions received by the Shareholder in the same tax year) will be subject to income tax, for the tax year 2021/2022 at a rate of 7.5 per cent to the extent that it is within the basic rate band, 32.5 per cent to the extent that it is within the higher rate band and 38.1 per cent to the extent that it is within the additional rate band.

Dividend income that is within the Nil Rate Amount counts towards an individual’s basic or higher rate limits and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating which tax band any dividend income in excess of the Nil Rate Amount falls into, savings and dividend income are treated as the highest part of an individual’s income. Where an individual has both savings and dividend income, the amounts taken together are treated as the highest part of their total income, and the dividend income is taken as the highest part of the combined amount.

### **2.3 Companies**

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to UK tax on dividends from the Company, provided certain conditions are met, including an anti-avoidance condition.

Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general: (i) dividends paid on non-redeemable ordinary shares (within the meaning of Part 9A of the Corporation Tax Act 2009); and (ii) dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer and who is entitled to less than 10 per cent. of the profits available for distribution to holders of the same class of share and would be entitled to less than 10 per cent. of the assets available for distribution to holders of the same class of shares on a winding-up, are examples of dividends within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules and other conditions. In the event that the dividends do not qualify for such exemption, Shareholders within the charge to corporation tax will be subject to corporation tax on them.

## **3. Stamp duty and Stamp Duty Reserve Tax (“SDRT”)**

*The statements below are intended as a guide to the general UK stamp duty and SDRT position. Special rules apply to persons such as market intermediaries, charities, persons connected with depositary arrangements or clearance services and to certain sale and repurchase and stock borrowing arrangements.*

Neither stamp duty nor SDRT should arise on the issuance of New Ordinary Shares by the Company.

Transfers on the sale of New Ordinary Shares held in certificated form will generally be subject to UK stamp duty at the rate of 0.5 per cent of the amount or value of the consideration given for the transfer (rounded up

to the nearest £5). However, an exemption from stamp duty will be available on an instrument transferring existing New Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. The liability to pay stamp duty is generally satisfied by the purchaser or transferee of the New Ordinary Shares.

An unconditional agreement to transfer New Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer. However, if a duly stamped or exempt transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. The liability to pay SDRT is generally satisfied by the purchaser or transferee of the New Ordinary Shares.

Paperless transfers of New Ordinary Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system (but in practice the cost will generally be passed on to the purchaser or transferee). Under the CREST system, no stamp duty or SDRT will arise on a transfer of New Ordinary Shares into the system unless such a transfer is made for consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent of the amount or value of that consideration) will arise.

Transfers of New Ordinary Shares to a company connected with the transferor will be subject to UK stamp duty or SDRT (as applicable) on the market value of the New Ordinary Shares transferred if this is higher than the consideration given.



## PART 12

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and its Directors, whose names appear in paragraph 6.1 of this Part 12 (“*Additional Information*”), accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

#### 2. Incorporation and Registered Office

- 2.1 The Company was incorporated and registered in England and Wales on 29 January 2010 under the name EnQuest PLC as a public company limited by shares under the Companies Act with the registered number 7140891. The principal legislation under which the Company operates and under which the New Ordinary Shares will be created is the Companies Act. The Existing Ordinary Shares and New Ordinary Shares have been and will be duly authorised according to the requirements of the Company’s constitution and have and will have all necessary statutory and other consents.
- 2.2 The Legal Entity Identifier of the Company is 2138008LJU6WFQWOXJ73.
- 2.3 The Company’s registered office is at 5th Floor Cunard House, 15 Regent Street, London, SW1Y 4LR (telephone number +44 (0)20 7925 4900).

#### 3. Share Capital

- 3.1 As at the Latest Practicable Date, the issued share capital of the Company was £352,726,807 divided into 1,695,801,955 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid). As at the Latest Practicable Date, the Company does not hold any shares in treasury.
- 3.2 At 31 December 2018, the issued share capital of the Company was £84,720,307.40 divided into 1,694,406,148 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid). The following changes were made to the share capital of the Company between 31 December 2018 and the Latest Practicable Date:
  - (a) following a further issue of 944,679 Ordinary Shares between 6 June 2019 to 21 June 2019, an issue of 90,937 Ordinary Shares between 28 June 2019 to 28 July 2019, an issue of 231,136 Ordinary Shares on 1 August 2019, an issue of 5,143 Ordinary Shares on 23 September 2019, an issue of 8,400 Ordinary Shares on 1 October 2019, an issue of 6,951 Ordinary Shares on 8 October 2019, an issue of 44,864 Ordinary Shares between 1 November 2019 to 18 November 2019, an issue of 47,616 Ordinary Shares on 3 December 2019 and an issue of 16,081 Ordinary Shares on 13 December 2019, the share capital of the Company at 31 December 2019 was £84,790,097.75 divided into 1,695,801,955 Ordinary Shares of 5 pence each (all of which were fully paid or credited as fully paid).
- 3.3 There were no changes in the issued share capital of the Company between 31 December 2020 and the Latest Practicable Date.
- 3.4 **Existing Shareholder authorities**
  - (a) By an ordinary resolution at EnQuest’s annual general meeting held on 12 May 2021, the Directors were generally and unconditionally authorised by the Shareholders pursuant to section 551 of the Companies Act to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company:
    - (i) up to an aggregate nominal amount of £28,260,540 (such amount to be reduced by the nominal amount allotted or granted under paragraph (ii) below in excess of such sum); and

- (ii) comprising equity securities (as defined in section 560 of the Companies Act) up to an aggregate nominal amount of £56,529,558 (such amount to be reduced by allotments or grants made under paragraph (i) above) in connection with an offer by way of a rights issue in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective existing holdings (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the next annual general meeting of the Company in 2022 (or, if earlier, on 30 June 2022), save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred had not expired).

- (b) By a special resolution at EnQuest's annual general meeting held on 12 May 2021, the Directors were generally empowered, pursuant to sections 570 and 573 of the Companies Act, to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash pursuant to the authority conferred by the resolution in paragraph (a) above (or by way of a sale of treasury shares) as if section 561 of the Companies Act did not apply to such allotment. This power is limited to the allotment of equity securities for cash and the sale of treasury shares:

- (i) in connection with or pursuant to an offer of or invitation to acquire equity securities in favour of holders of Ordinary shares in proportion (as nearly as practicable) to their respective existing holdings but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) otherwise than pursuant to paragraph (i) above, up to an aggregate nominal amount of £4,239,505, and shall expire at the conclusion of the next annual general meeting of the Company in 2022 (or, if earlier, on 30 June 2022), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred had not expired.

### **3.5 *Shareholder authorities to be proposed at the General Meeting***

These are summarised in paragraph 13 of Part 1 ("*Letter from the Chairman of EnQuest PLC*") of this document.

The full text of the resolutions is set out in the notice convening the General Meeting which is set out at the end of this document.

### **3.6 *Results of the Capital Raising***

Pursuant to the Capital Raising, up to 190,122,384 New Ordinary Shares will, subject to Admission, be issued at a price of 19 pence per New Ordinary Share. Qualifying Shareholders who do not take up any of their entitlements to subscribe for the New Ordinary Shares pursuant to the Open Offer, or Excluded Overseas Shareholders who are not eligible to participate in the Open Offer, will suffer an immediate dilution of up to approximately 10.1 per cent. in their interests in the Company, assuming that the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising. A Qualifying Shareholder that takes up their Open Offer Entitlement in full will experience a dilution of approximately 5.0 per cent. as a result of the Firm Placing.

### 3.7 Share Option Plans

As at the Latest Practicable Date, the following awards and options to acquire Ordinary Shares have been granted to employees and Directors under the Share Option Plans and remain outstanding:

Sharesave options	Date of grant	Number of Ordinary Shares under option	Exercise price (£)	Exercisable from	Exercisable to
2016 5 Year	4 May 2016	575,406	15.64p	1 June 2021	1 December 2021
2018 3 Year	25 May 2018	421,040	25.0p	1 July 2021	1 January 2021
2019 3 Year	24 May 2019	2,871,831	17.14p	1 July 2022	1 December 2023
2018 5 Year	25 May 2018	215,552	25.05p	1 July 2023	1 January 2024
2020 3 Year	28 October 2020	34,050,131	8.331p	1 December 2023	1 June 2024

Options granted before 2020 were granted under the EnQuest 2012 Sharesave Scheme. Options granted in 2020 were granted under the EnQuest 2020 Sharesave Scheme.

Share Scheme	Date of grant	Number of Ordinary Shares subject to award	Vesting period	Expiry date
PSP Awards	24-Apr-19	15,634,391	3 years cliff vesting	24-Apr-22
PSP Awards	12-Sep-19	101,010	3 years cliff vesting	12-Sep-22
PSP Awards	10-Sep-20	32,183,506	3 years cliff vesting	09-Sep-23
PSP Awards	27-Apr-21	4,627,565	3 years cliff vesting	26-Apr-24
PSP Options	19-Apr-12	334,623	3 years cliff vesting	19-Apr-22
PSP Options	29-Apr-13	381,908	3 years cliff vesting	29-Apr-23
PSP Options	22-Apr-14	393,120	3 years cliff vesting	22-Apr-24
PSP Options	27-Mar-15	167,521	3 years cliff vesting	27-Mar-25
PSP Options	22-Apr-16	2,298,678	3 years cliff vesting	22-Apr-26
PSP Options	21-Apr-17	279,682	3 years cliff vesting	21-Apr-27
PSP Options	12-Sep-17	1,718,594	3 years cliff vesting	12-Sep-27
PSP Options	24-Apr-18	4,949,604	3 years cliff vesting	24-Apr-28
PSP Options	24-Apr-19	12,572,316	3 years cliff vesting	24-Apr-29
PSP Options	10-Sep-20	19,816,186	3 years cliff vesting	09-Sep-30
PSP Options	27-Apr-21	19,664,228	3 years cliff vesting	26-Apr-31
RSP Awards	12-Sep-17	156,562	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	12-Sep-21
RSP Awards	24-Apr-18	126,407	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	24-Apr-22
RSP Awards	10-Sep-18	259,709	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	10-Sept-22
RSP Awards	24-Apr-19	33,978	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	24-Apr-23
RSP Awards	10-Sep-20	399,089	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	10-Sep-24

Share Scheme	Date of grant	Number of Ordinary Shares subject to award	Vesting period	Expiry date
RSP Options	19-Apr-12	95,880	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	19-Apr-22
RSP Options	22-Apr-16	1,598,004	4 years: Yr1-0%, Yr2-25%, Yr3-25%, Yr4-50%	22-Apr-26
DBSP NCO	22-Apr-16	1,091,560	2 years cliff vesting	22-Apr-26
DBSP NCO	21-Apr-17	435,118	2 years cliff vesting	21-Apr-27
DBSP NCO	24-Apr-18	298,293	2 years cliff vesting	24-Apr-28
DBSP NCO	24-Apr-19	138,483	2 years cliff vesting	24-Apr-29
DBSP NCO	10-Sep-20	303,862	2 years cliff vesting	10-Sep-30

Awards and options under the PSP, RSP and DBSP were granted on a nil cost basis. The vesting of awards under the PSP are subject to achievement of performance conditions. The vesting of awards under the PSP, RSP and DBSP are subject to completion of the vesting period. The awards under the PSP first vest on the third anniversary of the date of grant, subject to the achievement of performance and, in respect of Executive Directors only (and such other individuals as the Remuneration Committee determines appropriate) for awards vesting from 2022 onwards an additional holding period of two years shall apply to Ordinary Shares subject to vested awards and during such time the participant may not sell, transfer, assign or dispose of his or her net vested Ordinary Shares.

RSP, PSP and DBSP awards made before 2020 were made under the EnQuest Restricted Share Plan, the EnQuest Performance Share Plan and the EnQuest Deferred Bonus Share Plan, respectively. Awards made in 2020 were made under the EnQuest 2020 Restricted Share Plan, the EnQuest 2020 Performance Share Plan and the EnQuest Deferred Bonus Share Plan, respectively.

Other than pursuant to the Capital Raising and the vesting of awards and the exercise of options granted and to be granted under the Share Option Plans, there is no present intention to issue any shares in the capital of the Company.

#### 4. Articles of Association

- (a) The Articles were adopted pursuant to a special resolution passed on 22 February 2010 and subsequently amended by special resolutions passed on 18 March 2010, 28 May 2014 and 12 May 2021 and are available for inspection as set out in paragraph 27 of this Part 12 (*“Additional Information”*). A description of the Articles is set out on pages 222 to 226 of the 2018 EnQuest Group Prospectus which is incorporated by reference into this document, as explained in Part 14 (*“Documents Incorporated by Reference”*). Such description of the Articles remains accurate as at the date of this document.

#### 5. Mandatory Bids, Squeeze-Out and Sell-out Rules

##### 5.1 Mandatory Bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its

concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

## 5.2 *Squeeze-Out*

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights carried by the shares to which the offer relates, it could, within three months of the last day on which its takeover offer can be accepted, compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the outstanding shares to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the takeover offer.

## 5.3 *Sell-Out*

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the shares and, at any time before the end of the period within which the offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares, any holder of shares to which the offer relates who has not accepted the offer could, by a written communication to the offeror, require it to acquire those shares. The offeror is required to give any shareholder notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on shareholders notifying them of their sell-out rights. If a shareholder exercises his/her sell-out rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

# 6. Directors and Senior Managers

## 6.1 *Directors*

The current Directors and their functions are as follows:

<b>Name</b>	<b>Position</b>	<b>Date appointed to the Board</b>	<b>Age</b>
Martin Houston	Non-Executive Chairman	1 October 2019	63
Amjad Bseisu	Chief Executive	22 February 2010	57
Jonathan Swinney	Chief Financial Officer	29 March 2010	55
Howard Paver	Senior Independent Director	31 March 2020	70
Philip Holland	Non-Executive Director	1 August 2015	66
Carl Hughes	Non-Executive Director	1 January 2017	58
Farina Khan	Non-Executive Director	1 November 2020	49
Liv Monica Stubholt	Non-Executive Director	15 February 2021	59
John Winterman	Non-Executive Director	7 September 2017	65

The business address of each of the Directors (in such capacity) is 15 Regent Street, London, United Kingdom, SW1Y 4LR.



## 6.2 *Profiles of the Directors*

The business experience and principal business activities outside of EnQuest of each of the Directors are as follows:

(a) *Martin Houston (Non-Executive Chairman)*

Martin joined BG Group plc in 1983 and enjoyed a 32 year career before retiring as chief operating officer and a member of the board of directors. Martin holds, and has held, many FTSE and international board or senior advisory positions. Martin's other interests include being a council member of the National Petroleum Council of the United States of America, a member of the advisory board of the Global Energy Policy unit at Columbia University's School of International and Public Affairs, New York and a Fellow of the Geological Society of London.

Other principal external appointments include co-founder and vice-chairman of Tellurian Inc, non-executive director of CC Energy and non-executive director of Bupa Arabia. In an advisory capacity, Martin is the global energy chairman of Moelis & Company and on the advisory board of Radia Inc

Martin is Chairman of the Governance and Nomination Committee, a member of the Remuneration and Social Responsibility Committee and a member of the Technical and Reserves Committee.

(b) *Amjad Bseisu (Chief Executive)*

Amjad Bseisu holds a BSc Honours degree in Mechanical Engineering and an MSc and D.ENG degree in Aeronautical Engineering. From 1984 to 1998, Amjad worked for the Atlantic Richfield Company (ARCO), eventually becoming president of ARCO Petroleum Ventures and ARCO Crude Trading Inc. In 1998 Amjad founded and was the chief executive of Petrofac Energy Developments International Limited, the operations and investment business for Petrofac Limited, which organically grew an upstream and midstream oil and gas business in South East Asia, the UK and North America. In 2010 Amjad formed EnQuest PLC having previously been a founding non-executive chairman of Serica Energy plc and director of Stratic Energy Corporation. Amjad was British Business Ambassador for Energy from 2013 to 2015.

Other principal external appointments include chairman of the World Economic Forum Independent Oil and Gas Community since 2016 and chairman of The Amjad and Suha Bseisu Foundation.

Amjad is also a member of the Governance and Nomination Committee.

(c) *Jonathan Swinney (Chief Financial Officer)*

Jonathan Swinney is a qualified chartered accountant and a member of the Institute of Chartered Accountants of England and Wales. He is also a qualified solicitor and focussed on acquisition finance. Jonathan worked at Credit Suisse and then Lehman Brothers, advising on a wide range of transactions with equity advisory. Jonathan joined Petrofac Limited in April 2008 as head of mergers and acquisitions for the Petrofac Group and left in 2010 to join EnQuest. The combination of Jonathan's accounting and legal professional qualifications as well as significant capital markets knowledge, experience and understanding has been critical in raising finance during EnQuest's existence, particularly the successful restructuring undertaken in 2016. Jonathan also has significant merger and acquisition transactional experience.

(d) *Howard Paver (Senior Independent Director)*

Howard Paver holds an MA in Chemical Engineering as well as an MSc in Petroleum Engineering from Imperial College London. He is also a member of the Society of Petroleum Engineers. Howard began his professional career as a petroleum engineer at Schlumberger before moving to Mobil and then BHP Petroleum, where he was regional president, Europe, Russia, Africa & Middle East, and before becoming president, global exploration & alliance development. Howard most recently served as SVP, strategy, commercial & business development at Hess, a role he took up in July 2013, having joined the company in 2000 as SVP, north sea/international. Between 2005 and 2013 he held the position of SVP, global new business development.

Howard is Chairman of the Remuneration and Social Responsibility Committee and a member of the following committees: Audit Committee, Governance and Nomination Committee and Technical and Reserves Committee.

(e) *Philip Holland (Non-Executive Director)*

Philip Holland holds a BSc in Civil Engineering from Leeds University as well as an MSc in Engineering and Construction Project Management from Cranfield School of Management. Philip has extensive experience in managing large scale oil and gas projects around the globe. In 1980 Philip joined Bechtel Corporation, where for over 20 years he managed major oil and gas projects in a wide range of international locations. In 2004 Philip joined Shell as vice president of projects, Shell Global Solutions International. In 2009 Philip became executive vice-president in Downstream Projects in Shell's newly formed Projects and Technology Business and in 2010 he was appointed as project director for Shell's Kashagan Phase 2 Project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Other principal external appointments include chairman of Velocys plc and independent non-executive director of KazMunayGas, the state-owned oil and gas company of Kazakhstan.

Philip is Chairman of the Safety, Climate and Risk Committee and a member of the Technical and Reserves Committee.

(f) *Carl Hughes (Non-Executive Director)*

Carl Hughes holds an MA in Philosophy, Politics and Economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a Fellow of the Energy Institute. Carl joined Arthur Andersen in 1983, qualified as a chartered accountant and became a partner in 1993. Throughout his professional career he specialised in the oil and gas, mining and utilities sectors, becoming the head of the UK energy and resources industry practice of Andersen in 1999 and subsequently of Deloitte in 2002. When Carl retired from the partnership of Deloitte in 2015 he was a vice chairman, senior audit partner and leader of the firm's energy and resources business globally.

Other principal external appointments include member of the finance and audit committee of Energy Institute; Director and Trustee of the Premier Christian Media Trust; Director and Trustee of the Lambeth Conference Company; member of the development board of St Peter's College, Oxford; member of the General Synod of the Church of England and of the finance committee of the Archbishops' Council.

Carl is Chairman of the Audit Committee and is a member of the Safety, Climate and Risk Committee.

(g) *Farina Khan (Non-Executive Director)*

Farina holds a Bachelor of Commerce from the University of New South Wales, Sydney, Australia and completed the Advanced Management Program at Harvard Business School, USA. She is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. Farina started her career in 1994 with Coopers & Lybrand, Australia, before returning to Malaysia in 1997 to join PETRONAS where she held various senior positions. Farina was Chief Financial Officer of PETRONAS Carigali Sdn. Bhd, one of the largest subsidiaries of PETRONAS with operations in over 20 countries and has also been Chief Financial Officer at PETRONAS Exploration and Production. From 2013, Farina was the Chief Financial Officer of PETRONAS Chemical Group Berhad, the largest listed entity of PETRONAS. Farina left PETRONAS in 2015 to pursue non-executive opportunities. Farina currently sits on the Boards of the following Malaysian listed companies: PETRONAS Gas Berhad, KLCC Property Holdings Berhad, AMMB Holdings Berhad and Icon Offshore Berhad.

Farina is a member of the Audit Committee, Safety Climate and Risk Committee and a member of the Remuneration and Social Responsibility Committee.

(h) *Liv Monica Stubholt (Non-Executive Director)*

Liv Monica Stubholt has 20 years' experience as a corporate lawyer and holds an MA in Law from the University of Oslo, Norway. Liv started her career as an attorney with a Norwegian law firm before becoming political advisor to the Centre Party Finance Parliamentary Group. From 1997, Liv spent two years as a legal advisor to an industry alliance for private ownership before becoming Partner at her original law firm. In 2005, Liv Monica moved back into politics and was Norway's Deputy Minister of Foreign Affairs for two years, followed by two years as Deputy Minister of Petroleum and Energy. Liv Monica re-joined the private sector in 2009 and held four top executive industry positions within the Aker Group in Norway including as EVP in the listed EPC contractor Kværner, before moving back into law.

Other principal external appointments include Partner at the Oslo-based law firm Selmer and sitting on a number of private company boards, industrial boards and academic committees including as chairperson of Fortum Oslo Varme and Silex Gas Norway. Liv is a member of the board of OKEA ASA (listed on the Oslo Stock Exchange).

Liv is a member of the Safety, Climate and Risk Committee and a member of the Audit Committee.

(i) *John Winterman (Non-Executive Director)*

John Winterman holds a BSc in geology from Queen Mary College, London University and is a member of the American Association of Petroleum Geologists. John has extensive leadership experience in global exploration, business development and asset management and has a strong record of exploration success globally with over two billion barrels of oil equivalent discovered in the Philippines, Indonesia, Bangladesh, Malaysia, Russia, United States and Yemen. John joined Occidental in 1981 and after a 20+ year technical career, moved into executive roles; these included high-level leadership positions in exploration, new business development and in asset management. John left Occidental in 2013 and since then he has provided strategic advice to international oil and gas companies.

Other principal external appointments include Non-executive director of CC Energy.

John is Chairman of the Technical and Reserves Committee and a member of the Safety, Climate and Risk Committee.

A list of the companies and partnerships of which the Directors are or have been a director or partner within the past five years is set out in paragraph 12 of this Part 12 ("*Additional Information*").

### 6.3 *Senior Managers*

The Senior Managers of the EnQuest Group are:

<b>Name</b>	<b>Position</b>
Bob Davenport	Managing Director – North Sea
Richard Hall	Managing Director – Malaysia
Janice Mair	Director of People, Culture and Diversity
Imran Malik	Vice President – Finance
Salman Malik	Vice President – Strategy, M&A and Corporate Finance
Martin Mentiplay	Business Development Director
Stefan Ricketts	Commercial & Legal Director

### 6.4 *Profiles of the Senior Managers*

The business experience and principal business activities of each of the Senior Managers are as follows:

(a) *Bob Davenport (Managing Director, North Sea)*

Bob Davenport has a degree in Mineral Engineering and an MBA. He began his early career in 1984 as a field engineer with Schlumberger, then gained broad international experience in petroleum

engineering, operations and management with Texaco, Shell, BP and Apache Corporation. In previous roles he has worked in Southeast Asia, the Middle East, Egypt, UK North Sea and the USA Gulf Coast. Prior to joining EnQuest, Bob served as North Sea operations director for Apache and general manager, Khaldia where he led the largest oil and gas producer in Egypt's western desert. He joined EnQuest in 2015 as Managing Director – Malaysia. In his current role as Managing Director – North Sea, Bob is responsible for delivering sustainable business growth in the UKCS.

(b) *Richard Hall (Managing Director, Malaysia)*

Richard Hall recently joined EnQuest at the start of December 2020 and has overall responsibility for EnQuest's Malaysian business. Richard was also one of four founders and Operations Director of the service company UWG Ltd (now known as Acteon Group). Richard also joined Petrofac as Vice President of Operations & Developments and, in addition, became General Manager in Malaysia where he started Petrofac Malaysia. Richard went on to be co-founder and CEO of Malaysia-focused Nio Petroleum, which was acquired by EnQuest in 2012.

Richard previously worked for EnQuest as part of the Executive Committee as Head of Major Capital Projects and was instrumental in taking Kraken from project concept stage through to production.

(c) *Janice Mair (Director of People, Culture and Diversity)*

Janice Mair joined EnQuest in June 2018 and is responsible for leading our people strategy. Prior to joining EnQuest, Janice was Head of Human Resources for Repsol Sinopec Resources, previously Talisman Energy UK. Janice has held leadership positions at BAA plc at Aberdeen and Southampton Airports, as well as in management teams in a variety of other sectors. Janice holds a bachelor's degree in hospitality management, a master's of law degree in employment law and practice, and is a Fellow of the Chartered Institute of Personnel and Development. Janice's passion is in striving to create working environments where people can thrive and be their best.

A list of the companies and partnerships (other than EnQuest and its subsidiaries) of which the EnQuest Senior Managers are or have been a director or partner within the past five years is set out in paragraph 12 of this Part 12 ("*Additional Information*").

(d) *Imran Malik (Vice President, Finance)*

Imran Malik holds a degree in Chemical Engineering from University College London, qualified as a chartered accountant with KPMG in 1991 and is a member of the Institute of Chartered Accountants of England and Wales. He has over 25 years of broad international oil and gas experience in group and operational finance, project services, contracts and procurement, and general management across the value chain from Upstream to LNG. He joined EnQuest in 2015 from BG Group plc, where he was part of the finance leadership team and his most recent role was as group head of planning and risk. As Vice President, Finance at EnQuest, Imran has overall responsibility for ensuring that the Company has the necessary finance capacity and capabilities in place to deliver EnQuest's strategy.

(e) *Salman Malik (Vice President, Strategy, M&A and Corporate Finance)*

Salman Malik graduated from the University of Toronto with a degree in Finance and Economics with high distinction. He is also a CFA charter holder with extensive experience in investment management, investment banking and private equity in Canada and the Middle East. Prior to joining EnQuest in 2013, Salman was a director of private equity and principal investments at Swicorp, a financial firm operating in the Middle East and North Africa, where he served on the board of several portfolio companies and was responsible for acquisitions, post-acquisition management and exits across the energy value chain. Prior to that, Salman held several sell-side positions in the investment banking industry in Canada, primarily focused on the industrial and metals and mining sectors. In his current role, Salman is responsible for the EnQuest Group's strategy, corporate finance activities, and transaction structuring and execution, including acquisitions and divestments.

(f) *Martin Mentipty (Business Development Director)*

Martin Mentipty holds a degree in Chemical Engineering from the University of Edinburgh and a master's degree in Petroleum Engineering from Imperial College. He has over 20 years of broad international oil and gas operator experience. Through his career he has gained significant technical and commercial expertise in field development planning, project execution, reservoir management and investment assurance across the value chain from Upstream through to LNG. He joined EnQuest in 2016 from BG Group plc, where his most recent role was head of assurance, advising the board and chief executive on investment decisions. In previous roles he has worked in Indonesia, Egypt, Tunisia and the UK North Sea.

(g) *Stefan Ricketts (Commercial & Legal Director)*

Stefan Ricketts joined EnQuest in 2012. Stefan holds the offices of General Counsel, Company Secretary and Chief Risk Officer and is responsible for all legal and 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.

## 7. Directors' and Senior Managers' Interests

### 7.1 *Directors' and Senior Managers' interests in share capital*

The following table sets out the interests in the share capital of the Company of the Directors and Senior Managers (including beneficial interests or interests of a person closely associated with a Director or a Senior Manager within the meaning of the UK Market Abuse Regulation) (i) as at the Latest Practicable Date; and (ii) immediately following Admission:

Director	Ordinary Shares held at the Latest Practicable Date <sup>(1)</sup>	Percentage of issued Ordinary Share capital as at the Latest Practicable Date <sup>(1)</sup> %	Ordinary Shares held immediately after Admission <sup>(2)</sup>	Percentage of issued Ordinary Share capital immediately after Admission <sup>(2)</sup> %
<b>Chairman and Executive Directors</b>				
Martin Houston	500,000	0.0	528,089	0.0
Amjad Bseisu <sup>(3)</sup>	182,102,434	10.7	202,518,584	10.7
Jonathan Swinney	909,360	0.1	960,447	0.1
<b>Non-Executive Directors</b>				
Howard Paver	433,276	0.0	457,617	0.0
Philip Holland	279,882	0.0	295,605	0.0
Carl Hughes	103,571	0.0	109,389	0.0
Farina Khan	200,000	0.0	211,235	0.0
Liv Monica Stubholt	—	N/A	—	N/A
John Winterman	28,571	0.0	30,176	0.0
<b>Senior Managers</b>				
Bob Davenport	—	N/A	—	N/A
Richard Hall	160	0.0	168	0.0
Janice Mair	7,945	0.0	8,391	0.0



<b>Director</b>	<b>Ordinary Shares held at the Latest Practicable Date<sup>(1)</sup></b>	<b>Percentage of issued Ordinary Share capital as at the Latest Practicable Date<sup>(1)</sup> %</b>	<b>Ordinary Shares held immediately after Admission<sup>(2)</sup></b>	<b>Percentage of issued Ordinary Share capital immediately after Admission<sup>(2)</sup> %</b>
Imran Malik	–	N/A	–	N/A
Salman Malik	121,619	0.0	128,451	0.0
Martin Mentipty	39,377	0.0	41,589	0.0
Stefan Ricketts	150,628	0.0	159,090	0.0

Notes:

- (1) Details of the options and awards over Ordinary Shares under the Share Option Plans held by the Directors and Senior Managers are set out in paragraph 7.2 below and details of the relevant Share Option Plans are set out in paragraph 14 of this Part 12 (“*Additional Information*”). The options and awards are not included in the interests of the Directors and Senior Managers shown in the table above.
- (2) Assuming that (i) no share awards vest and no share options are exercised between the Latest Practicable Date and Admission; (ii) the Directors and Senior Managers (and their connected persons) take up their Open Offer Entitlements in full; (iii) the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising. (iv) that the Directors and Senior Managers (and their connected persons) will not take up any New Ordinary Shares pursuant to the Firm Placing or Placing save for the 10,185,677 Firm Placing Shares and 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Firm Placing and Open Offer respectively, and (iv) that none of the 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Placing are clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.
- (3) 161,380,583 of these Ordinary Shares are held by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu. 20,554,304 shares were also held by The Amjad and Suha Bseisu Foundation and the remaining 167,547 shares were held by Amjad Bseisu directly.
- (4) Taken together, the combined percentage interest of the Directors and the Senior Managers in the issued share capital expected to subsist immediately following the Capital Raising is approximately 10.9 per cent., assuming that the Directors and the Senior Managers take up their entitlement to the Capital Raising in full and the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising and none of the 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Placing are clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.

