Proposal for 2013 Long-term Incentive Plan for Executive Management

As stated in the Company's Policy on Remuneration of the Executive Management, the Company believes that it is appropriate to structure its long-term incentive plans (LTIP) to align Executive Management's incentives with shareholder interests. Remuneration which is linked to the share price results in a greater personal commitment to the Company. Therefore, the Board believes that the Company's LTIP for Executive Management should be related to the Company's share price.

As per the Swedish Code of Governance, the Company's Annual General Meeting shall decide on all share and share-price related incentive schemes for Executive Management.

The Board proposes to the 2013 AGM that the 2009 LTIP for Executive Management be cancelled and replaced with a new 2013 LTIP for Executive Management. As further described below, the proposed 2013 LTIP does not change the Company's financial obligation to the Executive Management. However, it will provide the Executive Management with the opportunity to receive all or a portion of the future LTIP award, if and when vested, in shares of the Company. These shares would be transferred from the previously issued shares held by the Company in treasury and therefore, the proposed 2013 LTIP would not have any dilutive effect on the Company's shareholders. The Board strongly believes that the proposed 2013 LTIP would offer significantly enhanced alignment of the interests of the shareholders and the Executive Management.

A) 2009 LTIP for Executive Management

As background, the following is a description of the 2009 LTIP for Executive Management. If the 2013 LTIP is approved at the 2013 AGM, then the 2009 LTIP, and the phantom options awarded under the 2009 LTIP, will be cancelled.

The LTIP for Executive Management approved by the 2009 AGM provided for the issuance by Lundin Petroleum of phantom options exercisable after 13 May 2014, being five years from the date of grant. The exercise of these options does not entitle the recipient to acquire shares of Lundin Petroleum, but to receive a cash payment based on the appreciation of the market value of such shares.

The Executives were granted phantom options with an exercise price equal to 110 per cent of the average of the closing prices of the Company's shares on the NASDAQ OMX Stockholm for the ten trading days immediately following the 2009 AGM. In accordance with the terms of the 2009 LTIP, the exercise price was adjusted in connection with the distribution by Lundin Petroleum to its shareholders of shares of EnQuest plc and Etrion Corporation, and such adjusted exercise price is equal to SEK 52.91. The total number of phantom options granted to Executive Management is 5,500,928, following adjustments in connection with such distributions of shares of EnQuest plc and Etrion Corporation.

Such options will vest on 13 May 2014, being the fifth anniversary of the date of grant. The Executive will be entitled to receive a cash payment equal to the average closing price of Lundin Petroleum's shares during the fifth year following grant, less the exercise price, multiplied by the number of options then held by the Executive. Payment of the award under these phantom options will occur in two equal instalments: (i) first on the date immediately following the fifth anniversary of the date of grant (May 2014), and (ii) second on the date which is one year following the date of the first payment (May 2015).

No Executive who received an award of phantom options will be eligible for a grant of awards under the Company's unit bonus plan during the five year vesting period of the phantom options.

If the recipient of an award of phantom options resigns from the Group or if the recipient's employment is terminated for cause or similar during the five year vesting period, the award of phantom options will immediately terminate. If the recipient's employment is terminated for any other reason during such period, the award of phantom options will vest and become immediately payable, based on the average closing price of Lundin Petroleum's shares during the 90 day period prior to such termination. If a third party acquires more than 50 per cent of the then outstanding Lundin Petroleum shares, the award of phantom options will vest and become immediately payable based on the value per Lundin Petroleum share paid by such third party.

From an accounting perspective, the 2009 LTIP for Executive Management is regarded as compensation for services provided and will, under IFRS 2, result in accounting costs which are distributed over the five year vesting period. Lundin Petroleum's liability under the LTIP will be measured at fair market value and will be revalued at each reporting period. The changes in value will be recognised in the income statement over the five year period so that the accumulated cost over the period corresponds to the value of the LTIP on the final date.

B) Proposed 2013 LTIP for Executive Management

Following the exceptional performance of the Company and its share price since the 2009 AGM, the Board has reviewed the terms of the 2009 LTIP for Executive Management and proposes to the 2013 AGM that such LTIP be replaced by a new LTIP, the terms and conditions of which are described below.

