

**MATERIAL CHANGE REPORT
FORM 51-102F3**

1. Name and Address of Reporting Issuer:

Xcite Energy Limited
Geneva Place, Waterford Drive
P.O. Box 3469
Road Town, Tortola
British Virgin Islands

2. Date of Material Change:

10 May, 2011

3. News Release and Filing

Press releases disclosing the details discussed in this Material Change Report were issued by the Company on 10 May, 2011 and 17 May, 2011 and disseminated through the facilities of Marketwire.

4. Summary of Material Change:

On 10 May, 2011, Xcite Energy Limited (the "**Company**") announced the results of an independent evaluation of its reserves and resources. The Company, through its wholly owned subsidiary Xcite Energy Resources Limited ("**XER**"), holds a 100% working interest in Block 9/3b (which contains the Bentley field (the "**Field**")) and a 100% working interest in Blocks 9/3c and 9/3d (both adjacent to the Field) (collectively, the "**Company's Assets**"). The Company's Assets are located in the North Sea in the United Kingdom and a map is provided in Schedule A to the Material Change Report to assist understanding.

The Company has recently successfully drilled and tested the 9/3b-6 and 6Z wells in the northern part of the Field, which demonstrated commercial flow rates and, on this basis, XER commissioned TRACS International Consultancy Ltd ("**TRACS**"), an independent qualified reserves auditor, to prepare an independent audit of reserves and resources for the Company's Assets. That audit by TRACS is set out in the Reserves Assessment Report ("**RAR**") dated 9 May 2011 and effective 30 April 2011, prepared using guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

The highlights of the RAR are as follows:

- NPV10 (after tax) of approximately \$229 MM, \$396 MM and \$558 MM for the 1P, 2P and 3P reserves in the area constituting the First Stage Production ("**FSP**"), respectively, with additional NPV10 (after tax) of \$661 MM, \$961 MM and \$1,315 MM for contingent resources for the area constituting the Second Stage Production ("**SSP**") on a "low estimate", "best estimate" and "high estimate" basis, respectively.

- RPS Energy, in its Competent Person's Report dated and effective 20 February 2009 (the "2009 CPR") (in which no reserves were assigned to the Company's Assets), assigned a NPV10 (after tax) valuation of \$781 MM for the Company's "best estimate" contingent resources for the core structure, which is equivalent to the Core Area in the RAR. The NPV10 (after tax) valuation assigned by the RAR to the reserves in the FSP and the contingent resources in the SSP (together constituting the "Core Area"), demonstrates a material increase over the NPV10 (after tax) valuation of \$781 MM in the 2009 CPR.
- Reserves of the type 1P, 2P and 3P in the FSP of approximately 22 MMstb, 28 MMstb and 35 MMstb, respectively.
- Contingent resources for the SSP (which are in addition to the reserves in the FSP stated above) of approximately 73 MMstb, 87 MMstb and 101 MMstb on a "low estimate", "best estimate" and "high estimate" basis, respectively.
- As no technical contingencies remain, the RAR confirms that the contingent resources in the SSP would be converted to an equivalent volume of reserves following the Company's decision to pursue the development of the SSP and the approval by DECC of its development plan for this purpose. On this basis, the Company intends to seek approval from DECC for the FSP and SSP which, when obtained, would enable it to (i) move forward with the FSP without delay; (ii) move forward with the SSP at an appropriate time that suits its business objectives; and (iii) upgrade the SSP contingent resources to reserves status.
- The RAR assigned prospective resources for seven (7) prospects on the Company's Assets of, in the aggregate, approximately 17.7 MMboe on a risked "best estimate" basis.

Management of the Company has confirmed to TRACS that it will continue to incorporate the latest modelling and latest technologies through the life of Field, including the investigation of the application of enhanced oil recovery techniques. As a result, the RAR confirms that it expects prospective resources to be upgraded to contingent resources and those contingent resources to be upgraded to reserves as the Field development matures and additional drilling is undertaken. The RAR also confirms that the combination of these factors is expected to materially improve the ultimate recovery of oil from the Company's Assets.

As a result of the increase in the aggregate NPV10 valuation, the value per barrel was materially increased from the 2009 CPR to the RAR and the Core Area was de-risked as a result of the drilling of the 9/3b-6 and 6Z wells at the end of 2010.