## 7.2 *Directors’ and Senior Managers’ interests in Share Option Plans*

As at the Latest Practicable Date, the Directors and Senior Managers have been granted the following options to acquire Ordinary Shares which remain outstanding:

<b>Director/ Senior Manager</b>	<b>Share Option Plan</b>	<b>Number of Ordinary Shares under option</b>
Janice Mair	Sharesave	160,555
Imran Malik	Sharesave	108,034
Martin Mentipty	Sharesave	143,960
Stefan Ricketts	Sharesave	108,034

Options granted before 2020 were granted under the EnQuest 2012 Sharesave Scheme. Options granted in 2020 were granted under the EnQuest 2020 Sharesave Scheme.

As at the Latest Practicable Date, the Directors and Senior Managers have been granted the following awards to acquire Ordinary Shares which remain outstanding:

<b>Director/ Senior Manager</b>	<b>Share Option Plan</b>	<b>Number of Ordinary Shares subject to award</b>
Amjad Bseisu	PSP	21,973,215
	DBSP	72,142
Jonathan Swinney	PSP	18,782,519
	DBSP	2,195,174
Stefan Ricketts	PSP	7,082,270

Director/ Senior Manager	Share Option Plan	Number of Ordinary Shares subject to award
	RSP	1,374,284
Robert Davenport	PSP	3,948,080
	RSP	319,600
Martin Mentipty	PSP	3,253,279
Imran Malik	PSP	3,377,187
Salman Malik	PSP	3,306,501
Janice Mair	PSP	989,319
	RSP	47,220

Awards and options under the PSP, RSP and DBSP 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. In respect of Executive Directors only (and such other individuals as the Remuneration Committee determines appropriate), for awards vesting from 2022 onwards an additional holding period of two years shall apply to Ordinary Shares subject to vested awards and during such time the participant may not sell, transfer, assign or dispose of his or her net vested Ordinary Shares.

RSP, PSP and DBSP awards made before 2020 were made under the EnQuest Deferred Bonus Share Plan, the EnQuest Restricted Share Plan and the EnQuest Performance Share Plan respectively. Awards made in 2020 were made under the EnQuest 2020 Deferred Bonus Share Plan, the EnQuest 2020 Restricted Share Plan and the EnQuest 2020 Performance Share Plan respectively.

### 7.3 *Other interests*

Save as disclosed in paragraphs 7.1 and 7.2 of this Part 12 (“*Additional Information*”) above, no Director or Senior Manager has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person closely associated (within the meaning of section 252 of the Companies Act) with the Directors or Senior Managers have any such interests, whether beneficial or non-beneficial.

## 8. **Remuneration and Benefits**

Information regarding the Executive Directors’ and Non-Executive Directors’ base salaries and benefits are set out on pages 91 and 92 of the EnQuest Group 2020 Annual Report and Accounts which is incorporated by reference into this document, as explained in Part 14 (“*Documents Incorporated by Reference*”).

## 9. **Directors’ Service Contracts and Letters of Appointment**

### 9.1 *Executive Directors*

The terms of the Executive Directors’ service contracts or terms of appointment set out on pages 88 and 89 of the EnQuest Group 2020 Annual Report and Accounts which is incorporated by reference into this document, as explained in Part 14 (“*Documents Incorporated by Reference*”).

## 9.2 *Non-Executive Directors*

Martin Houston is Chairman of the Company. Howard Paver is a Senior Independent Director. Philip Holland, Farina Khan, Carl Hughes, Liv Monica Stubholt and John Winterman have been appointed as Non-Executive Directors of the Company. The letters of appointment of all the Non-Executive Directors are governed by English law. Details of the letters of appointment are set out below, including the roles and the level of remuneration of the Non-Executive Directors for the financial year ended 31 December 2020.

<b>Name</b>	<b>Role(s)</b>	<b>Date of appointment as a Director</b>	<b>Date of current appointment letters</b>	<b>Anticipated expiry of present term of appointment (subject to annual re-election)</b>	<b>Anticipated Fees for the 2021 Financial Year (£)</b>
Martin Houston	Chairman of the Company, member of the Remuneration and Social Responsibility Committee and Technical and Reserves Committee and chairman of the Governance and Nomination Committee	1 October 2019	4 September 2019	1 October 2022	200,000
Howard Paver	Senior Independent Director, chairman of the Remuneration and Social Responsibility Committee and member of the Governance and Nomination Committee, Audit Committee and Technical and Reserves Committee	1 May 2019	14 March 2019	1 May 2022	80,000
Philip Holland	Chairman of the Climate and Risk Committee and member of the Safety, Climate and Risk Committee and Technical and Reserves Committee	1 August 2015	11 May 2021	11 May 2022	70,000
Carl Hughes	Chairman of the Audit Committee and member of the Safety, Climate and Risk committee	1 January 2017	10 December 2019	1 January 2023	70,000
Farina Khan	Member of the Audit Committee, Safety, Climate and Risk Committee and Remuneration and Social Responsibility Committee	1 November 2020	22 October 2020	1 November 2023	60,000
Liv Monica Stubholt	Member of the Audit Committee and Safety, Climate and Risk Committee	15 February 2021	2 February 2021	15 February 2024	60,000

<b>Name</b>	<b>Role(s)</b>	<b>Date of appointment as a Director</b>	<b>Date of current appointment letters</b>	<b>Anticipated expiry of present term of appointment (subject to annual re-election)</b>	<b>Anticipated Fees for the 2021 Financial Year (£)</b>
John Winterman	Member of the Safety, Climate and Risk Committee and chairman of the Technical and Reserves Committee	7 September 2017	26 August 2020	7 September 2023	70,000

Each appointment may be terminated at any time by either party on three months' written notice. During the notice period, the Non-Executive Director will continue to receive their normal fee. Each appointment may also be terminated in accordance with the Articles. The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. Each of the Non-Executive Directors' letter of appointment entitles the Company to terminate their appointment by making a payment in lieu of notice. They are not entitled to participate in any of the Share Option Plans.

## **10. Corporate Governance**

The Board is firmly committed to high standards of corporate governance. The principal governance rules applying to UK companies listed on the Main Market are contained in the UK Corporate Governance Code. The Board considers that as at the date of this document the Company is in compliance with the principles and provisions of the UK Corporate Governance Code.

### **10.1 Board of Directors**

A Director is appointed by ordinary resolution (i.e. a simple majority of votes cast) as a general meeting of ordinary shareholders of EnQuest. The Board also has the power to appoint a Director, but any person so appointed must stand for reappointment by shareholders at the first annual general meeting following his or her appointment by the Board. The Directors terms of appointment are typically for three years, but all Directors offer themselves for re-election on an annual basis. It is EnQuest's policy to review the appointment and reappointment of non-executive directors in accordance with the UK Corporate Governance Code.

The UK Corporate Governance Code currently recommends that at least half of the board of directors (excluding the chairman) of a UK listed company should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect their judgement.

As at the date of this document, the Board is composed of nine members, consisting of the Chairman (Martin Houston), two full-time Executive Directors (Amjad Bseisu and Jonathan Swinney), and six 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, Howard Paver, Farina Khan, Carl Hughes, Liv Monica Stubholt and John Winterman.

The UK Corporate Governance Code also recommends that the board of directors should appoint one of its independent non-executive directors as the senior independent director and Howard Paver 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 and Social Responsibility, Governance and Nomination, Technical and Reserves and Safety, Climate and Risk Committees, with formally delegated duties and responsibilities with written terms of references.

## 10.2 *Audit committee*

The Audit Committee currently comprises four Non-Executive Directors, all of whom are considered by the Board to be independent and have recent and relevant financial experience. The members of the Audit Committee currently are Carl Hughes (Chair), Howard Paver, Liv Monica Stubholt and Farina Khan.

The main responsibilities of the Audit Committee include:

- monitoring the integrity of the financial statements, including annual and interim reports and any other formal announcement relating to the Company's financial performance;
- monitoring and reviewing the process of audit of the EnQuest Group's Proven and Probable Reserves by a recognised Competent Person;
- monitoring and reviewing the Company's internal control procedures and risk management systems;
- monitoring and reviewing the effectiveness of the external and internal audit activities;
- making recommendations to the Board, to be put to shareholders for approval, on the appointment, review and removal of external auditors;
- establishing the external auditors' remuneration;
- monitoring external auditors' independence;
- monitoring the policy on external auditors' non-audit services; and
- identifying any matters in respect of which it considers that action or improvement is needed and making recommendations to the Board as to the steps to be taken.

In fulfilling its responsibility to monitor the integrity of financial reports to shareholders, the Audit Committee review accounting principles, policies and the practises adopted in the presentation of public financial information.

The Audit Committee is expected to meet not less than three times a year and met 3 times during the financial year ended 31 December 2020.

Meetings are also normally attended by the Chief Executive, 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. Deloitte LLP, in their role as internal auditor during 2020, attended the meetings as appropriate. The Chairman of the Committee regularly meets with the external audit partner and the internal audit partner to discuss matters relevant to the Company.

The Board considers that the Company complies with the requirements of the UK Corporate Governance Code.

## 10.3 *Remuneration and Social Responsibility Committee*

The Remuneration and Social Responsibility Committee currently comprises two independent Non-Executive Directors and the Chairman of the Board. The members of the Remuneration and Social Responsibility Committee currently are Howard Paver (Chair) and Farina Khan. Howard Paver has served as Chair of the Remuneration and Social Responsibility Committee since his appointment on 21 May 2020.

The main responsibilities of the Remuneration and Social Responsibility Committee include:

- setting the remuneration policy for the Chairman, Executive Directors and Senior Executives;
- assessing and determining total compensation packages available to the Executive and Non-Executive Directors;
- monitoring the remuneration of senior management other than the Executive Directors whose remuneration it sets;



- making recommendations to the Board for its approval, and that of shareholders, on the design of long-term share incentive plans and making recommendations for the grant of awards to executives under such plans; and
- determining policy and scope for pension rights and any compensation payments and ensuring compliance with the Governance Code in this respect; and
- ensuring the social responsibilities of the Company are met, including in relation to employees and communities.

The Remuneration and Social Responsibility Committee is expected to meet at least four times a year and met in total 4 times during the financial year ended 31 December 2020.

The UK Corporate Governance Code recommends that the members of the Remuneration Committee and Social Responsibility should be independent in character and judgement and free from any relationship or circumstance which may, or could or would be likely to, or which appears to affect their judgement. The Board therefore considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

#### 10.4 *Governance and Nomination Committee*

The Governance and Nomination Committee currently comprises two independent non-executive directors, being the Chairman and the Senior Independent Director and, to ensure input from the executive, the Chief Executive.

The main responsibilities of the Governance and Nomination Committee include:

- reviewing the size, structure and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its Committees in order to recommend changes to the Board;
- ensuring the orderly succession of Executive, Non-Executive Directors and Senior Management;
- identifying, evaluating and recommending candidates for appointment or reappointment as Directors or Company Secretary, taking into account the benefits of diversity on the Board, including of gender, social and ethnic backgrounds and cognitive and personal strengths and the balance of knowledge, skills and experience required to serve the Board; and
- reviewing the outside directorships/commitments of Non-Executive Directors; and
- assessing the extent of the Company's compliance with the UK Corporate Governance Code and to make determinations as to any circumstances where it may be appropriate for the Company to deviate from the requirements thereof.

The Governance and Nomination Committee is expected to meet not less than twice a year and met in total 10 times during the financial year ended 31 December 2020.

The UK Corporate Governance Code recommends that the majority of members of the nomination and governance committee be non-executive directors, independent in character and judgement and free from any relationship or circumstance which may, or could or would be likely to, or which appears to affect their judgement. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

#### 10.5 *Safety, Climate and Risk Committee*

The Safety, Climate and Risk Committee currently comprises five independent Non-Executive Directors. The independent Non-Executive Directors on the Safety, Climate and Risk Committee currently are Philip Holland (Chair), Farina Khan, Liv Monica Stubholt, Carl Hughes and John Winterman.

The main responsibilities of the Safety, Climate and Risk Committee include:

- undertaking an in-depth analysis of specific risks in relation to the Company, as may be requested by the Board or determined by the Committee from time to time;
- supporting the implementation and progression of the EnQuest Group's Risk Management Framework;
- conducting detailed reviews of key non-financial risks not reviewed in the Audit Committee;
- annually reviewing the adequacy of the framework of policies and guidelines for the management of HSE matters within the EnQuest Group and evaluating the effectiveness of the EnQuest Group's policies and systems for identifying and managing HSE risks within the EnQuest Group's operations;
- assessing the policies and systems within the EnQuest Group for ensuring compliance with HSE regulatory requirements;
- assessing the performance of the EnQuest Group with regard to the impact of HSE decisions and actions upon employees and other third parties and also assessing the impact of such decisions and actions on the reputation of the EnQuest Group and make recommendations to the Board on areas for improvement;
- evaluating and overseeing, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning HSE matters;
- where it deems it appropriate to do so, appointing an independent auditor to review performance in regard to HSE matters and, where appropriate, making recommendations to the Board concerning the same;
- assessing the EnQuest Group's exposure to managing risks from climate change and reviewing actions to mitigate these risks in line with its assessment of other risks
- reviewing and monitoring the EnQuest Group's decarbonisation activities, including reviewing the adequacy of the associated framework; and
- reviewing targets and milestones for the achievement of decarbonisation objectives; and
- at the request of the Board:
  - o advising the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment;
  - o overseeing and advising the Board on the current risk exposures of the Company and future risk strategy;
  - o 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;
  - o as required by the Board, setting a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
  - o reviewing the company's capability to identify and manage new risk types in conjunction with the Audit Committee; further investigating reports from management concerning all fatalities and serious accidents within the EnQuest Group and actions taken by management as a result of such fatalities or serious accidents; and
  - o working and liaising as necessary with all other Board Committees and undertaking any additional risk related activities that the Board requests.

The Safety, Climate and Risk Committee is expected to meet at least three times a year and met 4 times in the financial year ended 31 December 2020.

## 10.6 *Technical and Reserves Committee*

The Technical and Reserves Committee currently comprises four Non-Executive Directors. The four Non-Executive Directors on the Technical and Reserves Committee currently are John Winterman (Chair), Martin Houston, Howard Paver and Philip Holland.

The main responsibility of the Technical and Reserves Committee is to provide the Board with additional technical insight when making Board decisions. The Technical and Reserves Committee is expected to meet at least two times a year and met 7 times in the financial year ended 31 December 2020.

## 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 EnQuest Group has implemented internal policies and procedures designed to ensure it complies with the UK Bribery Act 2010 and Malaysian Anti-Corruption Commission Act 2009. In 2017, the EnQuest Group provided specific guidance on the anti-facilitation of tax evasion and supplemented its procedures to provide further assurance that it is able to identify and manage human rights risks in its supply chain, publishing its modern slavery statement on its website. The EnQuest 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. Further details of the EnQuest Group's compliance with anti-bribery and corruption laws are explained in paragraph 10 of Part 2 ("*Information on the EnQuest Group*").

## 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:

<b>Name</b>	<b>Current directorship/ partnership</b>	<b>Previous directorship/ partnership</b>
<b>Chairman and Executive Directors</b>		
Martin Houston	Vice-Chairman Tellurian Inc NED CC Energy Chairman and advisory partner Moelis & Company NED Bupa Arabia SA	None
Amjad Bseisu	The Amjad and Suha Bseisu Foundation Influit International AlFanar Mecon Holdings WLL Mecon WLL Chairman of the independent energy community for the World Economic Forum	Finiva UK Limited
Jonathan Swinney	Robinstone LLP	Ursa Major Carbon Dioxide Reduction LLP
<b>Non-Executive Directors</b>		
Howard Paver	None	None

<b>Name</b>	<b>Current directorship/ partnership</b>	<b>Previous directorship/ partnership</b>
Philip Holland	Chairman, Velocys plc Non-executive director, KazMunayGas	Phil Holland & Associates Limited
Carl Hughes	Non-executive director and chairman of the audit committee, EN+ Group International St Peter's College, Oxford Director and trustee of Premier Christian Media Trust Director and trustee of Lambeth Conference Company Audit Committee Chairs' Independent Forum (ACCIF) General Synod of the Church of England Archbishops' Council	Energy Institute South London church Fund and Southwark Diocesan Board of Finance
Farina Khan	AMMB Holdings Berhad PETRONAS Gas Berhad KLCC Property Holdings Berhad Icon Offshore Berhad KLCC REIT Management Sdn Bhd Ambank Islamic Berhad	None
Liv Monica Stubholt	Fortum Oslo Varmer AS Silex Gas Norway AS Green Ammonia Berlevåg AS Selmer AS Hydrogen Source AS Aquaship AS Andrevind AS Biomega AS SINTEF Energi AS Pareto Asset Management AS Neptune Partners AS Nor Marine AS Aker Carbon Capture AS Norwegian German Chamber of Commerce CC Energy	OKEA ASA Norwegian Russian Chamber of Commerce Varanger Kraft AS Solveig Gas Norway AS Broadnet AS
John Winterman <b>Senior Managers</b> Bob Davenport Richard Hall	None Influit DMCC Cleantech Holdings Limited (RAKEZ) Fathom Systems Limited	None Kamelia Cleantech FZLE Kamelia Cleantech FZLLC Radico Energy Limited HF Consultants PTY Limited

<b>Name</b>	<b>Current directorship/ partnership</b>	<b>Previous directorship/ partnership</b>
Janice Mair	None	None
Imran Malik	None	None
Salman Malik	None	None
Martin Mentipty	None	None
Stefan Ricketts	The Offshore Pollution Liability Association Limited	Director of Cloud 9 Holdings Ltd

### **13. Directors' and Senior Managers' Confirmations**

As at the date of this document, none of the Directors or Senior Managers have, during the five years prior to the date of this document:

- (a) been convicted in relation to a fraudulent offence;
- (b) been associated with any bankruptcies, receiverships, liquidations or companies put into administration 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. Except in respect of the Second Lien Financing to be provided by Double A Limited and Signal Alpha to the Company (further details of which are set out at paragraph 8 of Part 1 ("Letter from the Chairman of EnQuest PLC")), there is no interest, including any conflicting interest that is material to the Company or the Capital Raising.

None of the Directors or Senior Managers were selected to act in such capacity pursuant to any arrangement or understanding with any major shareholder, customer, supplier or other person having a business connection with the EnQuest Group.

As at the date of this document, no restrictions have been agreed by any Director or Senior Manager on the disposal within a certain time period of their holdings of their Ordinary Shares.

There are no family relationships between any of the Directors, between any of the Senior Managers or between any of the Directors and the Senior Managers.

### **14. Share Option Plans**

Information regarding the EnQuest Deferred Bonus Share Plan, EnQuest Restricted Share Plan and EnQuest Performance Share Plan adopted by the Company on 18 March 2010 and the EnQuest 2012 Sharesave Scheme adopted by the Company on 30 May 2012, in respect of which certain awards remain outstanding, is set out on pages 241 to 253 of the 2018 EnQuest Group Prospectus which is incorporated by reference into this document, as explained in Part 14 ("*Documents Incorporated by Reference*").

On 21 May 2020, Shareholders approved replacement share plans in the form of the EnQuest 2020 Deferred Bonus Share Plan ("**2020 DBSP**"), the EnQuest 2020 Restricted Share Plan ("**2020 RSP**"), the EnQuest 2020 Performance Share Plan ("**2020 PSP**") and the EnQuest 2020 Sharesave Scheme ("**2020 Sharesave Plan**", together with the 2020 DBSP, 2020 RSP and 2020 PSP, the "2020 Share Option Plans"). Summaries of the 2020 Share Option Plans are set out below.



#### 14.1 *Provisions common to all 2020 Share Option Plans*

Awards may be satisfied by the issue of new Ordinary Shares, the transfer of Ordinary Shares from an employee benefit trust or the transfer of Ordinary shares from treasury.

(a) *Plan dilution limits*

In any ten calendar-year period, the Company may not issue (or grant rights to issue):

- (i) more than 5 per cent. of its issued ordinary share capital under discretionary share plans; and
- (ii) more than 10 per cent. of its issued ordinary share capital under all of its employee share plans.

Treasury shares will be treated as new issue ordinary shares for this purpose unless and until relevant institutional investor guidance changes.

(b) *Pension, voting and other rights*

Benefits obtained under the 2020 Share Option Plans are not pensionable. Awards are not assignable or transferable.

Until options are exercised or awards vest, participants have no voting or other rights in respect of the Ordinary Shares subject to their awards.

Ordinary shares issued or transferred pursuant to the 2020 Share Option Plans shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of issue or transfer following the vesting of an award or the exercise of the option.

(c) *Administration and amendment*

The 2020 Share Option Plans will be administered by the Directors or the Remuneration Committee which may amend a plan provided that:

- (i) shareholder approval will be required for any amendment to a plan relating to eligibility, the limitations on the number of Ordinary Shares in respect of which awards may be granted, the basis for determining participants' entitlement under the 2020 Share Option Plans and the terms of Ordinary Shares to be provided under the 2020 Share Option Plans, the periods during which awards may vest, any rights attaching to Ordinary Shares comprised in awards and the adjustment of awards in the event of a variation of capital, except in the case of minor amendments to benefit the administration of the 2020 Share Option Plans and amendments to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the EnQuest Group; and
- (ii) no amendment may be made which would adversely vary any awards granted prior to the amendment unless the consent of participants holding awards of not less than 75 per cent. of the Ordinary Shares subject to awards (or in the case of the 2020 Sharesave Plan the majority of participants) is obtained.

(d) *Termination*

The 2020 Share Option Plans may be terminated at any time by resolution of the Remuneration Committee or the Directors and shall in any event terminate on the tenth anniversary of the date on which the 2020 Share Option Plans were approved by the Company in a general meeting. Termination will not affect the outstanding rights of participants.

(e) *Overseas plans*

The Directors may at any time and without further formality establish further plans in overseas territories, any such plan to be similar to the plan but modified to take account of local tax, exchange control or securities laws, regulation or practice.

Ordinary Shares made available under any such plan will count against the limits on the number of new Ordinary Shares which may be issued under the plan.

#### 14.2 *Provisions common to all 2020 Share Option Plans other than the 2020 Sharesave Plan*

(a) *Eligibility*

Except in respect of the 2020 Sharesave Plan (whose eligibility provisions are summarised in paragraph 14.6 below), awards under the 2020 Share Option Plans will be made to employees and Executive Directors of the EnQuest Group as selected by the Remuneration Committee from time to time on a discretionary basis. Any award to a Director would only be made in accordance with the Company's Directors' Remuneration Policy as approved by Shareholders from time to time.

(b) *Form of awards*

Except in respect of the 2020 Sharesave Plan (whose award provisions are summarised in paragraph 14.6 below), awards may comprise the following awards over Ordinary Shares: (i) contingent awards; (ii) nil cost options; and (iii) under the 2020 RSP and 2020 PSP only, joint interests, where participants hold interests in Ordinary Shares jointly with an employee trust, such that their interest gives them on vesting of their award, broadly the same overall economic return as if they had been granted a nil cost option.

Nil cost options have no or only a nominal exercise price and become exercisable following vesting until the expiry of ten years from the date the award was granted.

(c) *Good leaver*

A "Good Leaver" is an employee who leaves by reason of injury, ill-health, disability, redundancy, retirement, as a result of the Company or business by which he is employed being transferred or sold outside the EnQuest Group, or (except under the 2020 Sharesave Plan) in other circumstances which, in the view of the Remuneration Committee, justify them being treated as a Good Leaver.

(d) *Cash settlement*

Except under the 2020 Sharesave Plan, where cash settlement is not permitted under HMRC rules, the Remuneration Committee may, in exceptional circumstances, settle an award in cash.

(e) *Dividend equivalent*

Except in respect of the 2020 Sharesave Plan, where this provision is not permitted under HMRC rules, the Remuneration Committee may decide that a participant is entitled to receive an amount (in cash and/or Ordinary Shares) equivalent to the value of dividends which would have been paid in respect of Ordinary Shares subject to a vested award (which may assume dividend reinvestment).

(f) *Variation of capital*

If there is a variation of capital (or in the case of any other demerger or special dividend, other than the 2020 Sharesave Plan, where this provision is not permitted under HMRC rules) the number of shares and/or exercise price comprised in awards may be adjusted as the Remuneration Committee considers appropriate.

(g) *Malus and clawback*

Except in respect of the 2020 Sharesave Plan (where this provision is not permitted under HMRC rules), the Remuneration Committee may decide before the end of the three-year period after the vesting of an award (or grant of a Bonus Award under the 2020 DBSP) that a participant must repay either all or part of the value of an award in the following circumstances:

- (i) the Company has materially misstated its financial results;
- (ii) there has been an error in calculating entitlements under an award; or

- (iii) the relevant individual committed misconduct prior to vesting or exercise of an option which would have warranted their summary dismissal.

In the above circumstances, the Remuneration Committee may reduce any amount of a future bonus, the number of Ordinary Shares subject to any award under any employee share plan operated by the EnQuest Group (excluding any sharesave plan), or require the participant to pay the relevant amount back.

### 14.3 **2020 DBSP**

#### (a) *Introduction*

Under the 2020 DBSP, awards of Ordinary Shares may be made to eligible participants by way of deferral of annual bonus. Ordinary Shares will normally be received, subject to remaining in employment to the relevant deferral date(s), at the end of a two-year deferral period for Executive Directors, and for other participants, as to one-third at the end of each year over a three-year deferral period.

#### (b) *Awards*

Two types of award may be made under the 2020 DBSP.

If a bonus is payable, the Remuneration Committee may determine that part of a participant's annual bonus is delivered in Ordinary Shares or may invite selected employees to elect to receive part of their bonus in Ordinary Shares ("**Bonus Awards**"). If the Remuneration Committee so permits, participants may instead contribute Ordinary Shares they own to be treated as Ordinary Shares for the purposes of Bonus Awards.

A further award may then be granted over a number of Ordinary Shares bearing a specified ratio to the number of Ordinary Shares included in Bonus Awards ("**Matching Awards**"). Matching Awards are currently awarded on a 1:1 basis, although Matching Awards are not currently made to Executive Directors.

There is no formal cap on the size of awards that may be made.

Subject to the above, awards may be made during the first six months of a financial year.

#### (c) *Vesting/Exercise of awards*

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. Both Bonus Awards and Matching Awards currently normally vest between one and three years after grant in such proportions as the Remuneration Committee may determine at the date of grant. Currently, one-third vest each year in a three-year period for participants who are not Executive Directors, with vesting occurring in full two years after the making of an award for Executive Directors. This is provided, subject to Good Leaver exceptions (see below), that the participant remains in employment.

In addition, the vesting of Matching Awards may be subject to the satisfaction of performance conditions, although it is not the Company's current practice to impose performance conditions on Matching Awards.

If events occur which cause the Remuneration Committee to consider that any performance condition has become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

#### (d) *Termination of Employment*

If a participant dies, their awards will vest in full on the date of death, unless the Remuneration Committee determines that awards should vest on a time-apportioned basis and subject to the

satisfaction of any performance conditions, assessed on such basis as the Remuneration Committee considers appropriate.

If a participant is a Good Leaver, their Bonus Awards will vest in full and their Matching Awards will vest on a pro-rated basis on the normal vesting date, unless the Remuneration Committee determines in exceptional circumstances that awards should vest earlier.

Vesting of any Matching Awards which are subject to performance conditions will be subject to satisfaction of those conditions at the end of the relevant performance period (or over a curtailed period, as relevant) unless the Remuneration Committee, in its discretion, determines otherwise.

Termination of employment for any other reason will cause all unvested awards to be forfeited, except any Ordinary Shares which the participant has voluntarily contributed under the DBSP.

(e) *Change of Control*

In the event of a change of control, voluntary winding up or a demerger, Bonus Awards will vest in full, but Matching Awards will usually vest on a pro-rated basis and taking into account the extent to which any performance conditions have been met. However, this is subject to the discretion of the Remuneration Committee to permit a greater percentage of Matching Awards to vest in exceptional circumstances.

If there is an internal reorganisation, awards will not vest but will be exchanged for awards over shares in the acquiring company.

#### 14.4 **2020 RSP**

(a) *Introduction*

Under the 2020 RSP, Ordinary Shares may be received by eligible participants subject to remaining in employment over normally at least a three-year period.

(b) *Individual Limits*

The maximum number of Ordinary Shares that may be granted to any eligible employee in any financial year of the Company shall not exceed 200 per cent. of annual base salary, or 300 per cent. in exceptional circumstances.

(c) *Timing of awards*

Awards may be made at any time.