The proposed 2013 LTIP for Executive Management does not change the Company's financial obligation to the Executive Management. However, the Board strongly believes that the proposed 2013 LTIP creates even higher alignment of the interests of the shareholders and the Executive Management. In addition, the proposed 2013 LTIP preserves the Company's financial resources by allowing the use of shares of the Company acquired under AGM approvals for the explicit purpose of, among other things, securing the Company's obligations under its incentive plans.

The proposed 2013 LTIP shall provide that the same number of options shall be granted and allocated to the members of the Executive Management, at the same exercise price and on the same calculation conditions (vesting date and payment calculation) as provided in the 2009 LTIP. The proposed 2013 LTIP, however, shall provide that the Company, if agreed by the Executive Management, shall direct payment of the future LTIP award, if and when vested, in (a) cash; and/or (b) shares of the Company.

Any award entitlement to be received by the Executive Management in cash shall be paid by the Company on the same equal instalments as under the 2009 LTIP: (i) first on the date immediately following the fifth anniversary of the date of grant (May 2014), and (ii) second on the date which is one year following the date of the first payment (May 2015).

Any award entitlement to be received by the Executive Management in shares of the Company shall be transferred by the Company for the benefit of the Executive Management, as of the vesting date in May 2014. The number of shares to be transferred by the Company shall be equal to such award entitlement divided by the average closing price of Lundin Petroleum's shares during the 90 day period prior to the vesting date. All shares to be transferred to the Executive Management under the proposed 2013 LTIP shall be from the shares previously acquired and currently held by the Company under separate AGM approvals providing for the repurchase of Lundin Petroleum shares on the NASDAQ OMX Stockholm Exchange or the Toronto Stock Exchange. As at 31 March 2013, Lundin Petroleum held 7,368,285 of its own shares, which have been acquired by the Company at an average price of SEK 51.90 per share. Approval by the 2013 AGM of the proposed 2013 LTIP shall not permit the Company to issue any new shares of the Company in order to satisfy its obligations.

In addition, the shares of the Company to be used for the proposed 2013 LTIP shall be subject to one or more periods of trading restrictions on all or part of such shares, with a minimum restriction period of one year from the May 2014 vesting date, subject to and in accordance with all applicable laws. These trading restrictions would further align the interests of the shareholders and the Executive Management, would have no impact on the Company's financial position and may also provide personal tax benefits to members of the Executive Management.

The proposed 2013 LTIP shall otherwise contain equivalent terms and conditions as the 2009 LTIP, including the provisions relating to the resignation by, or termination of employment of, any member of the Executive Management, or a change of control of the Company, prior to the May 2014 vesting date. In addition, the Executive Management shall not be entitled to participate in the Company's unit bonus plan during the vesting period to May 2014. The Company will also apply the same accounting treatment to the proposed 2013 LTIP, as described above in respect of the 2009 LTIP.

The proposed 2013 LTIP shall be administered by a trustee, to be appointed by the Company.

C) Proposal to the 2013 AGM

The Board proposes to the 2013 AGM that the 2009 LTIP, and the phantom options awarded under the 2009 LTIP, be canceled in their entirety, and be replaced with the proposed 2013 LTIP, with an equal number and allocation of options to the members of the Executive Management, on the terms and conditions as described above.

The Board believes that the proposed 2013 LTIP will provide enhanced shareholder alignment to the Executive Management by providing the option to acquire further direct ownership of the Company's shares. At the same time, the Board has determined that the proposed 2013 LTIP will further benefit the Company by allowing the use of shares of the Company acquired by the Company under AGM approvals, to preserve the financial resources of the Company.

This proposal to the 2013 AGM requires the affirmative support of shareholders holding at least nine tenths of the votes given for this resolution and of the shares represented at the 2013 AGM. Such shareholder support at the 2013 AGM will constitute approval for the transfer by the Company of shares previously acquired by the Company, to the Executive Management under the proposed 2013 LTIP. For the avoidance of doubt, if this proposal is not passed by the requisite majority at the 2013 AGM, the 2009 LTIP, and the phantom options awarded under the 2009 LTIP, shall remain in force, unamended.