Potential farm out of 20% of Kraken to Delek

EnQuest PLC, 18 July 2016
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EnQuest PLC ("EnQuest") is pleased to announce that it is holding discussions with Delek Group Ltd ("Delek") for the sale by EnQuest to one of Delek's subsidiaries of an interest in the Kraken development ("Kraken"). EnQuest confirms that EnQuest and Delek have signed a non-binding memorandum of understanding and are working towards executing binding transaction documents. Delek is today releasing information concerning this negotiation as part of its disclosure obligations with regard to a separate transaction.

The key terms of the proposal are currently as follows:

- EnQuest to farm out to Delek a 20% working interest in Kraken.
- Delek would bear its share in the project capex from January 1, 2016.
- At completion, Delek will advance USD20 million to the Seller for a period of up to 5 years at an annual interest of 3% which shall be returned to Delek in the event that its costs are not covered by revenues within 5 years from the completion date.
- The parties are discussing mechanisms for additional contingent consideration, to be set out in binding transaction documents.
- The parties may, prior to completion, by agreement and subject to requisite third party consents (including that of EnQuest's lenders), convert the transaction such that Delek may acquire a subsidiary of EnQuest which holds a 20% working interest in Kraken.

There is no guarantee that a final agreement will be reached. EnQuest announced previously that in addition to its ongoing cost reduction initiatives, it was also pursuing a range of further opportunities for debt reduction, including potential asset sales and farm outs. The transaction is subject to EnQuest's lending banks' consent. EnQuest continues to closely monitor and manage its funding and liquidity position in light of the current market environment and is engaging as appropriate with its credit facility providers (including banks and bondholders) in this regard.

Note that if Delek and EnQuest agree and sign binding transaction documents, completion of the transaction would be subject to the normal third party consents. EnQuest will provide further details in the event either of transaction documents being signed or of it becoming apparent that a binding agreement cannot be reached.

Background note

Earlier this year EnQuest increased its stake in Kraken to 70.5% with the acquisition, for nominal consideration, of an additional 10.5% share from First Oil PLC, thereby increasing EnQuest's net 2P reserves by 13 MMboe.

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Notes to editors

EnQuest is the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. Its operated assets include the Thistle/Deveron, Heather/ Broom, Dons area, the Greater Kittiwake Area and Alma/Galia, also the Kraken and the Scolty/Crathes developments; EnQuest also has an interest in the non-operated Alba producing oil field. At the start of 2016, EnQuest had interests in 30 UK production licences, covering 42 blocks or part blocks and was the operator of 25 of these licences.

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

EnQuest is replicating its model in the UKCS by targeting previously underdeveloped assets in a small number of other maturing regions; complementing its operations and utilising its deep skills in the UK North Sea. In which context, EnQuest has interests in Malaysia where its operated assets include the PM8/Seligi Production Sharing Contract and the Tanjong Baram Risk Services Contract.

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

About The Delek Group (as per Delek's website)

The Delek Group, Israel's dominant integrated energy company, is the pioneering leader of the natural gas exploration and production activities that are transforming the Eastern Mediterranean's Levant Basin into one of the energy industry's most promising emerging regions. Having discovered Tamar and Leviathan, two of the world's largest natural gas finds since 2000, Delek and its partners are now developing a balanced, world-class portfolio of exploration, development and production assets with total gross natural gas resources discovered since 2009 of approximately 40 TCF.

In addition, Delek Group has a number of assets in downstream energy, water desalination, and in the finance sector.

For more information on Delek Group please visit www.delek-group.com