(d) *Vesting/Exercise of Awards*

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. Awards normally vest over periods between the first and fourth anniversaries of the date of grant (in such proportions as the Remuneration Committee may determine at the date of grant). The current vesting schedule is 25 per cent., 25 per cent. and 50 per cent. on the second, third and fourth anniversaries of grant. This is normally provided that the participant remains in employment, subject to certain Good Leaver provisions (see below).

In addition, vesting may be subject to such performance conditions as the Remuneration Committee may from time to time consider appropriate, although they are not currently imposed.

If events occur which cause the Remuneration Committee to consider that any performance conditions have become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

(e) *Termination of Employment*

If a participant dies, their awards will vest in full on the date of death, unless the Remuneration Committee determines that awards should vest on a time-apportioned basis and subject to the satisfaction of any performance conditions assessed on such basis as the Remuneration Committee considers appropriate.

If a participant leaves as a Good Leaver before the end of the vesting period, their award shall vest at the end of the vesting period unless the Remuneration Committee determines in exceptional circumstances that awards should vest earlier. The maximum number of Ordinary Shares which a participant may receive will usually be determined on a pro-rated basis by reference to the time elapsed since the date of the award to the date employment ceases and vesting will be subject, where applicable, to the satisfaction of the performance conditions at the end of the relevant performance period (or over a curtailed period) unless the Remuneration Committee determines otherwise.

Termination of employment for any other reason will cause all unvested awards to be forfeited.

(f) *Change of Control or Winding up*

The vesting of awards on a change of control, voluntary winding up or a demerger will usually be determined on a pro-rated basis and taking into account the extent to which any performance conditions have been met, subject to the discretion of the Remuneration Committee to permit a greater percentage of an award to vest in exceptional circumstances.

If there is an internal reorganisation, awards will not vest but will be exchanged for awards over shares in the acquiring company.

#### 14.5 **2020 PSP**

(a) *Introduction*

Under the 2020 PSP, participants may be granted contingent awards over, or other interests in, Ordinary Shares.

(b) *Individual limits*

The maximum number of Ordinary shares that may be granted to any eligible employee in any financial year of the Company shall not exceed 250 per cent. of annual base salary, or 350 per cent. in exceptional circumstances.

(c) *Timing of awards*

Awards will normally be made in the 42 days after the publication of the Company's results for any period, but may be made at other times.

(d) *Vesting/Exercise of Awards*

The Remuneration Committee has discretion at the date of grant to determine the vesting provisions for an award. Currently awards vest on the third anniversary of the date of grant to the extent that testing performance criteria, determined by the Remuneration Committee at the date of grant, have been satisfied. In determining performance conditions, the Remuneration Committee will take into account the prevailing views of institutional investors and current market practice.

If events occur which cause the Remuneration Committee to consider that any performance conditions have become unfair or impractical, it may, if it considers it appropriate to do so, amend, relax or waive the performance condition.

(e) *Holding period*

An additional holding period may apply to Ordinary Shares which have vested. During that additional period the participant may not sell the after-tax vested Ordinary Shares. The holding period shall



expire on the earliest of the second anniversary of vesting of an award, the date on which a change of control occurs, the death of a participant or such other time as the Remuneration Committee determines.

(f) *Termination of Employment*

If a participant dies, their awards will vest in full on the date of death, unless the Remuneration Committee determines that awards should vest on a time-apportioned basis and subject to the satisfaction of performance conditions assessed on such basis as the Remuneration Committee considers appropriate.

If a participant's employment ceases before the end of the vesting period as a Good Leaver, their award will vest on the normal vesting date, unless the Remuneration Committee determines in exceptional circumstances that awards should vest earlier. The maximum number of Ordinary Shares which a participant may receive will usually be determined on a pro-rated basis by reference to the time since the date of the award to the date employment ceases and vesting will be subject, where applicable, to the satisfaction of the performance conditions at the end of the relevant performance period (or over a curtailed period) unless the Remuneration Committee determines otherwise.

Termination of employment for any other reason will cause all unvested awards to be forfeited.

(g) *Change of Control*

The vesting of awards on a change of control, voluntary winding up or a demerger will usually be determined on a pro-rated basis and taking into account the extent to which any performance conditions have been met, subject to the discretion of the Remuneration Committee to permit a greater percentage of an award to vest in exceptional circumstances.

If there is an internal reorganisation, awards will not vest but will be exchanged for awards over shares in the acquiring company.

#### 14.6 **2020 Sharesave Plan**

(a) *Introduction*

Under the 2020 Sharesave Plan, tax-favoured options may be exercised either three or five years after they are granted. Options are made on an all-employee basis to employees who agree to save their option exercise price out of salary deductions.

(b) *Eligibility*

All EnQuest Group employees and Executive Directors who are UK tax resident and who have completed a set period of employment (which cannot exceed five years) may participate in the 2020 Sharesave Plan. The Directors may allow other employees or Directors to participate.

(c) *Savings contract*

Participants must enter into a savings contract under which they agree to make monthly contributions from salary for either three or five years. On maturity of the savings contract, a tax-free bonus may be added to the employee's savings, although no bonus is currently payable. Monthly savings contributions must be between £5 and £500 (or as permitted by relevant legislation from time to time).

(d) *Grant of options and option price*

Each participant is granted an option to acquire Ordinary Shares. The number of Ordinary Shares under option is that number of Ordinary Shares which may be acquired at the option price with the proceeds of the savings contract (including any bonus) at maturity.

The option price must be no lower than 80 per cent. of the market value (as defined in the 2020 Sharesave Plan rules) of an Ordinary Share when invitations to participate are issued.

(e) *Timing of invitations*

Invitations may only be issued within 42 days after (i) the announcement of the Company's results for any period, or (ii) the date on which any change to the legislation affecting sharesave schemes or savings contracts is announced or takes effect. Invitations may also be issued at any other time when there are exceptional circumstances which justify the grant of options.

(f) *Exercise of Options*

In normal circumstances, an option may only be exercised within six months following the maturity of the related savings contract.

An option may be exercised earlier, for a limited period, on the death of a participant (where an exercise period of 12 months is permitted) or on their ceasing to hold office or employment by reason of injury, disability, redundancy, retirement, the sale or transfer out of the EnQuest Group of their employing company or business or (provided in such case the option was granted more than three years previously) for any other reason.

(g) *Change of control*

Rights to exercise options early for a limited period also arise if another company acquires control of the Company or in the event of a winding-up. Alternatively on change of control or in the case of an internal reorganisation, the option may be exchanged for an option over shares in the acquiring company.

#### 14.7 *Employee Trust*

The Trustees, who are the current trustees of the EnQuest EBT, are independent of the Company and based offshore.

The beneficiaries of the EnQuest EBT are employees and former employees of the EnQuest Group and their dependants. The EnQuest EBT is funded by way of loans or gifts from the Company or other members of the EnQuest Group to acquire Ordinary Shares to be used for the purposes of the Share Option Plans. The trustees have the power to subscribe for new Ordinary Shares or to acquire Ordinary Shares in the market but are not permitted to hold more than five per cent. of the Company's issued Ordinary Share capital at any one time (other than in a nominee capacity) without the prior approval of Shareholders.

The EnQuest EBT will terminate on the earlier of 80 years from the date of the trust deed establishing the EnQuest EBT (the "**EBT Deed**") and such earlier date as the trustees shall specify (provided such date shall not fall within any period during which the trustees are or may be required to transfer Ordinary Shares pursuant to any obligation entered into by the trustees pursuant to the EBT Deed).

The EBT Deed may be amended by deed between the Company and the trustees provided that no such amendment shall (i) prevent section 86 of the Inheritance Tax Act 1984 applying to the trusts created by the EBT Deed; (ii) prejudice the status of the trusts created by the EBT Deed as an employees' share scheme; or (iii) confer on the Company any right to benefit or possibility of benefit in or out of the trust fund or income thereof.

## 15. Major Shareholders

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

Shareholder	Ordinary Shares held at the Latest Practicable Date	Percentage of issued Ordinary Share capital as at the Latest Practicable Date (%)	Ordinary Shares held immediately after Admission <sup>(2)</sup>	Percentage of issued Ordinary Share capital immediately after Admission (%) <sup>(2)</sup>
Bseisu consolidated interests <sup>(1)</sup>	182,102,434	10.7	202,518,584	10.7
Aberforth Partners LLP	140,690,662	8.3	148,594,631	7.9
Schroders plc	107,195,054	6.3	113,217,247	6.0
Baillie Gifford & Co Ltd	104,994,289	6.2	110,892,844	5.9
Hargreaves Lansdown Asset Management	90,586,549	5.3	95,675,680	5.1
Dimensional Fund Advisors	63,690,537	3.8	67,268,657	3.6
Avanza Fonder AB	51,677,351	3.0	54,580,572	2.9
EnQuest EBT	40,328,705	2.4	42,594,362	2.3

Note:

- (1) 161,380,583 shares are held by Double A Limited, a discretionary trust in which the extended family of Amjad Bseisu has a beneficial interest. 20,554,304 shares are also held by The Amjad & Suha Bseisu Foundation and 167,547 shares are held directly by Amjad Bseisu.
- (2) Assuming that (i) no Ordinary Shares have been acquired or disposed of; (ii) other than the New Ordinary Shares, no further Ordinary Shares have been issued by the Company between the posting of this document and Admission; (iii) the maximum number of New Ordinary Shares have been issued pursuant to the Capital Raising; (iv) all of the Shareholders listed in the table above take up their Open Offer Entitlement in full, (v) that none of the Shareholders listed above will take up any New Ordinary Shares pursuant to the Firm Placing or Open Offer save for the 10,185,677 Firm Placing Shares and 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Firm Placing and Placing respectively, and (vi) that none of the 10,230,474 Open Offer Shares that Double A Limited has agreed to take up pursuant to the Placing are clawed back to satisfy valid applications by Qualifying Shareholders under the Open Offer.
- 15.2 Save as set out in this paragraph, the Company is not aware of any person who has or will immediately following completion of the Capital Raising have a notifiable interest in three per cent. or more of the issued share capital of the Company.
- 15.3 The Company is not aware of any person who either as at the date of this document or immediately following completion of the Capital Raising exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 15.4 None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

## 16. Related Party Transactions

- 16.1 Save (i) as disclosed in note 26 to the 2020 Financial Statements, note 26 to the 2019 Financial Statements, note 25 to the 2018 Financial Statements, each as incorporated by reference in Part 5 (“*Financial Information on the EnQuest Group*”); and (ii) as disclosed at paragraph 8 of Part 1 (“*Letter from the Chairman of EnQuest PLC*”) above, there are no related party transactions within the meaning of UK-adopted international accounting standards as defined in s 474(1) CA 2006 between the EnQuest Group and its related parties that were entered into during the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 or during the period from and including 1 January 2021 up to and including the Latest Practicable Date.
- 16.2 There are no related party transactions within the meaning of UK-adopted international accounting standards as defined in s 474(1) CA 2006 between Golden Eagle and its related parties that were entered into during the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 or during the period from and including 1 January 2021 up to and including the Latest Practicable Date.

## 17. Subsidiaries, Investments and Principal Establishments

The Company is the holding company of the EnQuest Group and EnQuest Heather Limited is its principal operating company. The significant subsidiaries and subsidiary undertakings of the Company are as follows:

Name	Country of incorporation/ Principal place of business	Principal activity	Effective interest and proportion of equity held
EnQuest Britain Limited	England	Intermediate holding company and provision of EnQuest Group manpower and contracting/procurement services	100%
EnQuest Heather Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Thistle Limited <sup>(1)</sup>	England	Extraction and production of hydrocarbons	100%
Stratic UK (Holdings) Limited <sup>(1)</sup>	England	Intermediate holding company	100%
Grove Energy Limited	Canada	Intermediate holding company	100%
EnQuest ENS Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest UKCS Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Norge AS <sup>(1)</sup>	Norway	Exploration, extraction and production of hydrocarbons	100%
EnQuest Heather Leasing Limited <sup>(1)</sup>	England	Leasing	100%
EQ Petroleum Sabah Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Dons Leasing Limited <sup>(1)</sup>	England	Dormant	100%
EnQuest Energy Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Production Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Global Limited	England	Intermediate holding company	100%
EnQuest NWO Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%

<b>Name</b>	<b>Country of incorporation/ Principal place of business</b>	<b>Principal activity</b>	<b>Effective interest and proportion of equity held</b>
EQ Petroleum Production Malaysia Limited <sup>(1)</sup>	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 <sup>(1)</sup>	Jersey	Provision of EnQuest 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 <sup>(1)</sup>	England	Dormant	100%
EnQuest UK Limited <sup>(1)</sup>	England	Dormant	100%
EnQuest Petroleum Developments Malaysia SDN. BHD <sup>(1)</sup>	Malaysia	Exploration, extraction and production of hydrocarbons	100%
EnQuest NNS Holdings Limited <sup>(1)</sup>	England	Intermediate holding company	100%
EnQuest NNS Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Advance Holdings Limited <sup>(1)</sup>	England	Intermediate holding company	100%
EnQuest Advance Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%
EnQuest Forward Holdings Limited <sup>(1)</sup>	England	Intermediate holding company	100%
EnQuest Forward Limited <sup>(1)</sup>	England	Exploration, extraction and production of hydrocarbons	100%

**Note:**

(1) Held by subsidiary undertaking.

## **18. Material Contracts of the EnQuest Group**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the EnQuest Group (a) in the two years immediately preceding the date of this document and are, or may be, material to the EnQuest Group or (b) contain provisions under which EnQuest or any member of the EnQuest Group has any obligation or entitlement which is material to the EnQuest Group as at the date of this document.

### **18.1 Sponsor and Placing Agreement**

The Company has entered into a Sponsor and Placing Agreement dated 30 June 2021 with the Bookrunner. The Bookrunner will, pursuant to the Sponsor and Placing Agreement, use reasonable endeavours to procure Firm Placees for the Firm Placing Shares (other than 10,185,677 Firm Placing Shares which Double A Limited has agreed to subscribe for pursuant to the Double A Irrevocable Undertaking) and Placees for the Open Offer Shares (other than the Committed Shares which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer), in each case at the Issue Price. The commitments of the Placees will be subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Firm Placing Shares will be issued to the Firm Placees on a non-pre-emptive basis and will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders.



Open Offer Shares which are not applied for in respect of the Open Offer and which have been conditionally placed will be issued to the Placees at the Issue Price. If any Firm Placee or Placee fails to pay for any of the New Ordinary Shares for which it has agreed to subscribe, the Bookrunner will subscribe for such New Ordinary Shares subject to the terms and conditions of the Sponsor and Placing Agreement. For the avoidance of doubt, the Bookrunner is not underwriting New Ordinary Shares which are not conditionally placed with Firm Placees or Placees or the New Ordinary Shares to be subscribed for by Double A Limited in the Capital Raising.

In consideration of the Bookrunner's agreement to procure Firm Placees and Placees and acquire any New Ordinary Shares placed with but not paid for by the Firm Placees or Placees, the Company has agreed to pay a commission of 3 per cent. of the amount equal to the product of the Issue Price and the aggregate number of New Ordinary Shares (other than the New Ordinary Shares that are subscribed and paid for by Double A Limited, Amjad Bseisu, The Amjad & Suha Bseisu Foundation, and the Trustees) as well as a separate sponsor fee. All expenses incurred by the Bookrunner will be paid by the Company, irrespective of whether Admission or Re-admission occurs. In addition, in connection with the Placing, the Bookrunner shall pay each Placee (other than Double A Limited, Amjad Bseisu and The Amjad and Suha Bseisu Foundation) a commission of 0.5 per cent. of the Issue Price multiplied by the number of New Ordinary Shares in their participation which are subsequently subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer out of the commission received by the Bookrunner from the Company.

The Bookrunner's obligations under the Sponsor and Placing Agreement are conditional on certain conditions including, among others:

- (i) the Call Option Deed and the Asset Transfer SPA being entered into by the parties thereto having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and no right to terminate or rescind the Call Option Deed and Asset Transfer SPA having arisen before Admission;
- (ii) the Second Lien Financing and associated Letter of Credit being entered into by the parties thereto having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and no right to terminate or rescind the Second Lien Financing having arisen before Admission;
- (iii) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission;
- (iv) the passing without amendment of Resolutions 1 and 4 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner, acting jointly, at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force;
- (v) the Company having complied with its obligations under the Sponsor and Placing Agreement or under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission; and
- (vi) Admission becoming effective by not later than 8.00 a.m. on 26 July 2021 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021).

If, by the time specified in the Sponsor and Placing Agreement (or such later time and/ or date as the Bookrunner may agree) any of the conditions have not been fulfilled or waived in writing by the Bookrunner, the Sponsor and Placing Agreement and all obligations of each of the parties thereunder shall immediately cease to have any effect save that certain provisions survive. The Bookrunner may in its discretion waive compliance with the whole or any part of certain of the conditions by notice in writing to the Company or extend the time provided for fulfilment of any such conditions but only prior to Admission.

In addition the Bookrunner may terminate the Sponsor and Placing Agreement in certain circumstances (such as a material adverse change or force majeure event) but only prior to Admission. The Bookrunner may terminate its provision of sponsor services at any time prior to Re-Admission in certain circumstances.

The Company has given certain customary warranties and undertakings to the Bookrunner including, among other things, warranties in relation to the business, the historical financial information and the information contained in this document.

The Bookrunner has agreed that they will not procure subscribers for any of the New Ordinary Shares other than in accordance with certain selling restrictions.

Pursuant to the terms of the Sponsor and Placing Agreement, the Company has undertaken that it will not without the prior written consent of the Bookrunner, during the period ending six months from the date of Re-admission: (i) directly or indirectly, issue, allot, offer, pledge, sell, contract to sell, lend, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any Ordinary Shares or any interest in Ordinary Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares or file any registration statement under the US Securities Act with respect to any of the foregoing (or publicly announce the same or any intention to do the same); or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly, or indirectly, the economic consequences of ownership of the Ordinary Shares (or publicly announce the same or any intention to do the same), whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of the Ordinary Shares or such other securities, in cash or otherwise.

The foregoing undertaking does not apply to: (a) the issue and offer by or on behalf of the Company of the New Ordinary Shares; (b) any Ordinary Shares issued or to be issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and disclosed in this document; and (iii) any Ordinary Shares issued or to be issued or options to subscribe for or acquire Ordinary Shares granted pursuant to existing or proposed employee benefit plans of the Company disclosed in this document.

## 18.2 *Call Option Deed*

A description of the principal terms of the Call Option Deed is set out in paragraph 2 of Part 3 (“*Principal Terms of the Acquisition*”).

## 18.3 *Bressay Oil Field Agreement*

On 30 July 2020, EnQuest Heather entered into a sale and purchase agreement with Equinor UK Limited (“**Equinor**”) to purchase a 40.81 per cent. operating interest in the Bressay oil field which completed in January 2021.

### (a) *Consideration*

The initial consideration paid pursuant to the Bressay Oil Field Agreement was: (i) \$1 which was deemed paid at the date of the Bressay Oil Field Agreement; (ii) £2.2 million payable as a carry against 50.0 per cent. of Equinor’s net share of costs from completion; and (iii) subject to certain conditions, an additional \$30.0 million (the “**FDP Payment**”).

The FDP Payment is:

- (i) \$15.0 million where EnQuest Heather participates in the submission of a field development plan (“**FDP**”) for OGA approval (and where payment is not due pursuant to (ii) below); or
- (ii) in the event that EnQuest Heather participates in the submission of a FDP for OGA approval which provides for EnQuest Heather to carry out the FDP at its sole risk, cost and expense and Equinor does not participate in such submission: (A) \$15.0 million, together with (B) the reimbursement by EnQuest Heather of any amounts paid by Equinor to Chevron pursuant to a sale and purchase agreement entered into by Equinor and Chevron relating to the transfer of

Chevron's interest in the Bressay oil field licences (the "**Bressay Licences**") up to a maximum of \$30.0 million (in respect of both (A) and (B)).

The FDP Payment is not due if, prior to the date falling three business days after the approval of the FDP by the OGA, EnQuest Heather has:

- (i) withdrawn from the Bressay Licences and the joint operating agreement for the Bressay area (the "**Bressay JOA**") or transferred the Bressay Licences and the Bressay JOA for no value to any of: (A) Equinor, (B) the parties to the Bressay JOA at the date of the transfer, or (C) a party nominated by a party to the Bressay JOA at the date of the transfer; or
- (ii) voted against the FDP such that the relevant FDP is approved by the OGA, but EnQuest Heather has no legal or beneficial interest in the Bressay oil field.

(b) *Indemnities*

EnQuest Heather has certain obligations to indemnify Equinor including:

- (i) if, prior to completion of the sale and purchase of the interest in the Bressay oil field, any licence fees or levies were payable to the OGA by Equinor in respect of the Bressay Licences from the period on or after 1 December 2020 until 31 December 2021, a 40.8 per cent. share of such fees shall be reimbursed and indemnified by EnQuest Heather to Equinor;
- (ii) if Equinor incurs any obligations after the date which completion under the Bressay Oil Field Agreement Occurs, EnQuest Heather shall reimburse Equinor in respect thereof; and
- (iii) if EnQuest Heather accrued any benefits prior to the date which completion under the Bressay Oil Field Agreement Occurs, EnQuest Heather shall reimburse Equinor in respect thereof.

#### 18.4 *Irrevocable Undertakings*

(a) *Double A Irrevocable Undertaking*

Please see paragraph 9 of Part 1 ("*Letter from the Chairman of EnQuest PLC*") for further details.

(b) *EnQuest EBT Irrevocable Undertaking*

Pursuant to the terms of the EnQuest EBT Irrevocable Undertaking, the Trustees have irrevocably undertaken to take up in full its entitlement under the Open Offer in respect of the Unallocated Shares held in the EnQuest EBT, subject to and to the extent that the Company and/or another member of the EnQuest Group provides the Trustees with sufficient funds to do so. The Trustees have also agreed to vote and/or procure the vote of all of its holdings of Unallocated Shares (to the extent they remain unallocated at the relevant voting record time) in favour of the Resolutions.

The Trustees have also agreed not to sell, transfer, or otherwise dispose of (including undertaking any transaction with the same economic effect as disposing of), nor enter into any agreement (whether conditional or not) for the sale, transfer or other disposal of any of the Unallocated Shares (to the extent they remain unallocated) or any interest therein prior to, and will procure that the Unallocated Shares (to the extent they remain unallocated) remain registered in the name of the Trustees until 3.00 p.m. on the latest date for acceptance and payment in full under the Capital Raising.

The EnQuest EBT Irrevocable Undertaking contains certain customary acknowledgements and undertakings from the Trustees.

No commission is payable by the Company in respect of the EnQuest EBT Irrevocable Undertaking.

The EnQuest EBT Irrevocable Undertaking is governed by English law.

## 18.5 *Agreements relating to EnQuest's assets*

A description of the agreements relating to the EnQuest Group's assets is set out at pages 258 to 274 of the 2018 EnQuest Group Prospectus which is incorporated by reference into this document, as explained in Part 14 ("*Documents Incorporated by Reference*").

## 18.6 *Description of certain financing arrangements*

### (a) *RBL*

#### (i) Overview

The Company and certain of its subsidiaries have entered into an up to US\$750,000,000 senior secured revolving borrowing base facility agreement on 10 June 2021 (the "**RBL**") with the purpose of refinancing the SFA, the BP Vendor Loan and the Sculptor Facility and of part funding the acquisition of Golden Eagle, an entity which will be the owner of the Golden Eagle Asset following completion of the Asset Transfer in accordance with the Asset Transfer SPA. Borrowings can also be used for general corporate purposes of the EnQuest Group. The RBL may be utilised in US dollars or pounds sterling by drawing of cash advances or by issuances of letters of credit.

BNP Paribas and DNB (UK) Limited are the coordinating banks. BNP Paribas is the facility agent, security agent and fronting bank for letters of credit.

#### (ii) Borrowers and guarantors

Each of the following companies is both a borrower under the RBL (a "**RBL Borrower**") and guarantor under the RBL (a "**RBL Guarantor**"): the Company, EnQuest Heather Limited, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Britain Limited, EQ Petroleum Sabah Ltd, EnQuest Production Limited, EnQuest NWO Limited, EnQuest Global Limited, EnQuest Advance Limited and EnQuest Petroleum Production Malaysia Ltd.

Each of the following companies is a RBL Guarantor but not a RBL Borrower: NSIP (GKA) Limited, EnQuest Marketing and Trading Limited, EnQuest Petroleum Developments Malaysia SDN BHD and EnQuest Advance Holdings Limited.

A mechanism is included in the RBL to enable certain of the Company's subsidiaries to accede as additional borrowers or additional guarantors with respect to the RBL, subject to certain conditions.

#### (iii) Security

The RBL will be secured by way of a composite debenture between all Obligor and the security agent incorporating: (i) a share charge over the shares of each Obligor other than the Company (including from Completion, Golden Eagle); (ii) a floating charge over the assets of each Obligor (including over the interest in relevant licenses for each Borrowing Base Asset), with a carve out for EnQuest Petroleum Production Malaysia Limited where it is not permitted to charge its interest under any production sharing contracts it has entered into; and (iii) security over hedging agreements, intra-group loans, project accounts (including the letter of credit cash collateral account) and the Call Option Deed.

The Second Lien Financing has the benefit of certain second ranking security (further details of which are provided in paragraph 18.6(b) below).

Third ranking security may be granted to secure the RBL Borrowers' counter-indemnity obligations to their decommissioning surety bond providers, to rank junior to the RBL security and to the second ranking security granted in favour of the Second Lien Financing Lenders.

The RBL agent has entered into an intercreditor agreement with, among others, the surety bond providers, the Second Lien Financing Lenders and the Company to regulate these security arrangements (as described in further detail in paragraph j below).

(iv) Commitments and additional commitments

The committed facility amount is US\$750,000,000 million. There is an accordion option, such that the Company can increase commitments by an amount of up to US\$200,000,000 on no more than three occasions.

There is a sublimit for drawings under the RBL in the form of letters of credit of US\$150,000,000.

Funds can only be drawn under the RBL to a maximum amount of the lesser of (i) the total commitments (subject to utilisation limits described below) and (ii) the Borrowing Base Amount.

**“Borrowing Base Amount”** means the amount calculated at each redetermination date falling after the earlier of Completion and 31 December 2021 in June and December in each year as the lower of:

- (i) the net present value (the “NPV”) of cash flow available for debt service (“CFADS”) from the Borrowing Base Assets over the field life, divided by a field life cover ratio (“FLCR”) of 1.50x; and
- (ii) NPV of CFADS from Borrowing Base Assets over the remaining loan life, divided by a loan life cover ratio (“LLCR”) of 1.30x),

**plus:**

- (i) a capex add back amount (being the forecast capital expenditure on the Borrowing Base Assets for the next 12 months, which is added back to the NPV of CFADS prior to applying both ratios); and
- (ii) the add-back to the CFADS of the amount of cash held in the letter of credit cash collateral account with regard to letters of credit equal to the projected abandonment expenditure for any Borrowing Base Asset only in the year(s) the abandonment expenditure (“Abex”) guaranteed by such cash collateral is deemed to occur (capped at the relevant Abex amount, and if less than the full amount, pro-rated over the years that such Abex is deemed to be spent).

During the **“Certain Funds Period”**, which is the period from signing of the RBL until Completion subject to a backstop date of 31 December 2021, the Borrowing Base Amount will be no less than USD509,000,000 as at 1 July 2021, USD458,000,000 as at 1 October 2021 and USD376,000,000 as at 1 January 2022. The initial Borrowing Base Amount will depend on the date on which Completion occurs and will be the amount closest to that date.

(v) Conditions to drawdown

No borrower may deliver a utilisation request for initial drawdown under the RBL unless the required conditions precedent have been received by the RBL agent, in a form satisfactory to it (acting on the instructions of the RBL Majority Lenders)). These are customary for a reserve based lending facility and include: (i) corporate formalities; (ii) the RBL, Intercreditor Agreement, BP Direct Agreement and each fee letter duly executed; (iii) agreed forms of the transaction security documents; (iv) reserves report, key project documents and insurance confirmation; (v) initial projection; and (vi) other documents (such as the Second Lien Financing agreement, original financial statements, KYC, legal opinions and similar).

There are some further requirements, which include: (i) the RBL agent is satisfied that the existing SFA security (and other security relating to the facilities to be prepaid) will be released on or prior to the utilisation date; (ii) in respect of a utilisation other than one which applies during the Certain Funds Period, no Event of Default in the case of a rollover loan or letter of credit, or default in the case of any other utilisation is continuing or would result from the utilisation; the repeating representations are true in all material respects on the date of the utilisation request and proposed utilisation date; and the projection which is due to be adopted by the most recent redetermination date has been so adopted (other than in the certain exceptions); and (iii) that the aggregate amount of the proposed utilisation will not exceed the applicable limits.



A more limited set of conditions precedent applies during the Certain Funds Period.

The RBL also sets out a list of conditions subsequent to be delivered by or on the first utilisation date. These include: notices of prepayment for the facilities to be prepaid, executed transaction security and associated notices/documentation, legal opinions and an insurance broker's letter of undertaking.

It is a condition precedent to drawdown under the RBL for the purposes of funding the Acquisition that new equity or second lien loans on terms satisfactory to the lenders have been contributed to the Company. In the event that subscriptions for shares in the Company are less than US\$50 million, any shortfall shall be provided by Amjad Bseisu or associated parties / nominees through their lending vehicle, Double A Limited and by Signal Alpha.

(vi) Guarantees

Each of the RBL Guarantors has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the RBL) by any RBL Borrower in connection with the RBL.

(vii) Reduction and repayment

The RBL includes a 'springing maturity' provision which applies if, by 1 October 2023, either:

- (i) the High Yield Notes have not been refinanced with new debt ranking junior to the claims of the RBL Lenders with a scheduled maturity falling due after the final maturity date of the RBL; or
- (ii) the currently scheduled maturity of the High Yield Notes has not been amended and extended such that the High Yield Notes only fall due for repayment after the final maturity date of the RBL (the "**Bond Refinancing**").