On a value per barrel basis:

- The RAR assigned a NPV10 (after tax) value per barrel for the 1P, 2P and 3P reserves in the FSP as approximately \$10.40, \$14.20 and \$16.00, respectively.

- The RAR assigned a NPV10 (after tax) value per barrel for the “low”, “best” and “high” estimate of contingent resources in the SSP as approximately \$9.10, \$11.00 and \$13.00, respectively.
- Based upon the 2009 CPR, the NPV (after tax) can be calculated for the “low”, “best” and “high” estimate of contingent resources as approximately \$2.50, \$6.40 and \$9.20, respectively. If risked at the 70% chance of commercial success, as in the 2009 CPR, these values per barrel would be \$1.80, \$4.50, and \$6.40, respectively.

There is no certainty that it will be commercially viable to produce any portion of the contingent resources noted above.

5. Full Description of Material Change:

Please see the attached Schedule “A”.

6. Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:

Not applicable.

7. Omitted Information:

Not applicable.

8. Executive Officer:

The name and business numbers of the executive officer of the Company who is knowledgeable of the material change and this report is:

Rupert E. Cole
Chief Financial Officer
Telephone: +44 (0) 1483 549063

9. Date of Report:

This report is dated 17 May, 2011.

Forward Looking Information and Risks and Assumptions

Certain statements contained in this report constitute forward-looking information within the meaning of securities laws, including states relating to the estimated reserves, resources and exploration activities associated with the oil and gas properties in which the Company holds an interest. Forward-looking information may relate to the Company's future outlook and anticipated events or results and, in some cases, can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "target", "potential", "continue" or other similar expressions concerning matters that are not historical facts. These statements are based on certain factors and assumptions including expected growth, results of operations, performance and business prospects and opportunities. While the Company considers these assumptions to be reasonable based on information currently available to us, they may prove to be incorrect. Forward-looking information is also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors include risks associated with the oil and gas industry (including operational risks in exploration and development and uncertainties of estimates oil and gas potential properties), the risk of commodity price and foreign exchange rate fluctuations and the ability of the Company to secure financing. Additional information identifying risks and uncertainties are contained in the Company's annual information form dated October 26, 2010 and in the annual Management's Discussion and Analysis for Xcite Energy dated March 24, 2011 filed with the Canadian securities regulatory authorities and available at www.sedar.com. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulations.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future. There are numerous uncertainties inherent in estimating quantities of proved reserves, including many factors beyond the control of the Company. The reserve and resources data included herein represents estimates only. In general, estimates of economically recoverable oil reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary considerably from actual results. All such estimates are to some degree speculative and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil reserves attributable to any particular group of properties and classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, prepared by different engineers or by the same engineers at different times, may vary substantially. The actual production, revenues, taxes and development and operating expenditures of the Company with respect to these reserves will vary from such estimates, and such variances could be material.