If the Bond Refinancing has not been achieved by 1 October 2023, the RBL will mature on 1 October 2023; moreover, the final maturity date of the RBL will only be extended to seven years after the date of signing the RBL (the "**Signing Date**") (or when the reserves are forecast to be 25 per cent. of the original reserves, if earlier) if the Bond Refinancing has been achieved prior to 1 October 2023.

Prior to the Bond Refinancing, upon satisfaction of the conditions precedent to the refinancing of the SFA, the BP Vendor Loan and the Sculptor Facility (the "**RBL Effective Date**") but prior to Completion ("**Step One**"), the utilisation limit for drawings in loans (not letters of credit) amount is as follows:

From the Signing Date to 30 September 2021	USD439,000,000
From 1 October 2021 to 31 December 2021	USD400,000,000
From 1 January 2022 to 31 March 2022	USD340,000,000
From 1 April 2022 to 30 June 2022	USD280,000,000
From 1 July 2022 to 30 September 2022	USD220,000,000
From 1 October 2022 to 31 December 2022	USD160,000,000
From 1 January 2023 to 31 March 2023	USD100,000,000
From 1 April 2023 to 30 June 2023	USD 40,000,000
From 1 July 2023 to 1 October 2023	0

Prior to the Bond Refinancing and following the RBL Effective Date and Completion (“**Step Two**”), the utilisation limit for drawings in loans (not letters of credit) is as follows:

From the Signing Date to 30 September 2021	USD600,000,000
From 1 October 2021 to 31 December 2021	USD600,000,000
From 1 January 2022 to 31 March 2022	USD500,000,000
From 1 April 2022 to 30 June 2022	USD400,000,000
From 1 July 2022 to 30 September 2022	USD300,000,000
From 1 October 2022 to 31 December 2022	USD200,000,000
From 1 January 2023 to 31 March 2023	USD100,000,000
From 1 April 2023 to 30 June 2023	USD50,000,000
From 1 July 2023 to 1 October 2023	0

For each of the steps outlined above, the RBL Borrowers must maintain cash cover in respect of outstanding letters of credit in increasing amounts as the Final Maturity Date approaches beginning with a minimum of 50 per cent. following the RBL Effective Date or Completion (for Step One and Step Two, as applicable), increasing to 100 per cent., 24 months later until the Bond Refinancing is complete. Following the Bond Refinancing, starting at 20 per cent. 61 months after the Signing Date and increasing every 6 months thereafter to 100 per cent. by the Final Maturity Date.

(viii) Mandatory Prepayment

Illegality: If it becomes unlawful in any applicable jurisdiction for a lender or for an affiliate of a lender for that lender to perform its obligations under the RBL or to fund or maintain its participation in a loan, the available commitment of that lender will be cancelled and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender.

Change of Control: If the EnQuest Group experiences certain change of control events, any lender may by notice to the EnQuest Group and the agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender’s participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

Cash Sweep: Following the Completion Date and prior to the Bond Refinancing, any cash (excluding cash held in joint venture accounts pursuant to joint operating agreements, cash balances held for operating, investing and financing the Magnus profit share arrangements with BP, SVT working capital, cash balances held in escrow accounts or in the eligible letters of credit cash collateral account) exceeding US\$75 million at the end of any quarterly period (ending respectively on 31 March, 30 June, 30 September and 31 December) must be used to prepay the outstanding loan amount under the RBL within 30 calendar days following the end of such period.

Other: The RBL includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

(ix) Voluntary prepayment and cancellation

Subject to payment of break costs (if any), an RBL Borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the RBL without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or repayment of \$1 million, on not less than five business days’ (or such shorter period as the RBL Majority Lenders (as defined in paragraph 18.6(a)(xii) below) may agree) prior notice to the facility agent.

(x) Interest and fees

The rate of interest payable on the loans under the RBL is the benchmark rate plus the agreed margin and the credit adjustment spread, if applicable.

Margin is calculated as follows:

- (a) on and from the RBL Effective Date to but excluding the earlier of (i) the Bond Refinancing and (ii) 1 October 2022, 4.25% per annum;
- (b) if the Bond Refinancing occurs on or before 1 October 2022:
  - (i) on and from the Bond Refinancing to and including the date falling on the fourth anniversary of the date of the RBL (the “**fourth anniversary date**”), 4.00% per annum;
  - (ii) on and from the date following the fourth anniversary date up to and including the Final Maturity Date, 4.50% per annum;
- (c) if the Bond Refinancing occurs after 1 October 2022:
  - (i) on and from 1 October 2022 to but excluding the Bond Refinancing (or, if the Bond Refinancing does not occur prior to 1 October 2023, to and including the Final Maturity Date), 4.50% per annum;
  - (ii) on and from the Bond Refinancing to and including the fourth anniversary date, 4.00% per annum; and
  - (iii) on and from the date following the fourth anniversary date up to and including the Final Maturity Date, 4.50% per annum.

The RBL Borrowers are required to pay a commitment fee to the RBL Lenders as follows:

if the RBL Effective Date occurs within 30 days of Signing Date:

- until 120 days after the Signing Date: 0% during the first 90 days, 10% during the following 30 days;
- thereafter :
  - o 20% of margin on unavailable and undrawn amount
  - o 40% of margin on available and undrawn amount.

if the RBL Effective Date occurs more than 30 days after the Signing Date:

- until 120 days after the Signing Date: 0% during the first 60 days, 10% during the following 60 days;
- thereafter:
  - o 20% of margin on unavailable and undrawn amount
  - o 40% of margin on available and undrawn amount.

(xi) Representations and warranties

The RBL includes representations and warranties customary for reserve based lending facilities, subject to customary exceptions and appropriate materiality qualifications.

(xii) Negative covenants

The RBL includes restrictive covenants customary for reserve based lending facilities, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each RBL Borrower and RBL Guarantor, among other things to:

- create security;
- dispose of petroleum assets;

- merge or consolidate with other companies or make acquisitions;
- make a substantial change to the general nature of its business;
- incur indebtedness or provide guarantees;
- allow its rights under certain project documents to be terminated, suspended or limited;
- make loans or extend credit to third parties;
- make distributions unless it is a distribution to an existing RBL Obligor or included in the latest EnQuest Group Liquidity Test (as defined in paragraph (xiv) below); and
- modify documents, and procure no member of the EnQuest Group shall modify documents, relating to the Acquisition; and
- violate sanctions and anti-corruption law.

In addition, prior to the Bond Refinancing, no member of the EnQuest Group is permitted to make any cash interest payments under the Notes where such interest would have been required to be paid in kind prior to the refinancing of the SFA.

(xiii) Affirmative covenants

The RBL requires each RBL Borrower and RBL Guarantor to observe affirmative covenants customary for reserve based lending facilities, subject to customary exceptions.

(xiv) Financial covenant

The RBL contains the following financial covenants: (a) the ratio of consolidated net financial indebtedness to EBITDA is < 3.5x; and (b) minimum working capital cash balance of USD75,000,000, in each case to be tested on each redetermination date.

On each redetermination date, it must be demonstrated that the EnQuest Group has sufficient funds available to meet all liabilities of the EnQuest Group in each six-month period over the next 24 months (the “**EnQuest Group Liquidity Test**”). However, prior to the Bond Refinancing, the EnQuest Group Liquidity Test shall only be tested up to 1 October 2023.

These financial terms are defined in the RBL and may not correspond to similarly titled metrics in the EnQuest Group’s consolidated financial statements or this document.

(xv) Events of Default

The RBL sets out certain events of default, the occurrence of which would allow the lenders (if the RBL Majority Lenders so direct) to cancel their commitments or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or declare that full cash cover in respect of each letter of credit is immediately due and payable. The events of default are customary for reserve based lending facilities and are subject to customary grace periods, thresholds and other qualifications.

(xvi) Hedging

The RBL Borrowers are required to enter into the following hedging arrangements, for each of the steps (as outlined in paragraph (vii) above):

RBL Borrowers will hedge by way of straight puts, collars and/or swaps: (i) a minimum of 60% of volumes of net entitlement production expected to be produced in the 12 months following the relevant quarter date, on or from the first Utilisation Date (unless the Bond Refinancing has occurred, in which case such percentage shall be 50%); (ii) 40% of volumes of net entitlement produced expected to be produced from the date 12 months after the relevant quarter date to the date 24 months after that date ; and (iii) 10% of volumes of net entitlement production expected to be produced from

the date 24 months after the relevant quarter date to the date 36 months after that date. In all cases, minimum floor protection will be equal to or above the lower of 90% of the prevailing bank price deck and 90% of the forward price curve at the time of hedge execution.

(xvii) Governing law

The RBL is governed by English law.

(b) *Second Lien Financing*

(i) Overview

Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and Signal Alpha entered into a facility agreement with the Company on 10 June 2021 to provide the Second Lien Financing of up to US\$50 million to the Company on an arm's length basis to make up any shortfall to the extent that the amount raised in the Capital Raising is less than US\$50 million.

The Second Lien Financing must be used by the Company for funding the Acquisition and otherwise for general corporate purposes.

Alter Domus is the facility agent and security trustee. The Company's obligations under the Second Lien Financing are guaranteed by the same entities which are RBL Guarantors.

(ii) Conditions to drawdown

The obligation of the Second Lien Financing Lenders to make the loan available to the Company is subject to the conditions precedent being fulfilled (or waived) to the satisfaction of Alter Domus (acting on behalf of the Second Lien Financing Lenders). The conditions precedent are: delivery of a formalities certificate from each obligor; delivery of the Second Lien Financing agreement, the security documents, the BP Direct Agreement and the Intercreditor Agreement, each duly executed; and a legal opinion from Ashurst LLP relating to capacity, authority and due execution of these documents by the obligors.

Deutsche Bank (Suisse) SA has issued the Letter of Credit, which may be called upon by the Company in the event that Double A Limited does not make available all or part of its participation in the loan in accordance with the terms of the Second Lien Financing. The Letter of Credit is irrevocable and unconditional and is valid until 25 June 2022.

(iii) Maturity

The Second Lien Financing has a scheduled maturity of 10 July 2028 (being the date falling 30 days after the original final maturity date of the RBL) and shall be repaid in one bullet repayment upon this date.

(iv) Interest

The interest rate on the Second Lien Financing is LIBOR plus 12% per annum. The margin will increase to 13.5 per cent. per annum for such period as specified in the Second Lien Financing if (i) the aggregate of the outstanding borrowings of the EnQuest Group under the RBL secured by security ranking in priority to the security interests granted under the Second Lien Financing is at any time more than 10 per cent above the Borrowing Base Amount (as calculated under the RBL from time to time), or (ii) the Company does not prepay the whole of the loan in accordance with the terms of the Second Lien Financing by the first day of the interest period following the Bond Refinancing. If such rate is below zero, LIBOR will be deemed to be zero. Interest will be capitalised until the occurrence of the Bond Refinancing. After the Bond Refinancing and provided that cash interest is also paid on the High Yield Notes, the Company will pay cash interest. If interest is not so cash paid, it will instead be capitalised.



(v) Prepayment

Subject to satisfaction of the Bond Refinancing, the Company may prepay the whole or part of the Second Lien Financing at any time, together with interest accrued but without premium or penalty, provided that the test for paying distributions has been satisfied under the RBL.

The Company has no right to redraw any prepaid amount.

The Company may, if it gives the facility agent 10 Business Days' prior notice, cancel the whole or any part of the undrawn facility.

If it becomes unlawful for the Second Lien Financing Lenders to continue to make the facility available to the Company, the Company will prepay the relevant amount together with all interest accrued, provided that the test for paying distributions has been satisfied under the RBL.

(vi) Security

The Second Lien Financing has the benefit of second ranking security. Such security shall be equivalent to the security package to be granted to the RBL Lenders but ranking junior to the RBL Lenders' security.

If further Borrowing Base Assets are added under the RBL and that results in additional floating charge security and/or additional share charge security being granted in favour of the RBL Lenders, equivalent security shall be provided on a second ranking basis to the Second Lien Financing Lenders.

Alter Domus and the Second Lien Financing Lenders have entered into an intercreditor agreement with, among others, the RBL agent and the Surety Bond Providers to govern the relationship between the RBL Lenders, the Second Lien Financing Lenders (which will have the benefit of second ranking security) and the Surety Bond Providers (which will have the benefit of a third ranking security package). Please refer to paragraph (j) below for further details of the intercreditor agreement.

(vii) Representations, Undertakings and Events of Default

The Company makes customary representations and undertakings (subject to customary qualifications) in respect of the obligors. The representations are repeated on the date of the loan request, the utilisation date and the first day of each interest period.

The Second Lien Financing sets out certain customary events of default, the occurrence of which would allow the Second Lien Financing Lenders to (i) cancel any undrawn amount; (ii) declare the loan immediately due and payable (together with interest accrued) or payable on demand; and / or (iii) take any other action or remedy as permitted under the Second Lien Financing or under any applicable law/regulation.

(viii) Governing law

The Second Lien Financing is governed by English law.

(c) *SFA*

(i) Overview

The Company and certain of its subsidiaries entered into an agreement establishing the SFA on 6 March 2012, which agreement the Company amended and restated including on 17 November 2016. BNP Paribas is the facility agent and the fronting bank for letters of credit. The term facility of the SFA may be utilised in US dollars by drawing of cash advances and the revolving credit facility of the SFA may be utilised in US dollars or pounds sterling by drawing of cash advances or by issuances of letters of credit. Borrowings may be used for the purposes of funding oil and gas related expenditure of the Company and its subsidiaries from time to time.

Under the SFA, the EnQuest Group has a term loan tranche ("**Tranche A**"), under which, as of the date of this document, \$335 million is outstanding and a \$75 million multicurrency revolving credit

tranche (“**Tranche B**”), of which, after allowing for letter of credit utilisation of \$47.8 million, \$27.2 million remained available for drawdown as at 31 May 2021. The balance sheet amount for the EnQuest Group’s liability represented by the SFA, including interest capitalised to the payment in kind amount, is \$352.3 million as of the date of this document.

The SFA must be repaid in full out of the proceeds of the first drawdown under the RBL before completion of the Acquisition.

(ii) Borrowers and guarantors

Each of the following companies is both a borrower (a “**SFA Borrower**”) and a guarantor (a “**SFA Guarantor**”) under the SFA: the Company, EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Britain Limited, EnQuest Energy Limited, EQ Petroleum Sabah Ltd, EnQuest Production Limited, EnQuest NWO Limited and EnQuest Global Limited (each both an “**SFA Borrower**” and an “**SFA Guarantor**”).

Each of the following companies is an SFA Guarantor but not an SFA Borrower: EnQuest Dons Leasing Limited, EQ Petroleum Production Malaysia Ltd, NSIP (GKA) Limited, Stratic UK Holdings Limited, EnQuest UKCS Limited, EnQuest Global Services Ltd, EnQuest Thistle, EnQuest Marketing and Trading Limited, NorthWestOctober Limited, EnQuest NNS Limited, EnQuest NNS Holdings Limited, EnQuest Advance Limited, EnQuest Advance Holdings Limited, EnQuest Forward Limited, EnQuest Forward Holdings Limited and EnQuest Petroleum Developments Malaysia SDN BHD.

A mechanism is included in the SFA to enable certain of the Company’s subsidiaries to accede as additional borrowers or additional guarantors with respect to the SFA, subject to certain conditions.

(iii) Security

The SFA is secured by way of (i) first ranking and second ranking English law share charges over the shares of EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Britain Limited, EnQuest Energy Limited, EnQuest Production Limited and EnQuest NWO Limited; (ii) a first ranking English law share charge over the shares of EnQuest Global Limited, EnQuest Marketing and Trading Limited; EQ Petroleum Production Malaysia Ltd and EQ Petroleum Sabah Ltd; (iii) first ranking and second ranking floating charges over the Company, EnQuest Heather, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Energy Limited, EQ Petroleum Sabah Ltd, EnQuest Production Limited and EnQuest NWO Limited; (iv) a first ranking English floating charge over EnQuest Global Limited, EnQuest Britain Limited and EQ Petroleum Production Malaysia Limited; (v) a first ranking Scottish law share charge over the shares of NSIP (GKA) Limited; (vi) a first ranking Scottish law floating charge over NSIP (GKA) Limited; (vii) a first ranking Canadian law share charge over the shares of Grove Energy Limited; (viii) first ranking and second ranking English law security assignment by certain obligors under the SFA; (ix) first ranking English law debentures by the Company, EnQuest Britain Limited and EnQuest Global Limited over their respective interest in intercompany balances owed to them by any member of the EnQuest Group; (x) a first ranking English law charge over the shares in EnQuest Advance Holdings Limited; (xi) a second ranking English law charge over the shares of EnQuest Advance Limited; (xii) a second ranking English fixed and floating charge over all the assets of EnQuest Advance Limited; (xiii) a first ranking floating charge over EnQuest Petroleum Developments Malaysia Sdn. Bhd.; and (xiv) a first ranking share charge over the shares of EnQuest Petroleum Developments Malaysia Sdn. Bhd. in each case in favour of the SFA security trustee.

(iv) Commitments and additional commitments

As of the date of this document, the aggregate commitments are \$335 million for Tranche A and \$17.3 million interest capitalised, with the total aggregate commitments of the SFA being \$352.3 million (the “Aggregate Commitments”). Such amount may not be increased except with the consent of all parties to the SFA.

Funds may only be drawn under the SFA to a maximum amount of the lesser of (i) the Aggregate Commitments; and (ii) the maximum amount which could be outstanding on: (a) the most recent Scheduled Test Date taking into account the amount of the proposed utilisation without the Company being in breach of the Leverage Ratio; and (b) the most recent Test Reference Date taking into account the amount of any proposed utilisation without the Company being in breach of the Finance Charges Cover Ratio see paragraph 18.6(c)(xiii) of this Part 12 (*“Additional Information”*).

(v) Guarantees

Each of the SFA Guarantors has (among other things) provided a guarantee of all amounts payable to the Finance Parties (as defined in the SFA) by any SFA Borrower in connection with the SFA.

(vi) Reduction and repayment

The Aggregate Commitments under the SFA reduce to zero on 1 October 2021 (the **“SFA Final Maturity Date”**).

Tranche B must be repaid on the last day of the relevant interest period relating thereto (which, subject to certain exceptions, may be one, three or six months or any other period agreed between us and the agent), subject to a netting mechanism against amounts drawn on such date. Tranche B amounts repaid by a borrower may be re-borrowed, subject to certain exceptions.

The relevant SFA Borrower must also ensure that the aggregate dollar amount of the face value of all outstanding letters of credit does not at any time exceed \$50 million.

The Company must maintain cash cover in respect of outstanding letters of credit in increasing amounts as the SFA Final Maturity Date approaches.

(vii) Mandatory prepayment

**Illegality:** If it becomes unlawful in any applicable jurisdiction for a lender or for an affiliate of a lender to perform its obligations under the SFA or to fund or maintain its participation in a loan, the available commitment of that lender will be cancelled and, if applicable, all obligations under such commitment will be payable on the last day(s) of the relevant interest period(s) or earlier if required by the lender.

**Change of Control:** If the EnQuest Group experiences certain change of control events, any lender may by notice to the EnQuest Group and the agent cancel its commitments immediately and each borrower must within 15 business days of receiving such notice repay any such lender’s participation in all outstanding loans, together with accrued interest and all other amounts due to that lender under the finance documents.

**Bond Proceeds:** If any member of the EnQuest Group issues bonds, then the SFA Borrowers must apply all the proceeds of the issuance towards repayment of the SFA.

**Cash Sweep:** Any cash sweep amount (which is defined as the amount by which the aggregate of: (A) cash in hand or at bank of the EnQuest Group (excluding certain restricted cash); and (B) the available commitments under Tranche B, on the last day of each semi-annual period ending on 30 June and 31 December in each year, exceeds \$75 million, excluding any amounts required for capital expenditure included in the latest Liquidity Test) must be applied for repayment of the SFA.

The **“Bond Interest Payment Condition”** includes that:

- (A) the Leverage Ratio has been no greater than 2.0:1.0 for the four immediately preceding consecutive quarters;
- (B) the Company is not in breach of the Leverage Ratio on the day of, and taking into account, the interest payment;

- (C) the Company has delivered a Liquidity Test taking into account the proposed Capitalised Interest demonstrating, to the satisfaction of the SFA Majority Lenders (as defined below), that the EnQuest Group has sufficient funds available to meet all liabilities when due including all amounts on the SFA Final Maturity Date with a surplus to the extent that debt service in each six month period is covered 1.20:1.00;
- (D) Aggregate Commitments under the SFA are less than \$500 million; and
- (E) no event of default is continuing under the SFA.

Other: The SFA also includes customary prepayment events and rights related to defaulting lenders, taxes and increased costs.

(viii) Voluntary prepayment and cancellation

Subject to payment of break costs (if any) and to the delivery of a Liquidity Test which shows that the EnQuest Group has sufficient funds to meet all liabilities when due and payable and which are reasonably expected to fall due for payment on or before the date falling 12 months after the SFA Final Maturity Date, an SFA Borrower may voluntarily cancel the available commitments or prepay amounts outstanding under the SFA without penalty or premium, at any time in whole or in part, subject to a minimum cancellation or repayment of \$1 million (with integral multiples of \$1 million), on not less than five business days' (or such shorter period as the SFA Majority Lenders may agree) prior notice to the facility agent. The Company shall not cancel any part of Tranche B unless Tranche A has been fully repaid.

(ix) Interest and fees

The rate of interest payable on the loans under the SFA is the rate per annum equal to the aggregate of margin plus LIBOR (in the case of loans in both US dollars and pounds sterling).

- Margin is 475bps and (with the balance to be added to the PIK Amount on the last day of each interest period (or six monthly if less)) 375bps PIK. LIBOR does not apply to letters of credit and on certain letters of credit (being Performance LCs, as defined in the SFA), only 50 per cent. of the applicable margin will apply.
- PIK Amount was zero on the date that the SFA became effective. The PIK Amount then increases as follows: PIK Amount Interest (at a rate of 9 per cent. per annum) accrues on the PIK Amount and is capitalised and added to the PIK Amount on each 30 June and 31 December.

The SFA Borrowers are required to pay a commitment fee on available but unutilised commitments under the Tranche A and Tranche B, at a rate of 2.625 per cent. of a lender's available respective commitment.

(x) Representations and warranties

The SFA includes certain customary representations and warranties, subject to certain exceptions and appropriate materiality qualifications.

(xi) Negative covenants

The SFA includes certain restrictive covenants, subject to certain agreed exceptions, including, but not limited to, covenants restricting the ability of each SFA Borrower and SFA Guarantor (and where expressly provided, certain other key companies that are neither borrowers nor guarantors) to, among other things:

- create security;
- dispose of petroleum assets;
- merge or consolidate with other companies or make acquisitions;

- make a substantial change to the general nature of its business;
- incur indebtedness or provide guarantees;
- allow its rights under certain project documents to be terminated, suspended or limited;
- make loans or extend credit to third parties; and
- make distributions unless it is a Permitted Distribution or a distribution (other than by the Company) to an Existing Obligor.

A distribution is a “**Permitted Distribution**” when each of the following conditions are satisfied:

- (A) the Leverage Ratio has been no greater than 2.0:1.0 for the four immediately preceding consecutive quarters;
- (B) the Company is not in breach of the Leverage Ratio on the day of, and taking into account, the distribution being made or paid;
- (C) the Company has delivered a Liquidity Test taking into account the proposed Capitalised Interest demonstrating, to the satisfaction of the SFA Majority Lenders (as defined below), that the EnQuest Group has sufficient funds available to meet all liabilities when due including all amounts on the SFA Final Maturity Date with a surplus to the extent that debt service in each six month period is covered 1.20:1.00;
- (D) Aggregate Commitments under the SFA are less than \$500 million;
- (E) no event of default is continuing under the SFA;
- (F) on the date on which the distribution is made or paid, a principal amount of the High Yield Notes and the Retail Notes has been redeemed in cash by the Company in an amount equal to the all Capitalised Interest (and any further interest due and payable howsoever described has been paid in full); and
- (G) at least 10 business days before the date on which the distribution is made or paid, the Company confirms to the SFA Lenders that all the above conditions are, or will be, satisfied on the date on which the distribution is made or paid.

Other restrictions on activities of the EnQuest Group include:

- no acquisitions by a member of the EnQuest Group without the consent of SFA Lenders whose commitments aggregate at least 662/3 per cent. of the Aggregate Commitments (the “**SFA Majority Lenders**”), other than in the ordinary course of trading or where an updated Liquidity Test is delivered to the satisfaction of the SFA Majority Lenders and the Joint Technical Banks shall be given access to the appropriate information to be able to risk and comment on such Liquidity Test;
- no disposals by a member of the group of a petroleum asset otherwise than with SFA Majority Lenders consent;
- £1 billion basket for financial indebtedness under bonds, provided that proceeds from further bond issuances shall be applied to prepay the SFA;
- no repayment of principal under the High Yield Notes or the Retail Notes and no bond exchange offers or other forms of bond refinancing are permitted while any amount is outstanding under the SFA; and
- no exploration and appraisal expenditure to be incurred by a member of the EnQuest Group other than expenditure on appraisal wells in relation to existing producing assets for the purpose of improving the performance of that asset.



(xii) Affirmative covenants

The SFA requires each SFA Borrower and SFA Guarantor (and in certain cases, certain other key companies that are neither borrowers nor guarantors) to observe certain affirmative covenants, subject to certain exceptions.

(xiii) Financial covenants

As amended pursuant to the October 2017 Waiver Letter, the SFA requires the EnQuest Group to ensure that:

- in respect of the Scheduled Test Dates set out in the left hand column of the table, the ratio of consolidated net financial indebtedness to EBITDA (the “**Leverage Ratio**”) is less than the respective ratios set out in the right hand column of the table:

<b>Date</b>	<b>Ratio</b>
31 March 2021	1.50:1.0
30 June 2021	1.50:1.0

(where consolidated net financial indebtedness means the aggregate of all financial indebtedness (with the PIK Amount excluded from the definition of indebtedness) of the EnQuest Group under the SFA at the relevant time less the aggregate of cash and cash equivalent investments of the EnQuest Group);

- in respect of the Test Reference Dates, the ratio of EBITDA to forecast finance charges (the “**Finance Charges Cover Ratio**”) for the following 12 months on each Test Reference Date on and from 30 April 2019 (in respect of the respective prior Scheduled Test Date), is not less than 7.50:1.00;
- on a weekly basis when the Company delivers a short term cashflow forecast for a 13 week period, such forecast demonstrates that the EnQuest Group’s anticipated cash (excluding restricted cash) as at the end of each week in the 13 week period to which that forecast relates is greater than zero; and
- on each Test Reference Date it is demonstrated to the satisfaction of the SFA Majority Lenders that the EnQuest Group has sufficient funds available to meet all liabilities of the EnQuest Group when due and payable for the period commencing on such date and ending on the date falling 12 months after the SFA Final Maturity Date (the “**Liquidity Test**”). The Liquidity Test assumptions include a price deck of the historic average forward curve oil price of the past 15 consecutive business days (minus a 10 per cent. discount). The test covers the life of the loan plus one year, and includes 100 per cent. of the amount due on the SFA Final Maturity Date provided that no event of default will arise if the Liquidity Test demonstrates that such amount can be repaid from cash flow after debt service in one year after the SFA Final Maturity Date.

“**Scheduled Test Date**” is each 31 March, 30 June, 30 September and 31 December.

“**Test Reference Date**” is each 31 January, 30 April, 31 July and 31 October.

These financial terms are defined in the SFA and may not correspond to similarly titled metrics in the EnQuest Group’s consolidated financial statements or this document.

(xiv) Events of default

The SFA sets out certain events of default, the occurrence of which would allow the senior lenders (if the SFA Majority Lenders so direct) to cancel their commitments or declare that all or part of the loans, together with accrued interest and other amounts outstanding are immediately due and payable and/or payable immediately on demand and/or declare that full cash cover in respect of each letter of credit is immediately due and payable. The events of default include, among other events and subject in certain cases to grace periods, thresholds and other qualifications:

- non-payment of amounts due and payable under a finance document;
- breach of financial covenants or other obligations;
- inaccuracy of a representation in any material respect when made or deemed to be repeated;
- certain other cross defaults in respect of indebtedness equal to or in excess of \$10 million (or equivalent in other currencies);
- insolvency or insolvency proceedings;
- enforcement of security securing debt or attachment of assets;
- cessation of business;
- invalidity or unlawfulness of the finance documents or certain project documents;
- any SFA Borrower or SFA Guarantor ceasing to be wholly owned by the Company;
- nationalisation or expropriation (or announcement of intent in respect thereof) of all or any part of any petroleum asset or any oil and gas or revenues derived therefrom in a manner which would result in a material adverse change;
- any litigation, arbitration or administrative proceeding is commenced before any court, arbitral body or agency which is likely to be adversely determined and, if adversely determined would reasonably be likely in respect of any SFA Borrower or SFA Guarantor to have a material adverse effect; and
- material adverse change.

(xv) Governing law

The SFA is governed by English law.

(d) *Kraken Structured Finance Loan – Sculptor Facility Agreement*

(i) Overview

EnQuest Heather transferred a 15% interest in the Kraken field (the “**SPV Kraken Interest**”) to its indirect wholly-owned subsidiary EnQuest Advance Limited in order to raise a loan. The proceeds of the sale were applied to reduce the total Tranche A commitments and the Aggregate Commitments under the SFA.

EnQuest Advance Limited funded the purchase price by obtaining a \$175,000,000 facility from Sculptor Investments IV S.a.r.l (“**Sculptor**”). The facility agreement was signed on 4 September 2018 with Global Loan Agency Services Limited (“**GLASL**”) as facility agent, GLAS Trust Corporation Limited (“**GLAS**”) as security agent and Sculptor as the backstop lender (the “**Sculptor Facility Agreement**”).

EnQuest Advance Limited paid the proceeds of the Sculptor loan to EnQuest Heather after deducting fees and expenses payable to Sculptor GLASL and GLAS and retaining a certain amount of the drawing to fund its initial working capital requirements. EnQuest Heather applied the whole amount received by it from EnQuest Advance Limited from the proceeds of the Sculptor loan for the prepayment of the SFA. The outstanding balance of the purchase price was funded by an intercompany loan from EnQuest Heather to EnQuest Advance Limited.

All amounts due and outstanding under the Sculptor Facility Agreement will be repaid out of the RBL proceeds.

(ii) Security and Guarantees

To secure the obligations of EnQuest Advance Limited under the Sculptor Facility Agreement the following security and guarantees were granted, in each case in favour of GLAS on behalf of the finance parties:

- (i) by EnQuest Advance Limited, a first ranking fixed and floating charge over its present and future assets and undertakings;
- (ii) by EnQuest Advance Holdings Limited, as sole shareholder of EnQuest Advance Limited a first ranking share charge in respect of all its shares in EnQuest Advance Limited,

(the security referred to in paragraphs (i) and (ii) are together “**First Ranking Security**”); and

- (iii) by all the existing guarantors under the SFA as at the date of entry into the Sculptor Facility Agreement (the “**Sculptor Guarantors**”), subordinated guarantees of the obligations of EnQuest Advance Limited (the “**Sculptor Subordinated Guarantees**”). Subsequently, EnQuest NNS Limited, EnQuest NNS Holdings Limited, EnQuest Forward Limited, EnQuest Forward Holdings Limited and EnQuest Petroleum Developments Malaysia SDN. BHD. have also acceded as Guarantors.

As a condition to the SFA Lenders consenting to EnQuest Advance Limited’s entry into the Sculptor Facility Agreement, EnQuest Advance Limited granted a second ranking security over all its present and future assets and undertakings and EnQuest Advance Holdings Limited granted a second ranking security over all its shares in EnQuest Advance Limited in favour of the SFA security trustee on behalf of the SFA finance parties (“**SFA Kraken Security**”).

In order to regulate the ranking of the various security interests and guarantees, the following documents were entered into between, amongst others, GLASL as facility agent and GLAS as security agent under the Sculptor Facility Agreement and BNPP as Facility Agent and Security Trustee under the SFA:

- (i) an intercreditor agreement dated 21 September 2018, under which it was agreed that the First Ranking Security and associated liabilities would rank in priority to the SFA Kraken Security and associated liabilities; and
- (ii) a facility guarantee subordination agreement in respect of the Sculptor Subordinated Guarantees dated 21 September 2018, entered into on substantially the same terms as the Bonds Guarantee Subordination Agreement referred to in paragraph (f) below.

(iii) Reduction and repayment

The final maturity date under the Sculptor Facility Agreement is 28 September 2023. The loan to be repaid from the revenues from the sale of the Kraken crude oil to which EnQuest Advance Limited is entitled by way of monthly cash sweeps up to pre-agreed monthly amounts.

(iv) Interest

Interest is calculated as LIBOR plus a margin of 6.30 per cent. per annum.

(e) *SVT Working Capital Facility*

(i) Overview

EnQuest Heather Limited is the borrower under a revolving loan facility entered into with BNP Paribas in, among others, its capacity as lender for an aggregate amount of £42 million dated 1 December 2017, as novated and amended on 1 December 2018 and further amended on 25 November 2020 (the “**SVT Working Capital Facility**”) in connection with its assumption of the role of operator of SVT. BP International Limited (the “**BP SVT Guarantor**”) separately provided a guarantee capped at £42 million dated 1 December 2017, as amended and restated on 1 December 2018 in relation to the SVT Working Capital Facility, such guarantee given directly to BNP Paribas.

The operating agreement for SVT (under which EnQuest Heather Limited is operator) currently operates on an invoicing basis (whereby the operator must pay out amounts and then subsequently invoice the joint venture parties for their percentage interest share of costs) as opposed to a cash calling basis (whereby an operator can call amounts in advance from the joint venture parties).

The proceeds of the SVT Working Capital Facility are used for project expenditure in respect of SVT and the loan is repayable on the last day of each interest period. The representations, mandatory prepayment provisions, undertakings and events of default are customary for a facility of this nature. Interest is calculated at the rate per annum equal to the aggregate of the margin of 1 per cent. per annum, LIBOR and mandatory costs (if any).

The remuneration due to the BP SVT Guarantor for providing the BP guarantee is equal to 90 per cent. of the difference between the sum of all SVT/NLGP/NPS operator fees received by SPV less the interest paid and any other fees paid by SPV to the bank on the overdraft balance (to the extent not recovered from relevant joint venture partners / users). This remuneration is payable by SPV to the BP SVT Guarantor on a monthly basis. To the extent that the fees paid to the operator under the operating agreement for SVT are insufficient to cover the fees payable to the bank, the shortfall shall be met by the BP SVT Guarantor and recoverable through a separate waterfall mechanism.

The BP SVT Guarantor agreed to continue to provide its guarantee of such a working capital facility for EnQuest Heather Limited until the earlier to occur of:

- (A) the date on which production from Magnus permanently ceases; and
- (B) if the operating agreements for both SVT and the NPS are amended to allow for cash calling, the effective date of such amendment.

(f) *Retail Notes*

The following description of the Retail Notes is based on their terms and conditions in effect as at the date of this document.

(i) Overview

On 15 February 2013, the Company issued (i) an initial tranche of £145,000,000 5.50 per cent. Notes due 15 February 2022 (the “**Initial Tranche of Retail Notes**”) under its £500,000,000 euro medium term note programme; and (ii) a further tranche of £10,000,000 5.50 per cent. Notes due 15 February 2022 (the “**Further Tranche of Retail Notes**”) on 2 December 2013 which were consolidated with and formed a single series with the Initial Tranche of Retail Notes (together, the “**Original Retail Notes**”). Pursuant to a scheme of arrangement under part 26 of the Companies Act 1986, which was sanctioned by the High Court of Justice of England and Wales on 16 November 2016 the terms of the Original Retail Notes were amended and such amended Original Retail Notes have become the 7.00 per cent. Extendable PIK Toggle Notes originally due 15 February 2022, as extended to 15 April 2022 and further automatically extended on 15 October 2020 to 15 October 2023 as a result of the SFA not being repaid or refinanced in full prior to 15 October 2020 (the “**Retail Notes**”).

Under the Retail Notes, if the Cash Condition is not satisfied in respect of any interest payment date, the interest owed on that interest payment date is not paid in cash but instead it is capitalised and satisfied through the issue of additional Retail Notes having the same terms and conditions as the Retail Notes then outstanding (the “**Additional Retail Notes**”). On 15 February 2017, the Company issued £5,424,998 of Additional Retail Notes, on 15 August 2017, the Company issued £5,614,875 of Additional Retail Notes, on 15 February 2018, the Company issued £5,811,396 of Additional Retail Notes, on 17 February 2020, the Company issued £6,014,794 of Additional Retail Notes, on 17 August 2020, the Company issued £6,225,312 of Additional Retail Notes and on 15 February 2021, the Company issued £6,443,198 of Additional Retail Notes. The current amount outstanding of the Retail Notes is £190,534,573.

The Retail Notes are guaranteed on a subordinated basis by EnQuest Britain Limited, EnQuest ENS Limited, EnQuest Global Limited, EnQuest Heather Leasing Limited, EnQuest Heather Limited, EnQuest NWO Limited and EQ Petroleum Sabah Ltd (together, the “**Guarantors**”).

The Retail Notes are constituted under a trust deed dated 24 January 2013, as amended, novated, supplemented and/or restated from time to time, (the “**Retail Notes Trust Deed**”) between, among others, the Company and U.S. Bank Trustees Limited, in its capacity as trustee for the holders of the Retail Notes (the “**Retail Notes Trustee**”).

The Retail Notes have the following characteristics:

- *Interest:* a fixed rate of 7.0 per cent. per annum payable semi-annually in arrears on 15 February and 15 August in each year. If the Cash Payment Condition is not satisfied in respect of any interest payment date, the payment of interest can be satisfied through the issue of Additional Retail Notes (as defined above);

- *Cash Payment Condition:*

The Company pays interest on the Retail Notes in cash ((i) if the Cash Payment Condition is satisfied for such period or (ii) if the Senior Facility Repayment Date has occurred) or in kind (in all other cases).

“Cash Payment Condition” will be satisfied in respect of an interest payment date if: (i) the average of the Daily Brent Oil Prices during the period of six calendar months immediately preceding the date which is one calendar month prior to the relevant interest payment date is equal to or above US\$65.00 and (ii) no payment event of default is continuing under the Senior Facility.

“Senior Facility Repayment Date” is the earlier of the date on which: (a) the Senior Facility is repaid in full from cash generated from operations of the company; 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, 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.

The RBL contains a requirement to maintain this feature until the Bond Refinancing.

- *Form:* registered form;
- *Currency:* pounds sterling;
- *Maturity:* 15 October 2023, as automatically extended on 15 October 2020 from 15 April 2022 as a result of the SFA not being repaid or refinanced in full prior to 15 October 2020;
- *Ranking of Retail Notes:* *pari passu* without preference or priority among themselves and in right of payment with all existing and future obligations of the Company that are not contractually subordinated in right of payment thereto;
- *Ranking of the Retail Notes Guarantees:* subordinated in right of payment to all existing and future senior obligations of the Guarantors, including under the SFA and the RBL, as applicable;
- *Negative pledge:* so long as any Retail Notes remain outstanding, neither the Company nor any of its subsidiaries will create or have outstanding any security interest upon the whole or any part of its present or future undertakings, assets or revenues to secure any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, or other securities which for the time being are, quoted, listed or dealt in or traded on any stock exchange or over the counter or other securities market, without at the same time or prior thereto according the same security to the holders of the Retail Notes;



- *Events of default*: customary events of default, including those relating to (a) non-payment of interest or principal; (b) breach of other obligations under the Retail Notes or the Retail Notes Trust Deed; (c) cross acceleration; (d) enforcement proceedings; (e) security enforcement; (f) insolvency; (g) winding up; (h) lack of authorisations and consents; (i) illegality; and (j) cross default of the High Yield Notes. The provisions include certain minimum thresholds and grace periods. In addition, in certain cases, a certification in writing that a particular event is materially prejudicial to the interests of the holders of the Retail Notes is required from the Retail Notes Trustee before the Retail Notes can be accelerated;
- *Final redemption*: unless previously redeemed, purchased and cancelled, the Retail Notes are due to be redeemed on 15 October 2023, automatically extended on 15 October 2020 from 15 April 2022, at their nominal amount;
- *Optional redemption*: the Company has the right to redeem the Retail Notes at any time at the make-whole amount. The Retail Noteholders have the right to redeem the Retail Notes prior to their final maturity upon a change of control, as specified in the terms and conditions of the Retail Notes. The Company may also (prior to the expected maturity date) redeem the Retail Notes as a result of changes in taxation such that the Company would be required to pay additional amounts to the holders of the Retail Notes. In addition, the Retail Notes may be redeemed prior to their Maturity Date in certain circumstances at the Company's discretion at the make-whole amount or at par;
- *Taxation*: all payments in respect of Retail Notes are made without withholding or deduction for, or on account of, any present or future taxes imposed by the United Kingdom unless and save to the extent that the withholding or deduction of such taxes is required by law. In that event, the Company will be obliged to pay additional amounts or, in the case of Additional Retail Notes, issue further Additional Retail Notes in respect of any such withholding or deduction, subject to certain exceptions;
- *Covenants*: the Retail Notes Trust Deed as originally executed contains customary covenants for the type of issuance, which are subject to caveats and limitations, including covenants to notify the Retail Notes Trustee in the event of an event of default and to deliver to the Retail Notes Trustee the Company's audited financial statements;
- *Financial covenants*: the Retail Notes do not contain any financial covenants;
- *Restricted Payments*: the Retail Notes contain a restriction on certain payments to Shareholders and their affiliates if the Company has not redeemed the Retail Notes in an amount equal to any capitalised interest, together with accrued but unpaid interest; and
- *Governing law*: English law.

(g) *Retail Note Guarantees*

On 5 November 2014, the Company, the Retail Notes Trustee and certain subsidiaries of the Company, namely EnQuest NWO Limited, EnQuest Heather, EnQuest Britain Limited, EnQuest Heather Leasing Limited, EnQuest ENS Limited, EnQuest Global Limited and EQ Petroleum Sabah Limited (each a “**Guarantor**”) entered into the First Supplemental Trust Deed pursuant to which each Guarantor gave a guarantee in respect of the Retail Notes (the “**Retail Note Guarantee**”) on a subordinated basis. The Retail Note Guarantees rank *pari passu* with the High Yield Notes Guarantees and are subordinated in right of payment to outstanding claims of certain senior creditors of the Guarantors. On 5 November 2014, the Retail Notes Trustee acceded to the Bonds Guarantee Subordination Agreement dated 9 April 2014 (as amended by the Amendment Agreement to the Bonds Guarantee Subordinate Agreement dated 5 November 2014).

Pursuant to the First Supplemental Trust Deed and the Bonds Guarantee Subordination Agreement, the Retail Note Guarantees are:

- each a direct, unconditional and irrevocable, joint and several guarantee by the relevant Guarantor to the Retail Notes Trustee (for itself and on behalf of the holders of the Retail Notes) of payment of principal and interest payable under the terms and conditions of the Retail Notes and all other monetary obligations of the Company to the holders of the Retail Notes or the Trustee under the Retail Notes Trust Deed in respect of the Retail Notes and any additional amounts payable pursuant to Condition 8 (Taxation) of the Retail Notes;
- subordinated in right of payment to all existing and future senior obligations of the Guarantors, including under the SFA;
- *pari passu* in right of payment with all existing and future senior subordinated obligations of the Guarantors, including the guarantees in respect of the Issuer's US\$677,482,000 PIK Toggle Senior Notes with a scheduled maturity in 2023 (the "**High Yield Notes**" and the Guarantors' guarantees in respect thereof, the "**High Yield Notes Guarantees**");
- senior in right of payment to all future obligations of the Guarantors that are expressly contractually subordinated to the Guarantors' Retail Note Guarantees and High Yield Note Guarantees; and
- effectively subordinated to all existing and future secured obligations of the Guarantors (including under the SFA), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Retail Note Guarantees on an equal and rateable or senior basis.

(h) *Subordination Agreement*

In the following summary of the subordination agreement dated 9 April 2014 between, among others, the Company and BNP Paribas (as senior facility agent and security trustee) as amended, novated, supplemented, extended and/or restated from time to time (the "**Bonds Guarantee Subordination Agreement**") (the RBL security agent will accede to the agreement so that the liabilities under the RBL will become Senior Liabilities for the purposes of this agreement):

- "**Debt Documents**" refers to (among others) each of the Senior Finance Documents and the Notes Documents;
- each member of the EnQuest Group (excluding any Notes Issuer) that is a borrower or guarantor under the Debt Documents is referred to as a "**Debtor**" and are collectively referred to as the "**Debtors**";
- "**Group**" refers to all of the Company's subsidiaries for the time being but, for the avoidance of doubt, not the Company itself;
- "**Liabilities**" refers to (among others) all present and future liabilities and obligations at any time of a Debtor to a creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any capacity, together with any of the following matters relating to or arising in respect of those liabilities and obligations:
  - any refinancing, novation, deferral or extension;
  - any claim for breach of representation, warranty or undertaking or an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within the definition of "Liabilities";
  - any claim for damages or restitution; and
  - any claim as a result of any recovery of any Debtor of a payment to a creditor on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings;

- “**Notes Creditors**” refers to the High Yield Notes Trustee on its own behalf and on behalf of the holders of the High Yield Notes and the Retail Notes Trustee on its own behalf and on behalf of holders of the Retail Notes;
- “**Notes Documents**” refers to each of the Bonus Guarantee Subordination Agreement, the Retail Notes, the Retail Note Guarantees, the Retail Notes Trust Deed, the High Yield Notes, the High Yield Note Guarantees and the High Yield Note Indenture;
- “**Notes Issuer**” refers to the Company (in its capacity as issuer of the Retail Notes and the High Yield Notes) and any of its wholly-owned subsidiaries which may in the future issue bonds or notes and on-lend the proceeds of such issuance to the Company; and
- “**Senior Finance Documents**” refers to (among others) the Bonds Guarantee Subordination Agreement, the SFA, the Sculptor Facility Agreement (pursuant to a notice of designation dated 21 September 2018), the RBL (pursuant to a notice of designation to be entered into in accordance with the terms of the RBL) and certain hedging agreements and other documents evidencing the Senior Liabilities (as defined below).

(i) Ranking and Priority

The Bonds Guarantee Subordination Agreement provides that the Liabilities owed by the Debtors to the Senior Creditors under the Senior Finance Documents (the “**Senior Liabilities**”) and the Liabilities owed by the Guarantors to the Notes Creditors under the Notes Documents (the “**Notes Guarantee Liabilities**”) will rank in right and priority of payment in the following order:

- first, the Senior Liabilities *pari passu* and without any preference between them; and
- second, the Notes Guarantee Liabilities, *pari passu* and without preference between them.

The parties to the Bonds Guarantee Subordination Agreement have agreed that the Liabilities owed by any Notes Issuer to the Notes Creditors under the Notes Documents, certain amounts owed to the Retail Notes Trustee or the High Yield Notes Trustee under the Notes Documents and certain security enforcement and preservation costs relating to the High Yield Notes or the Retail Notes (if any) are senior obligations (and are therefore not Notes Guarantee Liabilities) and the Bonds Guarantee Subordination Agreement does not purport to rank, postpone and/or subordinate any of them in relation to any other liability.

(ii) Permitted Payments

Until the Senior Discharge Date (as defined below), the Bonds Guarantee Subordination Agreement only permits Debtors to pay any amounts due to the Notes Creditors with respect to the Notes Guarantee Liabilities if:

- no Stop Notice (as defined below) is outstanding and no Senior Payment Default (as defined below) has occurred and is continuing; and
- the requisite consent of the SFA Lenders or RBL Lenders (as applicable) has been obtained; or
- the payment is of:
  - costs, commissions, taxes, fees payable to administrative service providers in connection with any consent process (provided that no portion of such fees may be payable to, or received by, the Retail Noteholders or the High Yield Noteholders) and expenses incurred in respect of (or reasonably incidental to) the Notes Documents (or any of them);

- additional amounts payable as a result of the tax gross-up provisions relating to the Notes Guarantee Liabilities and amounts in respect of currency indemnities in the Notes Documents;
- any amount not exceeding US\$2,250,000 (or its equivalent in other currencies) in aggregate in any twelve-month period; or
- the principal amount of the liabilities in respect of the Retail Notes or the High Yield Notes on or after the final maturity date thereof (provided that such maturity date is the date so stated in the Retail Notes Trust Deed or High Yield Note Indenture (respectively) in its original form).

The “**Senior Discharge Date**” means the date on which all Senior Liabilities have been fully and finally discharged to the satisfaction of the relevant Representative (as defined below) and the Senior Creditors are under no further obligations to provide financial accommodation to any Debtor under any Senior Finance Document.

A “**Senior Payment Default**” refers to a payment default under the Senior Finance Documents other than in respect of an amount not exceeding US\$1,000,000 (or its equivalent in any currency).

The agent representative (the “**Representative**”) of the creditors under the SFA or RBL (as applicable, in accordance with the underlying facility documentation) may serve a notice (a “**Stop Notice**”) to the Retail Notes Trustee or (as the case may be) the High Yield Note Trustee specifying that an event of default (other than a Senior Payment Default) under the SFA or RBL (as applicable) is outstanding and suspend the payment of any Notes Guarantee Liabilities (subject to the exception described above) until the earliest of:

- the date on which such relevant event of default is waived, remedied or cured in accordance with the relevant document, is no longer continuing or otherwise ceases to exist;
- the date falling 179 days after the date of receipt by the Retail Notes Trustee or (as the case may be) the High Yield Notes Trustee of the Stop Notice;
- the date on which the Senior Liabilities owed to the relevant Senior Creditors under the Senior Finance Documents under which such event of default occurred have been fully and finally discharged and the relevant Senior Creditors are under no further obligation to provide financial accommodation to any Debtor under any Senior Finance Document;
- the date on which the Representative that served the Stop Notice cancels such Stop Notice;
- if a Standstill Period (as defined below) is already in effect, the date on which the aforementioned Standstill Period expires; and
- the date on which the Retail Notes Trustee or (as the case may be) the High Yield Notes Trustee takes any enforcement action that is permitted under the Bonds Guarantee Subordination Agreement.

Each Stop Notice is to be issued within 60 days of receipt of notice of such default, only one notice may be served within any 360 day period, not more than one such notice may be served in respect of the same event or set of circumstances and no such notice may be served in respect of an event of default which has been notified to the relevant Representative at the time at which an earlier Stop Notice was issued.

Notwithstanding the foregoing, the Notes Issuer is not prevented from making a payment from its own assets if such payment is in respect of any of its obligations under the Retail Notes or the High Yield Notes in respect of which such Stop Notice has been delivered and such payment is not financed by a payment to such Notes Issuer by a member of the EnQuest Group which is prohibited as described in the paragraph entitled “Permitted payments”.

(iii) Turnover – by the Notes Creditors

The Bonds Guarantee Subordination Agreement provides that if, at any time prior to the Senior Discharge Date, a Notes Creditor (subject to certain limited exceptions, including in respect of the Retail Notes Trustee and the High Yield Notes Trustee) receives or recovers a payment or distribution of, on account of or in relation to any Notes Guarantees Liabilities which is not a permitted payment under the Guarantee Subordination Agreement, it will, in relation to receipts and recoveries from a Notes Guarantor:

- hold the received or recovered amount on trust for the Representative;
- promptly notify the Representative of such receipt or recovery and request that the Representative confirm the amount of Senior Liabilities outstanding under the relevant Senior Finance Document; and
- pay or distribute such amounts to the Representatives for application in accordance with the terms of the Senior Finance Documents.

(iv) Turnover – by the Representatives

The Bonds Guarantee Subordination Agreement provides that, if the Representative collects, receives or recovers any amounts in following the taking of any enforcement action by the Retail Notes Trustee (in respect of the Retail Notes) or the High Yield Notes Trustee (in respect of the High Yield Notes) and, after the Senior Discharge Date, the Representative continues to hold any such amounts so collected, received or recovered, the Representative shall promptly pay all such amounts to the relevant trustee for application in accordance with the terms of the Notes Documents (or *pro rata* to the relevant representatives of any debt ranking *pari passu* with the Retail Notes and the High Yield Notes).

(v) General

The Bonds Guarantee Subordination Agreement contains provisions dealing with:

- the incurrence of future debt that will allow (i) certain agents with respect to the creditors of senior debt to accede to the Bonds Guarantee Subordination Agreement and benefit from, and be subject to, the provisions described above (including, for the avoidance of doubt, as creditors in respect of Senior Liabilities); and (ii) certain trustees with respect to the creditors of debt ranking *pari passu* with the Retail Notes and the High Yield Notes to accede to the Bonds Guarantee Subordination Agreement and have the same rights and obligations as the Retail Notes Trustee and the High Yield Notes Trustee;
- when the Retail Notes Trustee, the High Yield Notes Trustee or any other representative of any debt ranking *pari passu* with the Retail Notes and the High Yield Notes (a “**Notes Trustee**”) may (i) demand, sue, prove and give receipt for any Guarantors’ Notes Guarantees Liabilities; (ii) collect and receive all distributions on, or on account of, any Guarantors’ Notes Guarantees Liabilities; and (iii) file claims, take proceedings and do other things to recover any Guarantors’ Notes Guarantees Liabilities;
- the circumstances in which any Notes Trustee may (and, in the case of the Retail Notes Trustee, on instruction of the Retail Noteholders given in accordance with the Retail Notes Trust Deed), by giving at least 10 business days’ notice to the Representative, at any time when a Stop Notice is outstanding and any enforcement action has been taken by or on behalf of a Senior Creditor, require the transfer to it or all (and not part) of the rights and obligations in respect of the Senior Liabilities (subject to certain conditions);
- when a Notes Trustee will be required, pursuant to any enforcement action taken in relation to the Senior Finance Documents, to release any guarantees given by the Guarantors;
- notwithstanding any other provision of the Bonds Guarantee Subordination Agreement, no Notes Trustee shall have any obligation to take any action under the Bonds Guarantee



Subordination Agreement unless it is indemnified and/or secured to its satisfaction in respect of all costs, expenses and liabilities which it would in its opinion thereby incur (together with any associated VAT); and

- customary protections, entitlements and exemptions from liability for Notes Trustees all as further set out in the Bonds Guarantee Subordination Agreement.

(vi) Governing Law

The Bonds Guarantee Subordination Agreement is governed by and construed in accordance with English law.

(i) *Letters of credit and surety bonds*

The EnQuest Group enters into letters of credit and surety bonds principally to provide security for its decommissioning obligations.

The EnQuest Group has a letter of credit of £2.2 million in respect of the EnQuest Group's lease at Annan House in Aberdeen, expiring 24 June 2022.

The EnQuest Group has letters of credit (which all expire on 31 December 2021) for: (i) £16.5 million in respect of Heather/Broom; (ii) £7.3 million in respect of Alma/Galia; and (iii) £7.6 million in respect of The Dons.

The EnQuest Group has surety bonds of:

- £69.5 million (expiring 31 December 2021) in respect of its decommissioning obligations in Heather and benefitting BG Great Britain Limited;
- \$5.0 million (expiring 31 December 2021) benefitting Unocal International Corporation which also relates to Heather;
- £18.7 million (expiring 31 December 2021) in respect of its decommissioning obligations in Alba and benefitting Ithaca Oil and Gas Limited; and
- £27.2 million (expiring 31 December 2021) in respect of its decommissioning obligations at The Dons and benefitting certain Ithaca entities.

The EnQuest Group does not currently have letters of credit or surety bonds in respect of its other assets. See risk factor 3.10 entitled "*The EnQuest Group may face unanticipated increased or incremental costs in connection with decommissioning obligations*".

In addition, cash may be held in accounts with Law Debenture Trust as an alternative to letter of credit and surety bonds. The EnQuest group has deposited cash of:

- £13.34 million in respect of its decommissioning obligations across The Dons and benefitting various Ithaca entities; and
- £7.66 million in respect of its decommissioning obligations in the Greater Kittiwake Area fields benefitting Dana Petroleum (E&P) Limited and Shell U.K. Limited.

The EnQuest Group does not currently have cash in trust accounts in respect of its other assets.

(j) *Intercreditor agreement*

Each of Liberty Mutual Insurance Surety Europe SE and HCC International Insurance Company Plc (the "**Surety Bond Providers**") have issued surety bonds in respect of EnQuest's decommissioning liabilities and, although they currently have no commitment to do so, may agree to issue further such surety bonds from time to time. Pursuant to a deed of indemnity between, amongst others, EnQuest PLC and Liberty Mutual Surety Europe SE dated 10 June 2021 and a deed of indemnity between, amongst others, EnQuest PLC and HCC International Insurance Company Plc dated 10 June 2021,

EnQuest PLC has agreed to grant security to each of the Surety Bond Providers to secure certain of its counter-indemnity obligations to the respective Surety Bond Providers. Such security shall be equivalent to the security package to be granted to the Second Lien Financing Lenders but ranking junior to both the RBL Lenders' security package and the security package to be held by the Second Lien Financing Lenders pursuant to the Second Lien Financing. The Company has entered into an intercreditor agreement with, amongst others, the RBL Lenders, Alter Domus, the Second Lien Financing Lenders and the Surety Bond Providers dated 10 June 2021, under which it is agreed that the security package to be granted in favour of the RBL Lenders and the Second Lien Financing Lenders will rank in priority to the lower ranking security to be granted in favour of the Surety Bond Providers.

(k) *Hedging arrangements*

The EnQuest Group maintains certain commodity hedges to manage its exposure to movements in oil and gas prices. In addition, the EnQuest Group holds a small portfolio of foreign exchange derivatives. In connection with these activities, the EnQuest Group has entered into International Swaps and Derivatives Association master agreements with several hedging partners. Certain of the initial purchasers have entered and may from time to time enter into hedging arrangements with the EnQuest Group and its affiliates.

(l) *High Yield Notes*

The following description of the High Yield Notes is based on their terms and conditions in effect as at the date of this document.

On 21 November 2016, EnQuest completed the offering of up to \$982.4 million 7 per cent. PIK Toggle Senior Notes, with an initial principal of \$677.5 million in exchange for its previously outstanding \$650 million 7 per cent. senior notes due 15 April 2022 pursuant to a scheme of arrangement. EnQuest pays interest on the High Yield Notes semi-annually on 15 April and 15 October of each year. The initial stated maturity of the High Yield Notes was 15 April 2022. Pursuant to the terms of the High Yield Notes, as a result of the SFA not being repaid or refinanced in full prior to 30 October 2020, the maturity of the High Yield Notes was automatically extended to 15 October 2023.

At any time on or after 15 April 2020, EnQuest may redeem all or part of the High Yield Notes by paying the redemption price equal to 100.000 per cent. of the principal amount of such High Yield Notes, plus accrued and unpaid interest. If EnQuest undergoes certain events defined as constituting a change of control, each holder may require EnQuest to repurchase all or a portion of its High Yield Notes at 101 per cent. of their principal amount, plus accrued and paid interest, if any. In the event of certain developments affecting taxation, EnQuest may redeem all, but not less than all, of the High Yield Notes.

The Company pays interest on the High Yield Notes in cash ((i) if the Cash Payment Condition is satisfied for such period or (ii) if the Senior Facility Repayment Date has occurred) or in kind (in all other cases).