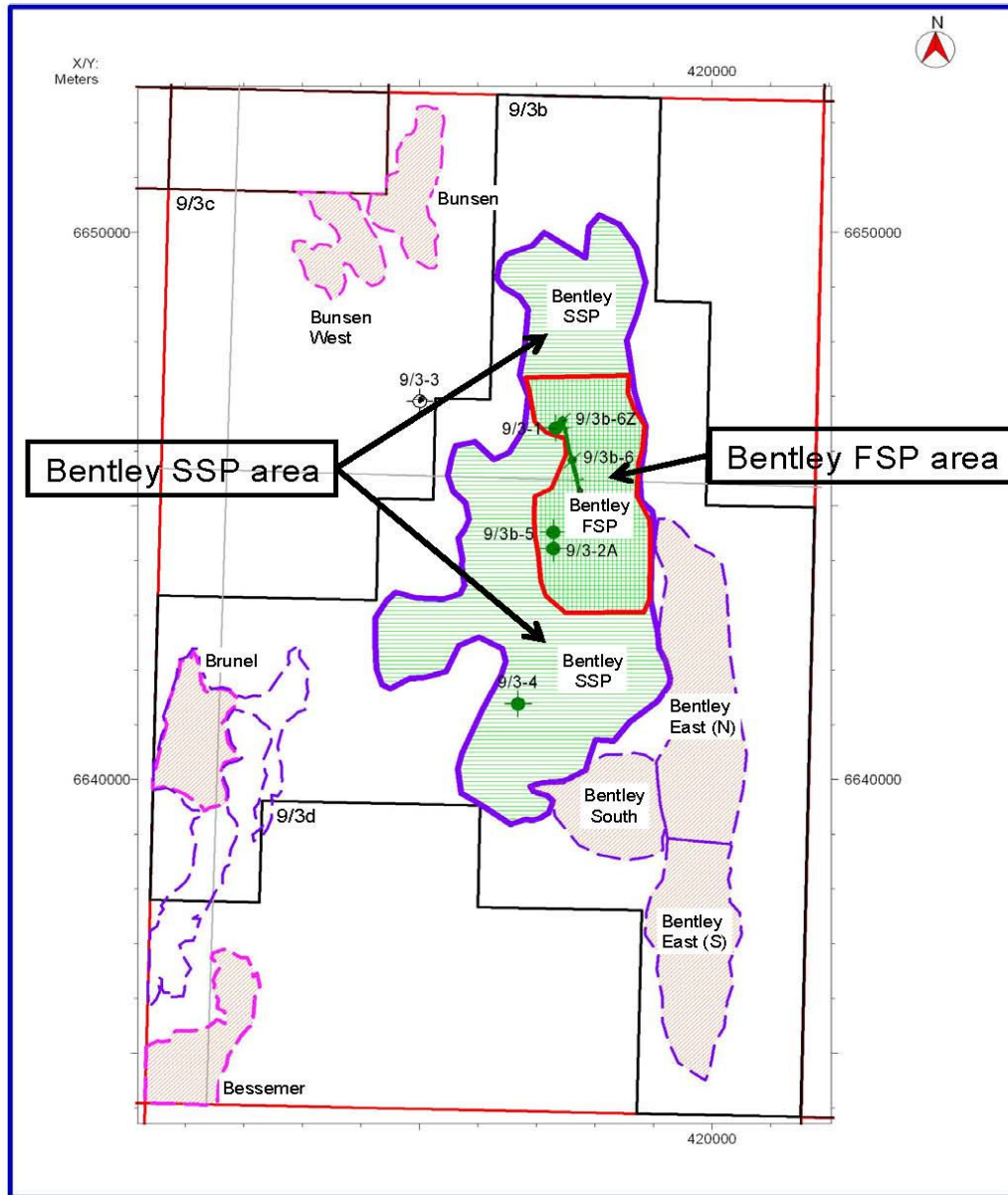
Consistent with the securities disclosure legislation and policies of Canada, the Company has used forecast prices and costs in calculating reserve quantities included herein. Actual future net cash flows also will be affected by other factors such as actual production levels, supply and

demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

The estimated future net revenue contained herein does not necessarily represent the fair market value of the Company's reserves and resources. There is no assurance that the forecast price and cost assumptions contained in the RAR will be attained and variances could be material. The recovery and reserves estimates on the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

SCHEDULE "A"

MAP SETTING OUT THE COMPANY'S ASSETS



The FSP area and the SSP area together constitute and are referred to herein as the Core Area.

On 10 May, 2011, Xcite Energy Limited (the “**Company**”) announced the results of an independent evaluation of its reserves and resources. The Company, through its wholly owned subsidiary Xcite Energy Resources Limited (“**XER**”), holds a 100% working interest in Block 9/3b (which contains the Bentley field (the “**Field**”) and a 100% working interest in Blocks 9/3c and 9/3d (both adjacent to the Field) (collectively, the “**Company’s Assets**”). The Company’s Assets are located in the North Sea in the United Kingdom and a map is provided in Schedule A to the Material Change Report to assist understanding.

The Company has recently successfully drilled and tested the 9/3b-6 and 6Z wells in the northern part of the Field, which demonstrated commercial flow rates and, on this basis, XER commissioned TRACS International Consultancy Ltd (“**TRACS**”), an independent qualified reserves auditor, to prepare an independent audit of reserves and resources for the Company’s Assets. That audit by TRACS is set out in the Reserves Assessment Report (“**RAR**”) dated 9 May 2011 and effective 30 April 2011, prepared using guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*.