"Cash Payment Condition" is satisfied if (i) the average of the daily Brent oil prices during the period of preceding six calendar months is equal to or above US\$65 and (ii) no payment event of default is continuing under the Senior Facility.

"Senior Facility Repayment Date" is the earlier of the date on which: (a) the Senior Facility is repaid in full from cash generated from operations of the company; 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, 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.

The RBL contains a requirement to maintain this feature until the Bond Refinancing.

The High Yield Notes limit, among other things, the ability of the Company and its restricted subsidiaries to:

- incur additional debt and issue guarantees and preferred stock;
- make certain payments, including dividends and other distributions, with respect to outstanding share capital;
- repay or redeem subordinated debt or share capital;
- create or incur certain liens;
- impose restrictions on the ability of the Company's restricted subsidiaries to pay dividends or other payments to the Company or any of its other restricted subsidiaries;
- make certain investments or loans;
- sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Company;
- guarantee certain types of other indebtedness of the Company or its restricted subsidiaries without also guaranteeing the High Yield Notes;
- expand into unrelated businesses;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

The High Yield Notes are guaranteed on a senior subordinated basis (the “**High Yield Note Guarantees**”) by the High Yield Note Guarantors. Each High Yield Note Guarantee is a senior subordinated obligation of the respective High Yield Note Guarantor; subordinated in right of payment to all existing and future senior obligations of that High Yield Note Guarantor, including, where applicable, such High Yield Note Guarantor's obligations under the SFA and the RBL, as applicable; *pari passu* in right of payment with all existing and future senior subordinated obligations of that High Yield Note Guarantor; senior in right of payment to all future obligations of that High Yield Note Guarantor that are expressly contractually subordinated to that High Yield Note Guarantee; and effectively subordinated to all existing and future secured obligations of that High Yield Note Guarantor (including under the SFA and the RBL, as applicable), to the extent of the value of the property and assets securing such obligations, unless such assets also secure the Note Guarantees on an equal and rateable or senior basis. The High Yield Note Guarantees will be subject to release under certain circumstances.

The High Yield Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF.

## **19. Material contracts of Golden Eagle**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Golden Eagle (a) in the two years immediately preceding the date of this document and are, or may be, material to Golden Eagle or (b) contain provisions under which Golden Eagle has any obligation or entitlement which is material to Golden Eagle as at the date of this document:

### ***Asset Transfer SPA***

A description of the principal terms of the Asset Transfer SPA is set out in paragraph 3 of Part 3 (“*Principal Terms of the Acquisition*”) of this document.

## 20. Litigation

### (a) *EnQuest*

Save as disclosed in paragraph 11 of Part 2 (“*Information on the EnQuest Group*”), there are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Company’s or the EnQuest Group’s financial position or profitability.

### (b) *Golden Eagle*

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the financial position or profitability of Golden Eagle.

## 21. Working capital

The Company is of the opinion that, taking into account the net proceeds pursuant to the Capital Raising and the facilities available to the EnQuest Group, including the Second Lien Financing, the EnQuest Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

The Company is of the opinion that, taking into account the net proceeds pursuant to the Capital Raising and the facilities available to the Enlarged Group, including the Second Lien Financing, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

## 22. No significant change

### (a) *EnQuest*

Save (i) as disclosed in note 30 to the 2020 Financial Statements, as incorporated by reference in Part 5 (“*Financial Information on the EnQuest Group*”) in relation to the (A) EnQuest Group’s acquisition of its 40.8 per cent operating interest in the Bressay oil field on 21 January 2021, (B) entry into of the Call Option Deed, (C) entry into of the RBL, and (D) proposed Capital Raising; and (ii) the material contracts entered into by the EnQuest Group after 31 December 2020 as disclosed at paragraph 18 of this Part 12 (“*Additional Information*”) above, there has been no significant change in the financial position or performance of the Company or the EnQuest Group since 31 December 2020, being the date to which the last published audited financial statements of the EnQuest Group were prepared.

### (b) *Golden Eagle*

There has been no significant change in the financial position or performance of the Golden Eagle Asset since 31 December 2020, being the date to which the last audited financial statements of the Golden Eagle Asset were prepared.

## 23. PETRONAS notification

23.1 In April 2021, the EnQuest Group was notified by PETRONAS that PETRONAS had identified what it believed to be irregularities in EnQuest’s procurement process relating to a project to replace the Seligi-B Main Gas Lift Pipeline (the “**pipeline project**”). PETRONAS conducted a high-level review of material available to it and identified features of the tender process which it was concerned could indicate “bid rigging” (including, but not limited to, a shorter window for submissions of bids than used by PETRONAS). PETRONAS also identified a falsified letter of support from a third party in respect of a supplier of equipment for use on the pipeline project. The EnQuest Group immediately

discontinued the tender process and commenced a fresh process to appoint a contractor to lay the relevant pipeline.

- 23.2 The EnQuest Group has taken this notification seriously and has commenced an independent internal review into the matters identified by PETRONAS. The committee investigating this matter consists of three EnQuest personnel independent from the team responsible for the pipeline project along with a partner of PwC. PwC has also been engaged to support the review.
- 23.3 PETRONAS has been informed about the EnQuest Group's response to its notification and is assisting the EnQuest Group to carry out its review. PETRONAS will be informed of the outcome of the review. No litigation or regulatory action has been commenced or threatened by PETRONAS or any other party.
- 23.4 The review is currently at an early stage and is in the process of fact-gathering. As yet, no findings have been made. It is envisaged that the review will take a number of weeks to conduct.
- 23.5 The EnQuest Group expects the cost of the pipeline project to be entirely recoverable from insurance. In the event that the costs cannot be recovered, or are only partially recovered, the EnQuest Group does not deem such costs to be material to the EnQuest Group's business, prospects or financial condition.
- 23.6 As noted above, the EnQuest Group is taking this notification seriously as any adverse findings of its investigation could have an impact on its reputation, as described in more detail in risk factor 3.13 entitled "*The EnQuest Group's business reputation is important to its continued viability and any damage to such reputation could materially adversely affect its business*".

## **24. Dividends**

The Company has not declared or paid any dividends since incorporation in January 2010 and does not currently intend to pay dividends in the near future. Any future payment of dividends is expected to depend on the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and on such other factors as the Directors of the Company consider appropriate.

## **25. Miscellaneous**

- 25.1 The Company proposes to raise total gross proceeds of up to approximately £36.1 million by issuing up to 190,122,384 New Ordinary Shares under the Capital Raising, representing approximately 11.2 per cent. of the Company's Existing Issued Share Capital and approximately 10.1 per cent. of the Enlarged Issued Share Capital immediately following completion of the Capital Raising.
- 25.2 There have been no material changes since the date of the GaffneyCline CPR on the Golden Eagle Area Development, the omission of which would make such report misleading.
- 25.3 GaffneyCline has given and has not withdrawn its written consent to the inclusion in this document of the GaffneyCline CPR on the Golden Eagle Area Development set out in Part 8 ("*GaffneyCline CPR on the Golden Eagle Area Development*") of this document, and the references thereto and to its name, and has authorised the contents of its report which is included in this document for the purposes of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules and for the purposes of Annex 1, Item 1.3 of the UK version of Commission Delegated Regulation (EU) 2019/980. The GaffneyCline CPR on the Golden Eagle Area Development was prepared at the request of the Company. GaffneyCline has no interest in the share capital of the Company nor any member of the EnQuest Group.



- 25.4 Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its report on the financial information on the Golden Eagle Asset set out in section A of Part 7 (“*Financial Information on the Golden Eagle Asset*”) and its accountant’s report on the unaudited pro forma financial information set out in Part 9 (“*Unaudited Pro Forma Financial Information*”) and has authorised the contents of its reports which are included in this document for the purposes of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules and for the purposes of Annex 1, Item 1.3 of the UK version of Commission Delegated Regulation (EU) 2019/980.
- 25.5 Deloitte LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.
- 25.6 J.P. Morgan Cazenove has given and has not withdrawn its written consent to the inclusion in this document, in the form and context in which they appear, of the references to its name.
- 25.7 The New Ordinary Shares are in registered form and will, on completion of the Capital Raising, be capable of being held in uncertificated form. The ISIN for the New Ordinary Shares will be GB00B635TG28. The ISIN for the Open Offer Entitlement will be GB00BN2WDM76.
- 25.8 Save in respect of the Capital Raising, none of the New Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Ordinary Shares to be admitted to the premium listing segment of the Official List.
- 25.9 The Company will make an appropriate announcement(s) to a Regulatory Information Service giving details of the results of the Capital Raising on or about 23 July 2021.
- 25.10 Statutory consolidated accounts of the Company have been delivered to the Registrar of Companies in respect of the financial years ended 31 December 2018, 2019 and 2020 and an auditor's report was made on those accounts. The auditor gave unqualified reports in respect of the financial years ended 31 December 2018, 2019 and 2020. The auditor’s reports did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying the report; and did not contain a statement under section 498 (2) or (3) of the Companies Act.

## **26. Documents incorporated by reference**

The contents of the Company’s website (www.enquest.com), unless specifically incorporated by reference, any website mentioned in this prospectus or any website directly linked to these websites have not been verified and do not form part of this Prospectus, and prospective investors should not rely upon them.

Details of documentation incorporated into this document by reference are explained in Part 14 (“*Documents Incorporated by Reference*”).

## **27. Documents available for inspection**

Copies of the following documents will be available for inspection, subject to compliance with appropriate COVID-19 precautionary measures, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until Re-admission at the offices of Ashurst LLP at London Fruit & Wool Exchange 1 Duval Square, London E1 6PW:

- (a) the Articles;
- (b) the 2018 Financial Statements, the 2019 Financial Statements, and the 2020 Financial Statements;
- (c) the report by Deloitte LLP on the financial information on the Golden Eagle Asset set out in section B of Part 7 (“*Financial Information on the Golden Eagle Asset*”);
- (d) the report by Deloitte LLP on the unaudited pro forma financial information set out in Section B of Part 9 (“*Unaudited Pro Forma Financial Information*”);
- (e) copies of the letters of consent referred to in paragraphs 25.3, 25.5 and 25.6 of this Part 12 (“*Additional Information*”);

- (f) the Call Option Deed;
- (g) the Asset Transfer SPA; and
- (h) this document.

Copies of the above documents (other than the Call Option Deed and the Asset Transfer SPA) will also be published on the Company's website at *www.EnQuest.com*.

## PART 13

### TERMS AND CONDITIONS OF THE OPEN OFFER

#### 1. Introduction

The Company is proposing, subject to certain conditions, to issue in aggregate up to 190,122,384 New Ordinary Shares through the Capital Raising, raising gross proceeds of up to approximately £36.1 million (approximately £33.7 million (net of expenses)).

Upon completion of the Capital Raising, assuming the maximum number of New Ordinary Shares are issued, the New Ordinary Shares will represent up to up to approximately 10.1 per cent. of the Enlarged Issued Share Capital and the Existing Ordinary Shares will represent no less than approximately 89.9 per cent. of the Enlarged Issued Share Capital.

The Open Offer is an opportunity for Qualifying Shareholders to apply for, in aggregate, up to 95,269,772 Open Offer Shares *pro rata* to their current holdings at the Issue Price of 19 pence per New Ordinary Share in accordance with the terms of the Open Offer. The Open Offer Shares (other than the Committed Shares which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer) will be placed conditionally with Placees at the Issue Price, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer.

The Open Offer is conditional, as summarised under paragraph 4 of this Part 13 (“*Terms and Conditions of the Open Offer*”) below.

A summary of the principal terms of the Sponsor and Placing Agreement is set out in paragraph 18.1 of Part 12 (“*Additional Information*”).

The Record Date for entitlements under the Open Offer for Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders is 6.00 p.m. on 28 June 2021. Application Forms for Qualifying Non-CREST Shareholders accompany this document and Open Offer Entitlements are expected to be credited to stock accounts of Qualifying CREST Shareholders in CREST as soon as practicable after 8.00 a.m. on 1 July 2021. The latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) is expected to be 11.00 a.m. on 22 July 2021 with Admission and commencement of dealings in Open Offer Shares expected to take place at 8.00 a.m. on 26 July 2021 (whereupon a RIS announcement will be made by the Company).

This document and, for Qualifying Non-CREST Shareholders only, the Application Form, contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 5 of this Part 13 (“*Terms and Conditions of the Open Offer*”), which gives details of the procedure for application and payment for the Open Offer Shares available under the Open Offer. The attention of Overseas Shareholders is drawn to paragraph 7 of this Part 13 (“*Terms and Conditions of the Open Offer*”).

The New Ordinary Shares, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after the relevant date of Admission. No temporary documents of title will be issued.

Applications will be made (i) to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List; (ii) to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the Main Market; and (iii) to NASDAQ Stockholm AB for the New Ordinary Shares to be admitted to trading on NASDAQ Stockholm. The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated form or in uncertificated form in CREST. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 26 July 2021.

Any Qualifying Shareholder who has sold or transferred all or part of his/her registered holding(s) of Existing Ordinary Shares prior to 8.00 a.m. on 30 June 2021 is advised to consult his or her stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for New Ordinary Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchasers under the rules of the London Stock Exchange.

Subject to the conditions referred to above being satisfied (as described in more detail in paragraph 4 of this Part 13 (*“Terms and Conditions of the Open Offer”*)) and save as provided in paragraph 7 of this Part 13 (*“Terms and Conditions of the Open Offer”*) (in respect of Overseas Shareholders), it is intended that:

- (a) Application Forms in respect of the New Ordinary Shares to be offered under the Open Offer will be despatched to Qualifying Non-CREST Shareholders at their own risk by 1 July 2021;
- (b) the Receiving Agent will instruct Euroclear UK & Ireland to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders’ entitlements to the Open Offer Entitlement with effect from 8.00 a.m. on 1 July 2021;
- (c) the relevant Open Offer Shares will be credited to the stock accounts in CREST of relevant Qualifying CREST Shareholders who validly apply for Open Offer Shares as soon as practicable after 8.00 a.m. on 26 July 2021; and
- (d) share certificates for the Open Offer Shares to be held in certificated form will be despatched to relevant Qualifying Non-CREST Shareholders, who validly take up their Open Offer Entitlements by not later than 6 August 2021 at their own risk.

Qualifying Shareholders taking up their Open Offer Entitlements will be deemed to have given the representations and warranties set out in paragraph 8 of this Part 13 (*“Terms and Conditions of the Open Offer”*).

The Bookrunner and any of its affiliates may engage in trading activity in connection with its role under the Sponsor and Placing Agreement, and, in that capacity, may take up a portion of the New Ordinary Shares in the Capital Raising as a principal position and in the capacity may retain, purchase, sell offer to sell or otherwise deal for their own account(s) in relation to the New Ordinary Shares and related or other securities and instruments in connection with the Capital Raising or otherwise. In addition the Bookrunner or its affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which the Bookrunner (or its affiliates) may from time to time acquire, hold or dispose of New Ordinary Shares. Neither the Bookrunner nor any of its affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

## **2. The Open Offer**

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Application Form), each Qualifying Shareholder is being given the opportunity to apply for any number of Open Offer Shares at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement which shall be calculated on the basis of:

### **5 Open Offer Shares for every 89 Existing Ordinary Shares**

registered in the name of the Qualifying Shareholder on the Record Date and so in proportion to any other number of Existing Ordinary Shares then registered.

Fractional entitlements to Open Offer Shares will not be allotted to Qualifying Shareholders in the Open Offer and, where necessary, fractional entitlements under the Open Offer will be rounded down to the nearest whole number of New Ordinary Shares.

Valid applications by Qualifying Shareholders will be satisfied in full up to the maximum amount of their individual Open Offer Entitlement.

**Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.**

If you are a Qualifying Non-CREST Shareholder, the Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date (in Box 4) and also shows the maximum number of Open Offer Shares for which you are entitled to apply if you apply for your Open Offer Entitlement in full (Box 5).

Qualifying CREST Shareholders will have Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 5.2 of this Part 13 ("*Terms and Conditions of the Open Offer*") and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply for any number of Open Offer Shares up to the maximum to which they are entitled under the Open Offer.

**The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this document or the Application Form into a jurisdiction other than the UK is drawn to paragraph 7 of this Part 13 ("*Terms and Conditions of the Open Offer*"). The Capital Raising will not be made into certain territories, including Sweden. Subject to the provisions of paragraph 7, Excluded Overseas Shareholders are not being sent this document and will not be sent an Application Form or have their CREST accounts credited with Open Offer Entitlements.**

A Qualifying Shareholder (or an Excluded Overseas Shareholder who is not eligible to participate in the Open Offer) that does not take up any Open Offer Shares under the Open Offer will experience a dilution of 10.1 per cent. as a result of the Capital Raising, assuming that the maximum number of New Ordinary Shares are issued pursuant to the Capital Raising. A Qualifying Shareholder that takes up their Open Offer Entitlement in full will experience a dilution of approximately 5.0 per cent. as a result of the Firm Placing, assuming the maximum number of Firm Placing Shares are issued pursuant to the Firm Placing.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that the Open Offer Entitlements will not be tradeable or listed although the Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear UK & Ireland's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer. Any Open Offer Shares which are not applied for in respect of the Open Offer will be issued to the Placees at the Issue Price. If any Firm Placee or Placee fails to pay for any of the New Ordinary Shares for which it has agreed to subscribe, the Bookrunner will subscribe for such New Ordinary Shares subject to the terms and conditions of the Sponsor and Placing Agreement. For the avoidance of doubt, the Bookrunner is not underwriting New Ordinary Shares which are not conditionally placed with Firm Placees or Placees or the New Ordinary Shares to be subscribed for by Double A Limited in the Capital Raising.**

Application has been made for the Open Offer Entitlements to be credited to Qualifying CREST Shareholders' CREST accounts. The Open Offer Entitlements are expected to be credited to CREST accounts on 1 July 2021. The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB00B635TG28. The ISIN for the Open Offer Entitlements will be GB00BN2WDM76.

The Open Offer Shares, when issued and fully paid, will be identical to, and rank *pari passu* with, the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Existing Ordinary Shares by reference to a record date on or after Admission. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.



### 3. The Firm Placing and Placing

The Bookrunner will, pursuant to the Sponsor and Placing Agreement, use reasonable endeavours to procure Firm Placees for the Firm Placing Shares (other than 10,185,677 Firm Placing Shares which Double A Limited has agreed to subscribe for pursuant to the Double A Irrevocable Undertaking) and Placees for the Open Offer Shares (other than the Committed Shares which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer), in each case at the Issue Price. The commitments of the Placees will be subject to clawback in respect of valid applications for Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer. The Firm Placing Shares will be issued to the Firm Placees on a non-pre-emptive basis and will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders.

Subject to waiver or satisfaction of the conditions and the Capital Raising not being terminated, any Open Offer Shares which are not applied for in respect of the Open Offer and which have been conditionally placed with the Placees will be issued to the Placees at the Issue Price. If any Firm Placee or Placee fails to pay for any of the New Ordinary Shares for which it has agreed to subscribe, the Bookrunner will subscribe for such New Ordinary Shares subject to the terms and conditions of the Sponsor and Placing Agreement. For the avoidance of doubt, the Bookrunner is not underwriting New Ordinary Shares which are not conditionally placed with Firm Placees or Placees or the New Ordinary Shares to be subscribed for by Double A Limited in the Capital Raising.

For information on the Sponsor and Placing Agreement see paragraph 18.1 of Part 12 (“*Additional Information*”).

### 4. Conditions and Further Terms of the Capital Raising

The Capital Raising is conditional, *inter alia*, upon:

- (a) the passing without amendment of Resolutions 1 and 4 and, except without the prior written agreement of the Bookrunner, Resolution 5 at the General Meeting (and not, except with the prior written agreement of the Bookrunner at any adjournment of such meeting) on 23 July 2021 (or such later date as the Bookrunner may agree) and the Resolutions remaining in force;
- (b) the Company having complied with its obligations under the Sponsor and Placing Agreement or under the terms and conditions of the Capital Raising which fall to be performed on or prior to Admission and such agreement having become unconditional save as otherwise agreed by the Bookrunner and the Sponsor and Placing Agreement not having been terminated prior to Admission;
- (c) Admission becoming effective by not later than 8.00 a.m. on 26 July 202 (or such later time and/or date as the Company may agree with the Bookrunner, not being later than 8.00 a.m. on 2 August 2021);
- (d) the Call Option Deed, Asset Transfer SPA, Second Lien Financing and associated Letter of Credit having, and continuing to have, full force and effect and not having been terminated, varied, modified, supplemented or lapsing before Admission, and no right to terminate or rescind such agreements having arisen before Admission; and
- (e) the Irrevocable Undertakings having been executed and delivered and not having been amended or revoked prior to Admission.

Accordingly, if any such conditions are not satisfied or waived (where capable of waiver) or the Sponsor and Placing Agreement is terminated, the Capital Raising will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk, including any exchange rate risk), without payment of interest, as soon as practicable thereafter.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 6 August

2021. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST by 26 July 2021. Applications will be made (i) to the FCA for the Open Offer Shares to be admitted to listing on the premium listing segment of the Official List; (ii) to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the Main Market; and (iii) to NASDAQ Stockholm AB for the New Ordinary Shares to be admitted to trading on NASDAQ Stockholm. Admission is expected to occur on 26 July 2021, when dealings in the New Ordinary Shares to be issued pursuant to the Capital Raising are expected to begin. All monies received by the Receiving Agent in respect of Open Offer Shares will be placed on deposit in a non-interest bearing account by the Receiving Agent or trustee with any interest being retained for the Company until all conditions are met. After Admission, the Sponsor and Placing Agreement will not be subject to any conditions or rights of termination (including in respect of statutory withdrawal rights) with regard to the Bookrunner's obligation in connection with the Capital Raising.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

The Company reserves the right to decide not to proceed with the Capital Raising at any time prior to Admission. Following Admission, the Company will not be entitled to revoke any offers made in connection with the Capital Raising. Any decision not to proceed will be notified by means of an announcement through a Regulatory Information Service.

## **5. Procedure for Application and Payment**

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

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, such Qualifying Shareholder has received an Application Form in respect of his or her entitlement under the Open Offer, has had Open Offer Entitlements credited to his or her CREST stock account in respect of such entitlement. Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 5.2 of this Part 13 (*"Terms and Conditions of the Open Offer"*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to apply for, or are not eligible to apply for, the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

Should you require further assistance please call Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m, Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## 5.1 *If you have an Application Form in respect of your entitlement under the Open Offer*

### (a) *General*

Subject as provided in paragraph 7 of this Part 13 (“*Terms and Conditions of the Open Offer*”) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 4. It also shows the maximum number of Open Offer Shares for which they are entitled to apply under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to them set out in Box 5. Box 6 shows how much they would need to pay if they wish to take up their Open Offer Entitlements in full. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

The instructions and other terms set out in the Application Form part of the terms of the Open Offer in relation to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 22 July 2021. The Open Offer Shares are expected to be issued on 26 July 2021. After such date the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

### (b) *Bona fide market claims*

Applications to subscribe for Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 20 July 2021. The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his/her holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his or her broker or other professional adviser as soon as possible, as the invitation to subscribe for Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred all of their registered holdings prior to 8.00 a.m. on 1 July 2021, being the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it (together with this document) to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee in accordance with the instructions set out in the Application Form, or directly to the purchaser or transferee, if known. Qualifying Non-CREST Shareholders who have sold or otherwise transferred some only of the Existing Ordinary Shares shown in Box 4 on the Application Form prior to 8.00 a.m. on 1 July 2021, being the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should contact the stockbroker, bank or other agent through whom the sale or transfer was effected to arrange for split Application Forms to be obtained. The Application Form should not, however be forwarded or transmitted in or into the United States or any other Excluded Territory. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 5.2 below.

(c) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlement should complete the Application Form in accordance with the instructions printed on it.

Completed Application Forms should be posted in the accompanying pre-paid envelope to Link (who will act as receiving agent in relation to the Open Offer), by post or by hand (during normal business hours only) to Link Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL so as to be received by not later than 11.00 a.m. on 22 July 2021, after which time Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged.

If an Application Form is being sent by post in the United Kingdom, Qualifying Shareholders are recommended to allow at least four Business Days for delivery. Although, should there be any postal delays or disruptions as a result of industrial action or otherwise, Qualifying Shareholders should act promptly and may need to make alternative delivery arrangements if they wish to participate in the Open Offer.

All payments must be in pounds sterling and made by cheque or banker's draft made payable to 'Link Market Services Ltd: — re: EnQuest PLC 2021 Open Offer A/C' and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank in the UK which is either a member of the Cheque and Credit Clearing Company Limited or a member of the Scottish or Belfast Clearing Houses or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable for the application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted.

Shareholders should note the information set out in paragraph 6 of this Part 13 ("*Terms and Conditions of the Open Offer*") and in particular the consequences of any failure to comply with Money Laundering Regulations.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted. If cheques or banker's drafts are presented for payment before all of the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Open Offer does not become unconditional, no Open Offer Shares will be issued pursuant to the Open Offer and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable, but within 14 days, following the lapse of the Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company may treat as valid Application Forms from which

pages 3 and 4 have been removed. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Application Forms received after 11.00 a.m. on 22 July 2021 but not later than 11.00 a.m. on the dealing day next following 22 July 2021; and/or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 22 July 2021 from authorised persons (being in the case of Shareholders in the United Kingdom, an authorised person as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, the Bookrunner or the Company, nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

If an Application Form is accompanied by a payment for an incorrect sum, the Company reserves the right:

- (i) to reject the application in full and return the cheque or bankers' draft or refund the payment to the Qualifying Non-CREST Shareholder in question (without interest); or
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum, without interest, to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £5.00 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the Open Offer Shares referred to in the Application Form, refunding any unutilised sums, without interest, to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £5.00 will be retained for the benefit of the Company.

(d) *Effect of application*

By completing and delivering an Application Form, the applicant:

- (i) represents and warrants to the Company and the Bookrunner that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations under any contracts resulting therefrom and that he/she is not prevented by legal or regulatory restrictions from applying for Open Offer Shares and/or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and the Bookrunner that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;



- (iii) confirms to the Company and the Bookrunner that in making the application he/ she is not relying on any information or representation in relation to the Company other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;
- (iv) confirms to the Company and the Bookrunner that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Bookrunner;
- (v) represents and warrants to the Company and the Bookrunner that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he/she received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants to the Company and the Bookrunner that if he/she has received some or all of his Open Offer Entitlements from a person other than the Company, he/she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) unless otherwise agreed by the Company in its sole discretion (after agreement with the Bookrunner), represents and warrants to the Company, the Bookrunner and the Receiving Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an “**offshore transaction**” within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;
- (viii) requests that the New Ordinary Shares, to which he/she will become entitled pursuant to the Open Offer, be issued to him/her on the terms set out in this document and the Application Form subject to the Memorandum of Association and Articles;
- (ix) represents and warrants to the Company and the Bookrunner that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (x) confirms to the Company and the Bookrunner that in making the application, he/ she is not relying and has not relied on the Bookrunner or any person affiliated with the Bookrunner in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

Qualifying Shareholders who complete and deliver an Application Form must also make the representations and warranties set out in paragraph 8 of this Part 13 (*“Terms and Conditions of the Open Offer”*).

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent, Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and – 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Qualifying Non-CREST Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

## **5.2 *If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

### **(a) *General***

Subject as provided in paragraph 7 of this Part 13 (*“Terms and Conditions of the Open Offer”*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his or her Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he or she is entitled to apply to subscribe for under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited on 1 July 2021, or such later time and/or date as the Company and the Bookrunner may decide, an Application Form will, unless the Company agrees otherwise, be sent to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements which should have been credited to his or her stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive such Application Forms. The Company will make an appropriate RIS announcement giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication. CREST members who wish to apply to subscribe for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact the Receiving Agent, Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Bona fide market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction (“**USE Instruction**”) to Euroclear UK & Ireland which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

(d) *Content of USE Instruction in respect of Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlement. This is GB00BN2WDM76;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Registrar in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of the Registrar in its capacity as a CREST receiving agent. This is 21225ENQ;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 22 July 2021; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 22 July 2021.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 22 July 2021 in order to be valid is 11.00 a.m. on that day.

In the event that the Capital Raising does not become unconditional by 8.00 a.m. on 26 July 2021 or such later date and/or time as the Company may agree with the Bookrunner, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable, but within 14 days, thereafter.

(e) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his/her Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST (in accordance with the instructions contained in the Application Form) is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 22 July 2021.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 19 July 2021 and the recommended latest time for receipt by Euroclear UK & Ireland of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 3.00 p.m. on 16 July 2021, in either case so as to enable the person subscribing for or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 22 July 2021. CREST holders inputting the withdrawal of their Open Offer Entitlements from their CREST account must ensure that they withdraw their Open Offer Entitlements.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member that it/they is/are not in breach of the provisions of the notes under the section headed "CREST Deposit Form" on page 4 of the

Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not in the United States or any Excluded Territory or citizen(s) or resident(s) of the United States or any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(f) *Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 22 July 2021 will constitute a valid application under the Open Offer.

(g) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 22 July 2021. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) *Incorrect sums*

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest) save that any sum less than £5.00 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest) save that any sum less than £5.00 will be retained for the benefit of the Company.

(i) *Effect of valid application through CREST*

A CREST member or CREST sponsored member who makes or is treated as making a valid application in accordance with the above procedures thereby will be deemed to have:

- (i) represented and warranted to the Company and the Bookrunner that he/she has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his/her rights, and perform his/her obligations, under any contracts resulting therefrom and that he/she is not prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;



- (ii) agreed with the Company to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agreed with the Company and the Bookrunner that all applications and any contracts or non-contractual obligations resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirmed to the Company and the Bookrunner that in making the application he/ she is not relying on any information or representation other than that contained in this document, and he/she accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, he/she will be deemed to have had notice of all the information in relation to the Company contained in this document;
- (v) confirmed to the Company and the Bookrunner that no person has been authorised to give any information or to make any representation concerning the Company or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Bookrunner;
- (vi) represented and warranted to the Company and the Bookrunner that he/she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he/she has received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) represented and warranted to the Company and the Bookrunner that if he/she has received some or all of his Open Offer Entitlements from a person other than the Company, he/ she is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) unless otherwise agreed by the Company in its sole discretion (after agreement with the Bookrunner), represents and warrants to the Company, each of the Bookrunner and the Receiving Agent that such person and any person on whose behalf the applicant is making the application (a) is not located in the United States or any Excluded Territory; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the New Ordinary Shares; (c) is not applying for the account of any person who is located in the United States, unless (1) the instruction to apply was received from a person outside the United States and (2) the person giving such instruction has confirmed that (x) it has the authority to give such instruction and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that is acquiring the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (d) it is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States, any of the Excluded Territories or any other jurisdiction referred to in (b) above;
- (ix) requested that the New Ordinary Shares to which he/she will become entitled be issued to him/ her on the terms set out in this document and the Application Form, subject to the Memorandum of Association and Articles;
- (x) represented and warranted to the Company and the Bookrunner that he/she is not, and nor is he/she applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the

increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

- (xi) confirmed to the Company and the Bookrunner that in making the application he/ she is not relying and has not relied on the Bookrunner or any person affiliated with the Bookrunner in connection with any investigation of the accuracy of any information contained in this document or his/her investment decision.

Any CREST member or CREST sponsored member who makes, or is treated as making, a valid application in accordance with the above procedures will be deemed to have made the representations and warranties set out in paragraph 8 of this Part 13 (*“Terms and Conditions of the Open Offer”*).

(j) *Company’s discretion as to the rejection and validity of applications*

The Company may in its sole discretion:

- (i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in paragraph 5.2(i) of this Part 13 (*“Terms and Conditions of the Open Offer”*). Where an acceptance is made as described in this paragraph 5 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on the 22 July 2021 (or by such later time and/or date as the Company may agree with the Bookrunner), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5.2(j), that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;
- (ii) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5 of this Part 13 (*“Terms and Conditions of the Open Offer”*);
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph the *“first instruction”*) as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

(k) *Lapse of the Placing and Open Offer*

In the event that the Placing and Open Offer does not become unconditional by 8.00 a.m. on 26 July 2021 (not being later than 8.00 a.m. on 2 August 2021 or such later time and/or date as the Company may agree with the Bookrunner), the Placing and Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable, but within 14 days, thereafter.

## 6. Money Laundering Regulations

### 6.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”).

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 6 the “**relevant Open Offer Shares**”) and shall thereby be deemed to agree to promptly provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements and to do all other acts and things as may reasonably be required as to comply with the Money Laundering Regulations.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company nor the Bookrunner will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

**Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Receiving Agent, and the Bookrunner from the applicant that the Money Laundering Regulations will not be breached by application of such remittance and an undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in delays in the despatch of share certificates or in crediting CREST accounts.**

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (2015/849/EC of the European Parliament and of the Council of 20 May 2015 on the

prevention of the use of the financial system for the purpose of money laundering and terrorist financing (as amended)); or

- (b) if the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (c) the acceptor (not being an acceptor who delivers his application in person) makes payment through an account in the name of such acceptor with a credit institution that is subject to the EU Money Laundering Directive (2015/849/EC) (as amended) or with a credit institution situated in a non-EEA state that imposes requirements equivalent to those laid down in the EU Money Laundering Directive (2015/849/EC) (as amended); or
- (d) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (e) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (f) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £12,910 as at the date of this document).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated where payment is made by cheque or banker's draft in the UK of a bank or building society which bears an appropriate bank sort code number in the top right hand corner the following applies: Cheques should be made payable to "Link Market Services Ltd.—re: EnQuest PLC 2021 Open Offer A/C" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft to such effect. However, third party cheques will be subject to compliance with Money Laundering Regulations which would delay Shareholders receiving their Open Offer Shares. The account name should be the same as that shown on the Application Form.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

If the Application Form(s) is/are lodged by hand by the acceptor in person, or if the Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he/she should ensure that he/she has with him/her evidence of identity bearing his/ her photograph (for example, his/her passport) and separate evidence of his or her address.

If, within a reasonable period of time following a request for verification of identity, and in any case by not later than 11.00 a.m. on 22 July 2021, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

## 6.2 ***Open Offer Entitlements in CREST***

If you hold your Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## 7. **Overseas Shareholders**

This document has been approved by the FCA as a prospectus which may be used to offer securities to the public in the UK for the purposes of section 85 of FSMA and the UK Prospectus Regulation.

No action has been or will be taken in any jurisdiction (other than the United Kingdom) that would permit a public offer of the New Ordinary Shares, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the New Ordinary Shares may not be offered or sold, directly or indirectly, and this document may not be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of New Ordinary Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

### 7.1 ***General***

This document comprises a combined circular and prospectus relating to the New Ordinary Shares. Under no circumstance does this document generally constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Open Offer Entitlements or New Ordinary Shares (whether Open Offer Shares or otherwise) in the United States or any Excluded Territories, including Sweden. Swedish Shareholders and any other Shareholders resident in Sweden are not eligible to participate in the Open Offer. Neither the Company nor the Bookrunner have delivered or will deliver or have arranged or will arrange for the delivery of any New Ordinary Shares in the VPC System by virtue of the Capital Raising or otherwise.

The distribution of this document or the Application Form, and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of, or custodians, trustees or guardians for, persons who are citizens or nationals of, or resident in, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions.



Any failure to comply with such restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, the Bookrunner or any other person, to permit a public offering in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

Receipt of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Open Offer Entitlements will not be credited to stock accounts in CREST, persons with registered addresses in the United States or any Excluded Territory or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, the Bookrunner, nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisers as to the legal, tax business, prospects, financial and related aspects of a purchase of the New Ordinary Shares.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in a CREST Account, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and the Bookrunner determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or

otherwise, should draw the attention of the recipient to the contents of this Part 13 (“*Terms and Conditions of the Open Offer*”) and specifically the contents of this paragraph 7.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or despatched from the United States or any Excluded Territory or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Open Offer Entitlements to a stock account in CREST, or to a CREST member whose registered address would be, in the United States or an Excluded Territory or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 5.1(d)(vii) and 5.2(i)(viii) above and 7.2 to 7.12 below.

Notwithstanding any other provision of this document or the Application Form, the Company reserves the right (after agreement with the Bookrunner) to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers’ drafts or, where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the United States and the Excluded Territories, and subject to certain limited exceptions, Qualifying Shareholders located in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Excluded Territory will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements.

No public offer of New Ordinary Shares is being made by virtue of this document or the Application Form into the United States or any Excluded Territory. Receipt of this document and/or an Application Form and/or a credit of an Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

## **7.2 *United States***

None of the New Ordinary Shares nor the Open Offer Entitlements have been or will be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and they may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the New Ordinary Shares or the Open Offer Entitlements in the United States. The New Ordinary Shares made available outside the United States pursuant to the Open Offer are being offered and sold in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements of the US Securities Act.

Accordingly, the Company is not extending the Capital Raising into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions set out below, none of this document, the Application Form, nor the crediting of Open Offer Entitlements to a stock account in CREST constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United

States. Subject to certain exceptions, neither this document or the Application Form, will be sent to, and neither Open Offer Entitlements nor New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States, or including a United States registered address, will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address outside the United States for registration of the Open Offer Shares.

The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranties set out in the Application Form or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. In addition, except as set out below, any person exercising Open Offer Entitlements must make the representations and warranties set out in paragraphs 5.1(d), 5.2(i) and 8 (as applicable) of this Part 13 (*“Terms and Conditions of the Open Offer”*), as appropriate. Accordingly, except as set out below, the Company reserves the right to treat as invalid (i) any Application Form which does not make the representations and warranties set out in paragraph 5.1(d) of this Part 13 (*“Terms and Conditions of the Open Offer”*) and (ii) any USE Instruction which does not make the representations and warranties set out in paragraph 5.2(i) of this Part 13 (*“Terms and Conditions of the Open Offer”*). The attention of persons holding for the account of persons located in the United States is directed to such paragraphs. In addition, the Company and/or the Bookrunner reserves the right to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States or that appears to the Company to have been despatched from the United States or any Excluded Territory, or that was sent in a manner which they or their agents believe may violate any applicable legal or regulatory requirement, or which does not make the representations and warranties set out in paragraph 5 or paragraph 8 of this Part 13 (*“Terms and Conditions of the Open Offer”*). Any person in the United States into whose possession this document comes should inform himself about and observe any applicable legal restrictions.

### 7.3 **Canada**

Neither the New Ordinary Shares (whether Open Offer Shares or otherwise) nor the Open Offer Entitlements have been or will be registered under the securities legislation of any province or territory of Canada and, therefore, subject to certain exceptions, neither the New Ordinary Shares nor the Open Offer Entitlements held in CREST may be directly or indirectly offered for subscription or purchase, taken up, sold, delivered, renounced or transferred in or into Canada or to or for the benefit of a Canadian Person. Accordingly, the Capital Raising will not be made within Canada and Application Forms will not be sent to, nor will any Open Offer Entitlements be credited to a stock account in CREST of, any shareholder with a registered address in Canada.

### 7.4 **Australia**

This document (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (the **“Australian Corporation Act”**); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Australian Corporation Act or a product disclosure statement under Part 7.9 of the Australian Corporation Act; (c) has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (**“ASIC”**), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors (**“Exempt Investors”**) who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Australian Corporation Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporation Act; and (ii) are **“wholesale clients”** for the purpose of section 761G of the Australian Corporation Act.

The New Ordinary Shares and the Open Offer Entitlements (the **“Offer Securities”**) may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for,

or buy, the Offer Securities may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any Offer Securities may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Australian Corporation Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Securities, each subscriber of Offer Securities represents and warrants to the Company, the Bookrunner and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Securities under this document, any supplement or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Australian Corporation Act, the offer of those Offer Securities for resale in Australia within twelve months may, under the Australian Corporation Act, require disclosure to investors if none of the exemptions in the Australian Corporation Act applies to that resale. By applying for the Offer Securities each purchaser of Offer Securities undertakes to the Company and the Bookrunner and their affiliates that such purchaser will not, for a period of twelve months from the date of purchase of the Offer Securities, offer, transfer, assign or otherwise alienate those Offer Securities to investors in Australia except in circumstances where disclosure to investors is not required under the Australian Corporation Act or where a compliant disclosure document is prepared and lodged with ASIC.

#### **7.5 Japan**

The relevant clearances have not been and will not be obtained from the Ministry of Finance of Japan and no prospectus has been or will be lodged with, or registered by, the Ministry of Finance of Japan. Therefore, subject to certain exceptions, neither the Application Forms nor the New Ordinary Shares nor any Open Offer Entitlements held in CREST may, directly or indirectly, be offered or sold, taken up, or renounced in or into Japan or its territories or possessions. No Application Form will be sent to, nor will any Open Offer Entitlements be credited to a stock account in CREST of, Qualifying Shareholders whose registered address is in Japan.

The New Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

#### **7.6 Republic of South Africa**

In order to comply with South African law, Qualifying Shareholders with registered addresses in the Republic of South Africa may require the approval of the South African Exchange Control Authorities if they wish to take up their Open Offer Entitlements. Open Offer Entitlements will not be credited to any stock account in CREST of any Qualifying CREST Shareholder with a registered address in South Africa. Instead, any such shareholder will be sent an Application Form.

#### **7.7 DIFC**

This document relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“**DFSA**”). This document is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set forth herein and has no responsibility for the document. The shares to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If

you do not understand the contents of this document you should consult an authorised financial advisor.

#### 7.8 *Switzerland*

The New Ordinary Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Ordinary Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the New Ordinary Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of New Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Ordinary Shares.

#### 7.9 *European Economic Area*

In relation to each Member State of the European Economic Area (each, a “**Relevant State**”), no New Ordinary Shares have been or will be offered pursuant to the Capital Raising to the public in that Relevant State prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that Relevant State, all in accordance with the EU Prospectus Regulation, except that the New Ordinary Shares may be offered to the public in that Relevant State at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2(e) of the EU Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of the Bookrunner for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall result in a requirement for the Company or the Bookrunner to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Bookrunner and the Company that it is a qualified investor.

For the purposes of this provision, the expression “an offer of New Ordinary Shares to the public” in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary Shares.

#### 7.10 *Sweden*

No New Ordinary Shares have been or will be offered pursuant to the Capital Raising to the public in Sweden prior to the publication of a prospectus in relation to the New Ordinary Shares which has been



approved by the competent authority in Sweden, all in accordance with the EU Prospectus Regulation, except that the New Ordinary Shares may be offered to the public in Sweden at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2(e) of the EU Prospectus Regulation, provided the offer is solely addressed to such qualified investors;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the EU Prospectus Regulation), subject to obtaining the prior consent of the Bookrunner for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall result in an obligation of the Company or the Bookrunner to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation and each person who initially acquires any New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Bookrunner and the Company that it is a qualified investor.

Swedish Shareholders and any other Shareholders resident in Sweden are not eligible to participate in the Open Offer.

Neither the Company nor the Bookrunner have delivered or will deliver or have arranged or will arrange for the delivery of any New Ordinary Shares in the VPC System by virtue of the Capital Raising or otherwise.

For the purposes of this provision, the expression “an offer of New Ordinary Shares to the public” in relation to any Ordinary Shares registered in the VPC System means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary Shares.

Despite the foregoing, the Company and the Bookrunner reserve the right to permit any Shareholder to participate in the Capital Raising on the terms and conditions set out in this document as if they were a Qualifying Shareholder if the Company and the Bookrunner in their absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

Swedish Shareholders and any other Shareholders resident in Sweden who have any queries on the foregoing should contact Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9 a.m. and 5.30 p.m, Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### **7.11 *Other overseas territories***

Qualifying Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements.

#### **7.12 *Waiver***

The provisions of this paragraph 7 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and the Bookrunner in their absolute discretion. Subject to this, the provisions of this paragraph 7 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 7 to Shareholders shall include references to the person or persons executing an Application

Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 7 shall apply to them jointly and to each of them.

#### **8. Additional representations, warranties and agreements relating to US law made by purchasers outside the United States**

Each purchaser to whom the New Ordinary Shares are distributed, offered or sold outside the United States will (on behalf of itself and on behalf of each investment account for which it is acting as fiduciary or agent) be deemed by its subscription for New Ordinary Shares to have represented, warranted and agreed as follows:

- (a) it is acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (b) it is aware and acknowledges that the New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States absent registration or an exemption from, or in a transaction not subject to, registration under the US Securities Act;
- (c) if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act;
- (d) it is acquiring the New Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the New Ordinary Shares in any manner that would violate the US Securities Act or any other applicable securities laws;
- (e) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the New Ordinary Shares to any persons in the United States, nor will it do any of the foregoing;
- (f) it is aware and acknowledges that the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that the Company, the Bookrunner and their respective directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- (g) if any of the representations or warranties made or deemed to have been made by its subscription or purchase of the New Ordinary Shares are no longer accurate or have not been complied with, it will immediately notify the Company and the Bookrunner, and if it is acquiring any New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make, and does make, such foregoing representations, warranties and agreements on behalf of each such account.

#### **9. Withdrawal rights**

Persons who have the right to withdraw their acceptances under Article 23 of the UK Prospectus Regulation after a supplement to the prospectus (if any supplement to the prospectus gives rise to such rights) in respect of this document has been published by the Company and who wish to exercise such right of withdrawal must do so by sending a written notice of withdrawal which must include the account number, the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, in writing or by email to [withdrawal@linkgroup.co.uk](mailto:withdrawal@linkgroup.co.uk) to Link Group, Corporate Actions, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL (for further details, Shareholders should contact Link Group on Link Group on +44 (0) 371 664 0321). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday including public

holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes, no later than two business days after the date on which the supplement to the prospectus is published.

Notice of withdrawal given by any other means or which is deposited with or received by the Receiving Agent after expiry of such period will not constitute a valid withdrawal. Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to consult their professional advisers.

#### **10. Admission, settlement and dealings**

The results of the Firm Placing and Placing are expected to be announced on or around 30 June 2021 and the results of the Open Offer are expected to be announced on or around 23 July 2021. Application will be made to the FCA for the Open Offer Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the Main Market and to NASDAQ Stockholm AB for the New Ordinary Shares to be admitted to trading on NASDAQ Stockholm.

Subject to certain conditions being satisfied, as set out in this paragraph 10 of this Part 13 (*“Terms and Conditions of the Open Offer”*), it is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. (London time) on 26 July 2021.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST. Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 22 July 2021 (the latest date for applications under the Open Offer). If the condition(s) to the Capital Raising described above are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 26 July 2021, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be 26 July 2021). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using an Application Form, share certificates in respect of the New Ordinary Shares validly applied for pursuant to the Open Offer are expected to be despatched by post by 6 August 2021. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 5.1 above and their respective Application Form.

#### **11. Times and dates**

The Company shall, in agreement with the Bookrunner and after consultation with its legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FCA and the London Stock Exchange and, where appropriate, Qualifying Shareholders by

way of announcement issued via Regulatory Information Service. Qualifying Shareholders may not receive any further written communication. In this regard the attention of Shareholders is drawn to paragraph 18.1 of Part 12 (*“Additional Information”*).

## **12. Taxation**

Certain statements regarding United Kingdom and United States taxation in respect of the New Ordinary Shares to be issued under the Capital Raising are set out in Part 11 (*“Taxation”*). Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom or the United States, should immediately consult a suitable professional adviser.

Qualifying Shareholders should note that the tax legislation of their jurisdiction of tax residence may, for example, have an impact on the tax treatment of any dividends which they receive in respect of Open Offer Shares.

## **13. Further information**

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent an Application Form, to the terms, conditions and other information printed on the accompanying Application Form.

## **14. Governing law and jurisdiction**

The Terms and Conditions of the Open Offer as set out in this document, the Application Form, and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document and/or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document and/or the Application Form. By taking up Open Offer Shares in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

## PART 14

### DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any information incorporated by reference itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the UK Prospectus Regulation Rules. Except as set forth below, no other portion of the below documents is incorporated by reference into this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

These documents incorporated by reference are available for inspection in accordance with paragraph 27 of Part 12 (“*Additional Information*”) of this document.

<i>Reference Document</i>	<i>Information Incorporated by reference</i>	<i>Page number in the reference documents</i>
<b>EnQuest Group 2020 Annual Report and Accounts</b>	Terms of the Executive Directors’ service contracts	88 and 89
	Information on the Executive Directors’ and Non-Executive Directors’ remuneration and benefits	91 and 92
<b>2020 Financial Statements</b>	Independent Auditor’s Report to the Members of EnQuest PLC	115 to 124
	Group Income Statement	125
	Group Balance Sheet	126
	Group Statement of Changes in Equity	127
	Group Statement of Cash Flows	128
	Notes to the Group Financial Statements	129 to 168
	Company balance sheet	170
	Company Statement of Changes in Equity	171
	Notes to the financial statements	172 to 175
	Glossary – Non-GAAP measures	176 to 178
<b>2019 Financial Statements</b>	Independent Auditor’s Report to the Members of EnQuest PLC	103 to 111
	Group statement of Comprehensive Income	112
	Group Balance Sheet	113
	Group Statement of Changes in Equity	114
	Group Statement of Cash Flows	115
	Notes to the Group Financial Statements	116 to 158
	Company Balance Sheet	160
	Company Statement of Changes in Equity	161
	Notes to the Financial Statements	162 to 165
	Glossary – Non-GAAP measures	166 to 168



<i>Reference Document</i>	<i>Information Incorporated by reference</i>	<i>Page number in the reference documents</i>
<b>2018 Financial Statements</b>	Independent Auditor's Report to the Members of EnQuest PLC	85 to 91
	Group Statement of Comprehensive Income	92
	Group Balance Sheet	93
	Group Statement of Changes in Equity	94
	Group Statement of Cash Flows	95
	Notes to the Group financial statements	96 to 136
	Company Balance Sheet	138
	Company Statement of Changes in Equity	139
	Notes to the financial statements	140 to 145
<b>2018 EnQuest Group Prospectus</b>	Description of the Company's articles of association	222 to 226
	Description of Company's share option plans adopted in 2010 and 2012	241 to 253
	Description of the EnQuest Group's material agreements	258 to 27

## PART 15

### TECHNICAL TERMS

<b>“2C”</b>	best estimate contingent resources
<b>“2P”</b>	proved plus probable reserves;
<b>“appraisal well”</b>	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;
<b>“barrel” or “Bbl”</b>	a unit of volume measurement used for petroleum and its products (7.3 barrels = 1 tonne; 6.29 barrels = 1 cubic metre);
<b>“best estimate”</b>	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;
<b>“Bnboe”</b>	billion barrels of oil equivalent;
<b>“boe”</b>	barrels of oil equivalent. One barrel of oil is the energy equivalent of 5,800 cubic feet of natural gas;
<b>“boepd”</b>	barrels of oil equivalent per day;
<b>“bopd”</b>	barrels of oil per day;
<b>“Brent Blend”</b>	a blend of oil that is used as an international benchmark for the prices of other crude oils;
<b>“Bscf”</b>	billion standard cubic feet;
<b>“condensate”</b>	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;
<b>“contingent resources”</b>	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;
<b>“discovery”</b>	an exploration well which has encountered hydrocarbons for the first time in a structure;
<b>“E&amp;P”</b>	exploration and production;
<b>“ESP”</b>	electric submersible pump;
<b>“field”</b>	a geographical area defined by the boundary of an underlying oil or gas accumulation. Usually used in the context of a producing oil field;
<b>“formation”</b>	a layer or unit of rock. A productive formation in the context of reservoir rock;
<b>“FPF”</b>	floating production facility;
<b>“FPSO”</b>	floating, production and storage and offloading vessel;

<b>“hydrocarbon”</b>	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;
<b>“kilometre” or “km”</b>	kilometre;
<b>“km<sup>2</sup>”</b>	square kilometres;
<b>“licence”</b>	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;
<b>“m” or “metre”</b>	metre;
<b>“mbbl”</b>	thousand barrels;
<b>“mboe”</b>	thousand barrels of oil equivalent;
<b>“mm”</b>	million (when used to define oil volumes);
<b>“MMbbls”</b>	millions of barrels, i.e. oil barrels corresponding to 159 litres;
<b>“MMboe”</b>	million barrels of oil equivalents;
<b>“MMbopd”</b>	million barrels of oil per day;
<b>“MMstb”</b>	million stock tank barrels;
<b>“NGL”</b>	natural gas liquid;
<b>“operator”</b>	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;
<b>“petroleum”</b>	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
<b>“possible reserves”</b>	those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than probable reserves;
<b>“probable reserves”</b>	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;
<b>“produced water”</b>	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;
<b>“prospect”</b>	a defined geological structure that has been surveyed and defined, usually by seismic data, that could potentially act as a trap for hydrocarbons;
<b>“prospective resources”</b>	those quantities of petroleum which are estimated as of a given date to be potentially recoverable from undiscovered accumulations;
<b>“proved reserves”</b>	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;
<b>“reserves”</b>	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves include proved, probable and possible reserve categories, which are defined elsewhere in this Part 15 ( <i>“Technical Terms”</i> );
<b>“reservoir”</b>	a porous and permeable rock formation in which oil and gas has accumulated and can be produced;
<b>“resources”</b>	quantities of petroleum which include both contingent resources and prospective resources, each defined elsewhere in this Part 15 ( <i>“Technical Terms”</i> );
<b>“So”</b>	oil saturation;
<b>“SPE PRMS”</b>	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”;
<b>“STOIIP”</b>	stock-tank oil initially in place;
<b>“spud”</b>	to commence drilling of a well, once the cement cellar and conductor pipe at the well head have been constructed;
<b>“tonne” or “t”</b>	Oil: 1 tonne = 7.33 barrels of oil condensate: 1 tonne = 9 barrels of condensate;
<b>“topside”</b>	the superstructure of a platform;
<b>“upstreams”</b>	the exploration and production portions of the oil and gas industry; and
<b>“workover”</b>	the process of performing major maintenance or remedial treatment on an existing oil or gas well.

## PART 16

### DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“£” or “pounds sterling” or “sterling” or “GBP”	pounds sterling, the lawful currency of the United Kingdom;
“2018 EnQuest Group Prospectus”	the combined circular and prospectus published by the EnQuest Group on 7 September 2018;
“2018 Financial Statements”	the audited consolidated financial statements of the EnQuest Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2018;
“2019 Financial Statements”	the audited consolidated financial statements of the EnQuest Group prepared in accordance with IFRS as adopted by the EU as at and for the year ended 31 December 2019;
“2020 Financial Statements”	the audited consolidated financial statements of the EnQuest Group prepared in accordance with the requirements of the Companies Act 2006 and IFRS as adopted by the EU as at and for the year ended 31 December 2020;
“25 per cent. Interests”	25 per cent. of the interests which BPEOC held in the Magnus Assets immediately prior to completion of the Magnus SPA;
“75 per cent. Interests”	the remaining 75 per cent. of the interests which BPEOC held in the Magnus Assets immediately prior to completion of the Magnus SPA;
“Acquisition”	the proposed acquisition by the EnQuest Group and/or its subsidiaries of Golden Eagle pursuant to the Call Option Deed;
“Admission”	admission of the New Ordinary Shares to the premium listing segment of the Official List in accordance with the Listing Rules and admission to trading of the New Ordinary Shares on the Main Market becoming effective in accordance with the Admission and Disclosure Standards, as the context may require;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” published by the London Stock Exchange in October 2018 containing, among other things, the admission requirements to be observed by companies seeking admission to trading on the Main Market for listed securities;
“Aggregate Commitments”	as defined and described in paragraph 18.6(a)(iv) (“ <i>Additional Information</i> ”);
“AGM”	an annual general meeting of the Company;
“Application Forms”	the personalised application form being sent to Qualifying Non-CREST Shareholders for use in connection with the Open Offer;
“Articles”	the articles of association of the Company from time to time;
“Asset Transfer”	the transfer of the Golden Eagle Asset from Suncor to Golden Eagle;
“Asset Transfer Condition”	as described and defined in paragraph 2.2(a) of Part 3 (“ <i>Principal Terms of the Acquisition</i> ”);



<b>“Asset Transfer Date”</b>	completion of the Asset Transfer in accordance with the terms of the Asset Transfer SPA;
<b>“Asset Transfer SPA”</b>	the sale and purchase agreement entered into by Suncor and Golden Eagle on 9 March 2021 in relation to the transfer of the Golden Eagle Asset and related interests;
<b>“Audit Committee”</b>	the audit committee of the Company;
<b>“Borrowing Base Assets”</b>	the following North Sea assets: <ul style="list-style-type: none"> <li>• Kraken;</li> <li>• Magnus;</li> <li>• Scolty/Crathes;</li> <li>• Greater Kittiwake Area;</li> <li>• Alba;</li> <li>• Thistle/Deveron;</li> <li>• The Dons;</li> <li>• Heather/Broom;</li> <li>• Alma &amp; Galia;</li> <li>• Golden Eagle; and</li> </ul> the following Malaysian asset: <ul style="list-style-type: none"> <li>• PM8/Seligi.</li> </ul>
<b>“Block PM409”</b>	the Block PM409 hydrocarbon area located in offshore peninsular Malaysia;
<b>“Block PM409 PSC”</b>	the production sharing contract between PETRONAS, Petronas Carigali Sdn. Bhd., and EnQuest Petroleum Production Malaysia Ltd dated 3 December 2019, as further described in paragraph 6.4(b) in Part 2 (“ <i>Information on the EnQuest Group</i> ”);
<b>“Board”</b>	the board of directors of the Company;
<b>“Bond Interest Payment Condition”</b>	as defined and described in paragraph 18.6(c)(vii) in Part 12 (“ <i>Additional Information</i> ”);
<b>“Bond Refinancing”</b>	the date when the Notes are either: (a) fully refinanced (for the same or a lower amount) by new debt ranking junior to the claims of the RBL Lenders with a scheduled maturity falling due after the final maturity of the RBL; or (b) amended and extended such that the scheduled maturity of the Notes only fall due for repayment after the final maturity date of the RBL;
<b>“Bookrunner”</b>	J.P. Morgan Cazenove;
<b>“Borrowing Base Amount”</b>	as defined and described in paragraph 18.6(a)(iv)18.6(c)(vii) in Part 12 (“ <i>Additional Information</i> ”);
<b>“BP Direct Agreement”</b>	the agreement to be entered into between EnQuest Heather Limited, BNP Paribas in its capacity as RBL security agent and BP Exploration Operating Company Limited relating to BP Exploration Operating Company Limited’s rights under its profit share arrangements with EnQuest Heather Limited in respect of a 37.5% interest in the Magnus Assets; <sup>15</sup>

<sup>15</sup> EnQuest Heather Limited and BP Exploration Operating Company Limited will enter into substantively the same form of direct agreement with each of the security agents for the Second Lien Financing Lenders and the security agent for the Surety Bond Providers<sup>2021</sup> as a condition precedent to drawdown on the RBL

<b>“BP SVT Guarantor”</b>	as defined and described in paragraph 18.6(e)(i) in Part 12 ( <i>“Additional Information”</i> );
<b>“BP Vendor Loan”</b>	the loan from BPCO to EnQuest Heather made pursuant to an agreement between them dated 1 December 2018 in relation to the Magnus Transaction;
<b>“BPCO”</b>	BP Exploration Company Limited;
<b>“BPEOC”</b>	BP Exploration Operating Company Limited;
<b>“Business Day”</b>	a day on which the London Stock Exchange is open for the transaction of business;
<b>“Call Option”</b>	as described and defined in paragraph 1 of Part 3 ( <i>“Principal Terms of the Acquisition”</i> );
<b>“Call Option Deed”</b>	the deed dated 3 February 2021 between Suncor and EnQuest Heather granting put and call options over the entire issued share capital of Golden Eagle and as described in more detail in paragraph 2 of Part 3 ( <i>“Principal Terms of the Acquisition”</i> );
<b>“Canada”</b>	Canada, its provinces and territories and all areas under its jurisdiction and political subdivisions thereof;
<b>“Capital Raising”</b>	the Firm Placing and the Placing and Open Offer;
<b>“Capitalised Interest”</b>	any capitalised interest payable on an interest payment date under the High Yield Notes and the Retail Notes which is capitalised in accordance with their respective terms;
<b>“certificated” or “in certificated form”</b>	a share or other security which is not in uncertificated form (that is, not in CREST);
<b>“Closing Price”</b>	the closing, middle market quotation of a relevant share on any particular day as published in the Daily Official List;
<b>“CNOOC”</b>	CNOOC Petroleum Europe Limited, the operator of the Golden Eagle Area Development;
<b>“Commission”</b>	as defined and described in paragraph 9 of Part 1 ( <i>“Letter from the Chairman of EnQuest PLC”</i> );
<b>“Committed Shares”</b>	the Open Offer Shares which Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, and the Trustees have irrevocably undertaken to apply for under the Open Offer pursuant to the irrevocable undertakings as described in paragraph 9 of Part 12 ( <i>“Additional Information”</i> );
<b>“Companies Act” or the “Act”</b>	the UK Companies Act 2006 (as amended);
<b>“Company” or “EnQuest”</b>	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;
<b>“Completion”</b>	completion of the Acquisition in accordance with the Call Option Deed;
<b>“Conditions”</b>	the conditions to the Acquisition, as described in paragraph 2.2 of Part 3 ( <i>“Principal Terms of the Acquisition”</i> );

<b>“Contingent Consideration”</b>	the contingent consideration payable by EnQuest Heather to Suncor in accordance with the terms of the Call Option Deed, as described in further detail in paragraph 2.1 of Part 3 ( <i>“Principal Terms of the Acquisition”</i> );
<b>“CREST”</b>	the UK based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland is the operator;
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of TERMS (all as defined in the CREST Glossary of Terms promulgated by Euroclear UK & Ireland on 15 July 1996 and as amended since);
<b>“CREST Regulations”</b>	the UK Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended and for the time being in force;
<b>“Daily Official List”</b>	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange;
<b>“Dana”</b>	Dana Petroleum Limited;
<b>“DECC”</b>	the UK Department of Energy & Climate Change, which became part of the UK Department for Business, Energy & Industrial Strategy in July 2016;
<b>“Deposit”</b>	the \$3 million paid by EnQuest Heather to Suncor as a deposit upon entering the Call Option Deed;
<b>“Directors”</b>	the directors of the Company;
<b>“Double A Irrevocable Undertaking”</b>	the irrevocable undertaking entered into by Double A Limited, a company beneficially owned by the extended family of Amjad Bseisu, as further described in paragraph 9 of Part 1 ( <i>“Letter from the Chairman of EnQuest PLC”</i> );
<b>“DTRs”</b>	the FCA’s Disclosure Guidance and Transparency Rules;
<b>“DOSH”</b>	the Malaysian Department of Safety and Health;
<b>“EBITDA”</b>	as explained under “Non IFRS measures” under “Important Information” above;
<b>“Effective Date”</b>	the economic effective date of the Acquisition, being 1 January 2021;
<b>“Enlarged Group”</b>	the EnQuest Group as enlarged by the Acquisition;
<b>“Enlarged Issued Share Capital”</b>	the Existing Issued Share Capital together with the New Ordinary Shares to be issued pursuant to the Capital Raising;
<b>“EnQuest EBT”</b>	the EnQuest PLC Employee Benefit Trust;
<b>“EnQuest EBT Irrevocable Undertaking”</b>	the irrevocable undertaking entered into by the Trustees in respect of the Unallocated Shares, as further described in paragraph 18.4(b) of Part 12 ( <i>“Additional Information”</i> );
<b>“EnQuest Forward”</b>	EnQuest Forward Limited;

<b>“EnQuest Group”</b>	the Company and its subsidiaries and subsidiary undertakings from time to time;
<b>“EnQuest Heather”</b>	EnQuest Heather Limited;
<b>“EnQuest Producer FPSO”</b>	the FPSO for Alma/Galia;
<b>“EnQuest Thistle”</b>	EnQuest Thistle Limited;
<b>“EP Developments Malaysia”</b>	EQ Petroleum Developments Malaysia SDN BHD;
<b>“EP Malaysia”</b>	EQ Petroleum Production Malaysia Limited;
<b>“EU”</b>	the European Union first established by a treaty made at Maastricht on 7 February 1992;
<b>“EU Prospectus Regulation”</b>	the Prospectus Regulation (EU) No 2017/1129 as it has effect in the European Union from time to time;
<b>“Euro” or “€”</b>	the single currency of the Member States of the European Community that adopt or have adopted the euro as their lawful currency under legislation of the EU or European Monetary Union;
<b>“Euroclear UK &amp; Ireland”</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>“Excluded Overseas Shareholders”</b>	subject to certain exceptions, Swedish Shareholders and Shareholders who are resident or located in, have a registered address in or may otherwise be considered domiciled in the United States or an Excluded Territory;
<b>“Excluded Territories”</b>	Australia, Canada, Japan, the Republic of South Africa and Sweden and any other jurisdiction where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would breach applicable law;
<b>“Executive Directors”</b>	the executive directors of the Company from time to time, which at the date of this document are Amjad Bseisu and Jonathan Swinney;
<b>“Existing Issued Share Capital”</b>	the Ordinary Shares in issue as at the Latest Practicable Date;
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares in issue at the date of this document;
<b>“FCA”</b>	the UK Financial Conduct Authority;
<b>“Firm Placee”</b>	any person that has conditionally agreed to subscribe for Firm Placing Shares;
<b>“Firm Placing”</b>	the placing of the Firm Placing Shares on the terms and subject to the conditions contained in the Sponsor and Placing Agreement;
<b>“Firm Placing Shares”</b>	up to 94,852,612 New Ordinary Shares which are to be issued by the Company pursuant to the Firm Placing;
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000 (as amended);
<b>“GaffneyCline”</b>	Gaffney, Cline & Associates Ltd;
<b>“GaffneyCline CPR on the Golden Eagle Area Development”</b>	the competent person’s report relating to the Golden Eagle Area Development prepared by GaffneyCline in accordance with the Listing Rules and paragraph 133 of the ESMA Prospectus Recommendations and as set out in Part 8 (“ <i>GaffneyCline CPR on the Golden Eagle Area Development</i> ”);

<b>“GE Shares”</b>	100 per cent. of the issued share capital in Golden Eagle;
<b>“General Meeting”</b>	the general meeting of the Company to be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW on 23 July 2021 at 9.30 a.m.;
<b>“GKA”</b>	Greater Kittiwake Area;
<b>“Golden Eagle”</b>	the private limited company named North Sea (Golden Eagle) Resources Ltd with company number 13148646 and with registered office address at 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT;
<b>“Golden Eagle Area Development”</b>	the area comprising the Golden Eagle, Peregrine and Solitaire fields located in the Golden Eagle Area Licences, as described in paragraph 4 of Part 1 ( <i>“Letter from the Chairman of EnQuest PLC”</i> ) and Part 8 ( <i>“GaffneyCline CPR on the Golden Eagle Area Development”</i> );
<b>“Golden Eagle Area Licences”</b>	the United Kingdom Petroleum Production Licence P300 Block 14/26a C Rest of Block and the United Kingdom Petroleum Production Licence P928 Block 20/1 North;
<b>“Golden Eagle Asset”</b>	the subject of the Asset Transfer SPA, being a 26.69 per cent. non-operated working interest in the Golden Eagle Area Development;
<b>“Golden Eagle Operating Agreement”</b>	means the Golden Eagle Area Operating Agreement for UKCS Production Licences P300, Block 14/26a Rest of Block and P928, Block 20/1 North and 20/1 Peregrine Area dated 31 October 2011 as amended from time to time and any successor or substitute joint operating agreement;
<b>“Hedging Agreement”</b>	each interest, currency or commodity swap, option, cap, collar, floor or similar arrangements or other hedging arrangements;
<b>“Hedging Banks”</b>	the SFA Lenders and their affiliates which have acceded to the SFA as “Hedging Banks”, which satisfy certain qualifications under the SFA and which have entered into Hedging Agreements which are secured by the SFA security package;
<b>“High Yield Notes”</b>	the \$677,482,000 PIK Toggle Senior Notes with a scheduled maturity in 2023;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“HSE&amp;A”</b>	health, safety, environment and assurance;
<b>“IFRS” or “IFRS as adopted by the EU” or “IFRS EU”</b>	International Financial Reporting Standards as adopted by the European Union;
<b>“Interim Period”</b>	the period from the Effective Date to Completion;
<b>“Irrevocable Undertakings”</b>	the Double A Irrevocable Undertaking together with the EnQuest EBT Irrevocable Undertaking;
<b>“Issue Price”</b>	19 pence per New Ordinary Share;
<b>“J.P. Morgan Cazenove”</b>	J.P. Morgan Securities plc;
<b>“Japan”</b>	Japan, its territories and possessions and any areas subject to its jurisdiction;



<b>“Kraken FPSO”</b>	the FPSO for Kraken;
<b>“Latest Practicable Date”</b>	29 June 2021, being the latest practicable date prior to the publication of this document;
<b>“Letter of Credit”</b>	as defined and described in paragraph 18.6(c)(iv)8 of Part 1 ( <i>“Letter from the Chairman of EnQuest PLC”</i> );
<b>“Listing Rules”</b>	the listing rules of the FCA made under Part VI of the FSMA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Lundin”</b>	Lundin Petroleum AB;
<b>“Magnus Assets”</b>	the subject of the Magnus SPA and the Magnus Call Option Deed, comprising (a) UK Production Licence P.193 dated 16 March 1972, Blocks 211/7a All (Magnus Field) and 211/12a All (Magnus South Field); (b) the petroleum receiving, treatment, storage and tanker loading complex located at Sullom Voe, Shetland; (c) the NLGP; and (d) the NPS;
<b>“Magnus Option”</b>	the call option granted by BPEOC to SPV under the Magnus Call Option Deed pursuant to which SPV had the option to require BPEOC to sell to SPV, and for SPV to purchase, the 75 per cent. Interests;
<b>“Magnus SPA”</b>	the sale and purchase agreement dated 24 January 2017 between SPV and BPEOC, pursuant to which SPV acquired the 25 per cent. Interests;
<b>“Magnus Transaction”</b>	the exercise of the Magnus Option by SPV and the acquisition of the 75 per cent. Interests;
<b>“Main Market”</b>	the London Stock Exchange’s main market for listed securities;
<b>“Member States”</b>	member states of the EU;
<b>“Memorandum of Association”</b>	the memorandum of association of the Company;
<b>“Money Laundering Regulations”</b>	the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended);
<b>“NASDAQ Stockholm”</b>	NASDAQ Stockholm AB’s main market;
<b>“New Ordinary Shares”</b>	the new Ordinary Shares to be issued by the Company pursuant to the Capital Raising;
<b>“NLGP”</b>	the Northern Leg Gas Pipeline;
<b>“Nomination Committee”</b>	the nomination committee of the Company;
<b>“Non-Executive Chairman”</b>	the non-executive chairman of the Company;
<b>“Non-Executive Directors”</b>	the non-executive directors of the Company from time to time, which at the date of this document are Martin Houston, Howard Paver, Farina Khan, Philip Holland, Carl Hughes, John Winterman and Liv Monica Stubholt;
<b>“Notes”</b>	the High Yield Notes and the Retail Notes;
<b>“NPS”</b>	the Ninian Pipeline System;

<b>“Official List”</b>	the Official List maintained by the FCA;
<b>“OGA”</b>	the Oil and Gas Authority in the United Kingdom or any predecessor or successor for such time responsible for carrying out its functions;
<b>“OPEC”</b>	the Organization of Petroleum Exporting Countries;
<b>“OPEC+”</b>	an informal group consisting of certain OPEC members and certain of the world’s major non-OPEC oil-exporting nations;
<b>“Open Offer”</b>	the offer to Qualifying Shareholders constituting an invitation to apply for the Open Offer Shares on the terms and subject to the conditions set out in this document, and in the case of Qualifying Non-CREST Shareholders, the Application Form;
<b>“Open Offer Entitlements”</b>	an entitlement of a Qualifying Shareholder to apply for 5 Open Offer Shares for every 89 Existing Ordinary Shares held by him or her on the Record Date pursuant to the Open Offer;
<b>“Open Offer Shares”</b>	up to 95,269,772 New Ordinary Shares to be offered to Qualifying Shareholders pursuant to the Open Offer and (other than the Committed Shares) to Placees pursuant to the Placing;
<b>“Ordinary Shares”</b>	the ordinary shares of 5 pence each in the capital of the Company;
<b>“Overseas Shareholders”</b>	Qualifying Shareholders who have registered addresses outside the UK;
<b>“PEDL”</b>	Petrofac Energy Developments Limited;
<b>“PETRONAS”</b>	Petroliam Nasional Behad;
<b>“Placees”</b>	any persons (including Double A Limited) who have agreed or shall agree to subscribe for Open Offer Shares pursuant to the Placing subject to clawback to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer;
<b>“Placing”</b>	the conditional placing of Open Offer Shares (other than the Committed Shares) with Placees, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer;
<b>“Placing and Open Offer”</b>	the Placing and the Open Offer;
<b>“PM8/Seligi PSC”</b>	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;
<b>“PM8/Seligi”</b>	the PM8/Seligi PSC assets and the Seligi oil field;
<b>“PRA”</b>	the UK Prudential Regulation Authority;
<b>“PRT”</b>	Petroleum Revenue Tax;
<b>“PSC”</b>	a product sharing contract;
<b>“Purchaser Approval Condition”</b>	as described and defined in paragraph 2.2(c) of Part 3 (“ <i>Principal Terms of the Acquisition</i> ”).
<b>“Put Option”</b>	as described and defined in paragraph 1 of Part 3 (“ <i>Principal Terms of the Acquisition</i> ”).

<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in uncertificated form;
<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders whose Ordinary Shares on the register of members of the Company at the close of business on the Record Date are in certificated form;
<b>“Qualifying Shareholders”</b>	holders of Existing Ordinary Shares on the register of members of the Company at 6.00 p.m. on the Record Date with the exclusion of Excluded Overseas Shareholders;
<b>“RBL”</b>	an up to \$750,000,000 senior secured revolving borrowing base facility agreement entered into on 10 June 2021;
<b>“RBL Effective Date”</b>	as defined in paragraph 18.6(a)(vii) of Part 12 ( <i>“Additional Information”</i> );
<b>“RBL Lenders”</b>	means the original lenders under the RBL and any lender which has acceded as a lender thereunder;
<b>“Re-admission”</b>	re-admission of the Ordinary Shares (including the New Ordinary Shares) to the premium listing segment of the Official List and to trading on the Main Market;
<b>“Receiving Agent”</b>	Link Group;
<b>“Record Date”</b>	the close of business on 28 June 2021, or such other record date as is announced by the Company;
<b>“Registrars”</b>	Link Group;
<b>“Regulation S”</b>	Regulation S under the US Securities Act;
<b>“Regulatory Information Service”</b>	a regulatory information service that is approved by the FCA and that is on the list of regulatory information service providers maintained by the FCA;
<b>“Related Party Resolutions”</b>	resolutions number 4 and 5 in the Notice of General Meeting as more particularly described in paragraph 13.2 of Part 1 ( <i>“Letter from the Chairman of EnQuest PLC”</i> );
<b>“Related Party Transactions”</b>	the proposed entry by Double A Limited into the Second Lien Financing and participation of Double A Limited in the Capital Raising;
<b>“Relevant Period”</b>	as described and defined in paragraph 2.1 of Part 3 ( <i>“Principal Terms of the Acquisition”</i> );
<b>“Remuneration Committee”</b>	the remuneration committee of the Company;
<b>“Resolutions”</b>	the resolutions set out in the Notice of General Meeting;
<b>“Retail Noteholders”</b>	the holders of the Retail Notes;
<b>“Retail Notes”</b>	the £155,000,000 5.5 per cent. notes due 15 February 2022 issued by the Company under its £500,000,000 euro medium term note programme;
<b>“Risk Committee”</b>	the risk committee of the Company;
<b>“RSC”</b>	risk service contract;

<b>“Scheduled Test Date”</b>	as defined and described in paragraph 18.6(a)(xiv) of Part 12 (“ <i>Additional Information</i> ”);
<b>“SCT”</b>	supplementary corporation taxation in the UK;
<b>“Sculptor”</b>	Sculptor Investments IV S.a.r.l;
<b>“Sculptor Facility”</b>	a \$175,000,000 facility arranged by Sculptor for EnQuest Advance Limited pursuant to a loan agreement dated 4 September 2018, as described in more detail in paragraph 18.6(d) of Part 12 (“ <i>Additional Information</i> ”);
<b>“Second Lien Financing”</b>	the second lien loan instrument entered into between Double A Limited, Signal Alpha and the Company dated 10 June 2021 as further described in paragraph 8 of Part 1 (“ <i>Letter from the Chairman of EnQuest PLC</i> ”) and paragraph 18.6(b) of Part 12 (“ <i>Additional Information</i> ”);
<b>“Second Lien Financing Lenders”</b>	Double A Limited and Signal Alpha C1d S.a.r.l;
<b>“Senior Managers”</b>	the persons named as senior managers in paragraph 6.3 of Part 12 (“ <i>Additional Information</i> ”);
<b>“SFA”</b>	the senior secured term and revolving credit facility dated 6 March 2012, as amended, restated or otherwise modified or varied from time to time including on 17 November 2017, entered into by, among others, EnQuest, as borrower, BNP Paribas, as facility agent, and certain lenders party thereto, as further described in paragraph 18.6(c)(i) of Part 12 (“ <i>Additional Information</i> ”);
<b>“SFA Final Maturity Date”</b>	as defined and described in paragraph 18.6(c)(vi) of Part 12 (“ <i>Additional Information</i> ”);
<b>“SFA Lenders”</b>	the original lenders under the SFA and any lender which has acceded as a lender thereunder, which in either case has not ceased to be a party to the SFA in accordance with its terms;
<b>“SFRSC”</b>	small field risk service contract;
<b>“Share Consideration”</b>	the initial consideration for the GE Shares, being \$325 million;
<b>“Share Option Plans”</b>	together, the EnQuest Deferred Bonus Share Plan, the EnQuest Restricted Share Plan, the EnQuest Performance Share Plan, the EnQuest 2012 Sharesave Scheme, the EnQuest 2020 Deferred Bonus Share Plan, the EnQuest 2020 Restricted Share Plan, the EnQuest 2020 Performance Share Plan and the EnQuest 2020 Sharesave Scheme;
<b>“Shareholders”</b>	the holders of Ordinary Shares in the capital of the Company;
<b>“Signal Alpha”</b>	Signal Alpha C1d S.a.r.l;
<b>“Sponsor and Placing Agreement”</b>	the sponsor, firm placing, placing and open offer agreement between the Company and the Bookrunner dated 30 June 2021, as described in paragraph 18.1 of Part 12 (“ <i>Additional Information</i> ”);
<b>“Sponsor”</b>	J.P. Morgan Cazenove;
<b>“SPV”</b>	EnQuest NNS Limited;

<b>“Statement of Principles”</b>	the Pre-Emption Group 2015 Statement of Principles for the disapplication of pre-emption rights;
<b>“Sullom Voe Terminal” or “SVT”</b>	the oil terminal located in the Shetland Islands that receives oil from the Brent and Ninian pipeline systems;
<b>“Suncor”</b>	Suncor Energy UK Limited;
<b>“Suncor Group Company”</b>	Suncor, any parent undertaking or subsidiary undertaking of Suncor and any subsidiary undertaking of any such parent undertaking of Suncor, from time to time;
<b>“SVT Working Capital Facility”</b>	as defined and described in paragraph 18.6(e)(i) in Part 12 ( <i>“Additional Information”</i> );
<b>“Swedish Directly Registered Shareholders”</b>	holders of Existing Ordinary Shares registered on VP Accounts in their own name;
<b>“Swedish Nominee Registered Shareholders”</b>	holders of Existing Ordinary Shares registered in the VPC system held with a bank or other nominee;
<b>“Swedish Shareholders”</b>	Swedish Directly Registered Shareholders and Swedish Nominee Registered Shareholders;
<b>“TCFD”</b>	Taskforce on Climate-related Financial Disclosures;
<b>“Test Reference Date”</b>	as defined and described in paragraph 18.6(c)(xiii) in Part 12 ( <i>“Additional Information”</i> );
<b>“Tranche A”</b>	as defined and described in paragraph 18.6(c)(i) of Part 12 ( <i>“Additional Information”</i> );
<b>“Tranche B”</b>	as defined and described in paragraph 18.6(c)(i) of Part 12 ( <i>“Additional Information”</i> );
<b>“Transaction”</b>	the Acquisition, the Capital Raising, and the Related Party Transactions;
<b>“Trustees”</b>	Apex Financial Services (Trust Company) Limited, acting in their capacity as trustees of the EnQuest EBT;
<b>“UK Corporate Governance Code”</b>	“The UK Corporate Governance Code” published in July 2018 by the UK Financial Reporting Council;
<b>“UK Market Abuse Regulation”</b>	the UK version of the Market Abuse Regulation (EU) No. 596/2014 which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018;
<b>“UK Prospectus Regulation”</b>	the UK version of the Prospectus Regulation (EU) No 2017/1129 which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018;
<b>“UK Prospectus Regulation Rules”</b>	the prospectus regulation rules of the FCA made under section 73A of the FSMA;
<b>“UKCS”</b>	United Kingdom Continental Shelf;
<b>“Unallocated Shares”</b>	the 38,446,281 unallocated Ordinary Shares held in the EnQuest EBT at the Latest Practicable Date;



<b>“uncertificated” or “in uncertificated form”</b>	recorded in the register of members as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia;
<b>“US Code”</b>	United States Code, being a consolidation and codification by subject matter of the general and permanent laws of the United States of America;
<b>“US Securities Act”</b>	the US Securities Act of 1933, as amended;
<b>“US\$” or “\$” or “USD” or “US dollars”</b>	US dollars, the lawful currency of the United States;
<b>“USE Instruction”</b>	unmatched stock event instruction to Euroclear UK & Ireland;
<b>“Uzma”</b>	Uzma Energy Venture (Sarawak) Sdn Bhd;
<b>“VAT”</b>	value added tax;
<b>“VP Account”</b>	an account in the VPC System; and
<b>“VPC System”</b>	the accounts based system for clearing and settlement of securities maintained by Euroclear Sweden AB.

# NOTICE OF GENERAL MEETING

## EnQuest PLC

*(Registered in England and Wales with registered number 07140891)*

NOTICE IS HEREBY GIVEN that a general meeting of EnQuest PLC (the “**Company**”) will be held at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW on 23 July 2021 at 9.30 a.m. for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolution 1, resolution 2, resolution 4 and resolution 5 will be proposed as ordinary resolutions and resolution 3 as a special resolution:

1. That, subject to and conditional upon the passing of resolution 4 set out below, the proposed acquisition of North Sea (Golden Eagle) Resources Ltd to be effected by the Company as described in the combined circular and prospectus to shareholders of the Company dated 30 June 2021 of which the Notice convening this General Meeting forms part (the “**Combined Circular and Prospectus**”), on the terms and subject to the conditions of the Acquisition (as defined in the Combined Circular and Prospectus) and the associated and ancillary arrangements contemplated by the Acquisition, be approved, and the directors of the Company (the “**Directors**”) be authorised to take all such steps as may be necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions, waivers or amendments (providing such modifications, variations, revisions, waivers or amendments do not materially change the terms of the proposed acquisition for the purposes of Financial Conduct Authority’s Listing Rule 10.5.2) to such agreements or any documents relating thereto as they shall deem necessary, expedient or desirable.
2. That, subject to and conditional upon Admission (as defined in the Combined Circular and Prospectus of which the Notice convening this General Meeting forms part), the Directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “**Act**”), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:
  - (a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £31,432,072.32 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and
  - (b) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £62,864,144.63 (such amount to be reduced by any allotments or grants made under (a) above) in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire at the conclusion of the next Annual General Meeting of the Company (or if earlier on 30 June 2022), (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to subscribe to be granted after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired). These authorisations are in addition and without prejudice to the existing authorities under section 551 of the Act but, upon these authorisations becoming effective, shall be in substitution for any other authorities previously granted under section 551 of the Act.

3. That, subject to and conditional upon Admission (as defined in the Combined Circular and Prospectus of which the Notice convening this General Meeting forms part), the Directors be given power pursuant to sections 570(1) and 573 of the Act to:
- (a) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by resolution 2 set out in the Notice convening this General Meeting; and
  - (b) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

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

- (i) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 2(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) in the case of the authorisation granted under resolution 2(a) above (or in the case of any sale of treasury shares), and otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £4,714,810.85,

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 June 2022), save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

4. That the proposed participation of Double A Limited in the Firm Placing and Placing (as defined in the Combined Circular and Prospectus of which the Notice convening this General Meeting forms part), being “a Related Party Transaction” for the purposes of the Financial Conduct Authority’s Listing Rules, be approved.
5. That the proposed participation of Double A Limited in the Second Lien Financing (as defined in the Combined Circular and Prospectus of which the Notice convening this General Meeting forms part), being a “a Related Party Transaction” for the purposes of the Financial Conduct Authority’s Listing Rules, be approved.

By Order of the Board  
Stefan Ricketts  
Company Secretary  
30 June 2021

**Registered Office:**  
EnQuest PLC  
5th Floor Cunard House  
15 Regent Street  
London  
SW1Y 4LR

## NOTES:

1. The Board has been closely monitoring the ongoing coronavirus (COVID-19) situation and, on the basis of the UK government's roadmap out of lockdown, the General Meeting has been arranged on the assumption that the Company will be able to be held as an open, physical meeting. If the position changes, the Company will communicate any updates on its website at <https://www.enquest.com/investors/shareholder-information/general-meetings> and, where appropriate, through an announcement to the market, before the General Meeting.
2. The Company will only be required to draw upon the Second Lien Financing in the event that the amount raised by the Capital Raising is less than \$50 million. If the Company does not need to rely on the Second Lien Financing to meet any shortfall in funding, Resolution 5 may be withdrawn.
3. Members entitled to attend and vote at the General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder which must be identified on the Form of Proxy. A proxy need not be a shareholder of the company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.
4. You can also vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions (see note 6 below);
  - you may request a hard copy form of proxy directly from the registrars, Link Group on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. and 5.00 p.m., Monday to Friday (excluding public holidays in England and Wales); or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below (see note 8 below).
5. A hard copy form of proxy will not accompany this document as Shareholders are encouraged to appoint a proxy electronically to vote via their Signal Shares account using the link [www.signalshares.com](http://www.signalshares.com), or equivalent. Alternatively, Shareholders may request a hard copy form of proxy by calling the Registrar, Link Group, on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. Please note that Link Group cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. If a hard copy form of proxy is requested, it should be completed, signed and delivered to the Company's registrars Link Group or submitted electronically via [www.signalshares.com](http://www.signalshares.com), not later than 48 hours, excluding any day that is not a business day, before the time appointed for holding the General Meeting or any adjourned meeting or, in the case of a poll taken subsequently to the date of the General Meeting, or any adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll. Shareholders who intend to appoint more than one proxy can obtain additional forms of proxy from Link Group on +44 (0)371 664 0321. Alternatively, the form provided may be photocopied prior to completion. If a hard copy form of proxy is requested, the forms of proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made.
6. You may submit your proxy appointment electronically via [www.signalshares.com](http://www.signalshares.com). From there you can log in to your SignalShares share portal account or register for the SignalShares share portal if you have not already done so. To register, select "Register" then enter your surname, Investor Code, postcode and an e-mail address. Create a password and click "Register" to proceed. You will be able to instruct your proxy to vote immediately by selecting "Proxy Voting" from the menu. You can find your Investor Code on your share certificate or for SignalShares users, on the SignalShares portal. Your Investor Code can also be obtained by contacting our registrar, Link Group on +44 (0)371 664 0321.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of rights of shareholders in relation to the appointment of proxies in notes 1 and 4 above and 8 below does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("**Euroclear**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so

as to be received by the Registrar (ID RA10)) by 9.30 a.m. on 21 July 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Completion and return of a Form of Proxy will not affect the right of such member to attend and vote in person at the meeting or any adjournment thereof.
11. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the Companies Act 2006, the Company specifies that in order to have the right to attend and vote at the General Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company at close of business on 21 July 2021 or, in the event of any adjournment, at close of business on the date which is two days before the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
12. As at 29 June 2021 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 1,695,801,955 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 June 2021 are 1,695,801,955.
13. Any corporation which is a member can appoint one or more corporate representatives. Each representative may exercise on behalf of the corporation the same powers as the corporation could exercise if it were an individual member of the Company provided that they do not do so in relation to the same Ordinary Shares.
14. A copy of this notice of meeting, together with any members' statements which have been received by the Company after the dispatch of this notice and the other information required by section 311A of the Companies Act 2006 are all available on the Company's website at [www.EnQuest.com](http://www.EnQuest.com).
15. Shareholders, proxies and authorised representatives has the right to ask questions at the meeting. The Company must cause to be answered any such questions concerning any business being dealt with at the meeting, except that a question need not be answered where it would interfere unduly with the preparation for conduct of the meeting, involve the disclosure of confidential information, where the answer has already been given on a website in the form of an answer to a question or where it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of General Meeting (or in any related documents including this combined circular and prospectus and proxy form) to communicate with the Company for any purposes other than those expressly stated.