The highlights of the RAR are as follows:

- NPV10 (after tax) of approximately \$229 MM, \$396 MM and \$558 MM for the 1P, 2P and 3P reserves in the area constituting the First Stage Production (“**FSP**”), respectively, with additional NPV10 (after tax) of \$661 MM, \$961 MM and \$1,315 MM for contingent resources for the area constituting the Second Stage Production (“**SSP**”) on a “low estimate”, “best estimate” and “high estimate” basis, respectively.
- RPS Energy, in its Competent Person’s Report dated and effective 20 February 2009 (the “**2009 CPR**”) (in which no reserves were assigned to the Company’s Assets), assigned a NPV10 (after tax) valuation of \$781 MM for the Company’s “best estimate” contingent resources for the core structure, which is equivalent to the Core Area in the RAR. The NPV10 (after tax) valuation assigned by the RAR to the reserves in the FSP and the contingent resources in the SSP (together constituting the “**Core Area**”), demonstrates a material increase over the NPV10 (after tax) valuation of \$781 MM in the 2009 CPR.
- Reserves of the type 1P, 2P and 3P in the FSP of approximately 22 MMstb, 28 MMstb and 35 MMstb, respectively.
- Contingent resources for the SSP (which are in addition to the reserves in the FSP stated above) of approximately 73 MMstb, 87 MMstb and 101 MMstb on a “low estimate”, “best estimate” and “high estimate” basis, respectively.
- As no technical contingencies remain, the RAR confirms that the contingent resources in the SSP would be converted to an equivalent volume of reserves following the Company’s decision to pursue the development of the SSP and the approval by DECC of its development plan for this purpose. On this basis, the Company intends to seek approval from DECC for the FSP and SSP which, when obtained, would enable it to (i) move forward with the FSP without delay; (ii) move forward with the SSP at an appropriate time that suits its business objectives; and (iii) upgrade the SSP contingent resources to reserves status.

- The RAR assigned prospective resources for seven (7) prospects on the Company's Assets of, in the aggregate, approximately 17.7 MMboe on a risked "best estimate" basis.

Management of the Company has confirmed to TRACS that it will continue to incorporate the latest modelling and latest technologies through the life of Field, including the investigation of the application of enhanced oil recovery techniques. As a result, the RAR confirms that it expects prospective resources to be upgraded to contingent resources and those contingent resources to be upgraded to reserves as the Field development matures and additional drilling is undertaken. The RAR also confirms that the combination of these factors is expected to materially improve the ultimate recovery of oil from the Company's Assets.

As a result of the increase in the aggregate NPV10 valuation, the value per barrel was materially increased from the 2009 CPR to the RAR and the Core Area was de-risked as a result of the drilling of the 9/3b-6 and 6Z wells at the end of 2010.

On a value per barrel basis:

- The RAR assigned a NPV10 (after tax) value per barrel for the 1P, 2P and 3P reserves in the FSP as approximately \$10.40, \$14.20 and \$16.00, respectively.
- The RAR assigned a NPV10 (after tax) value per barrel for the "low", "best" and "high" estimate of contingent resources in the SSP as approximately \$9.10, \$11.00 and \$13.00, respectively.
- Based upon the 2009 CPR, the NPV (after tax) can be calculated for the "low", "best" and "high" estimate of contingent resources as approximately \$2.50, \$6.40 and \$9.20, respectively. If risked at the 70% chance of commercial success, as in the 2009 CPR, these values per barrel would be \$1.80, \$4.50, and \$6.40, respectively.

There is no certainty that it will be commercially viable to produce any portion of the contingent resources noted above.

COMPARISON OF THE RAR WITH THE 2009 CPR

Set out below is a summary of the RAR and the 2009 CPR.

RAR - Reserves Assessment Report prepared by TRACS effective April 30, 2011

	<u>MMstb</u>	<u>MMstb</u>	<u>MMstb</u>
<u>Core Area</u>			
Reserves (1P, 2P, 3P)	22.02	27.84	34.90
Contingent Resources (Low, Best, High)	72.70	87.20	100.90
<u>Other Areas of the Field</u>			
Prospective Resources (Low, Best, High)			
Bentley East	14.04	18.28	28.00
Other prospects	10.30	17.50	30.60

The RAR includes the results of the 9/3b-6 and 6Z wells drilled at the end of 2010.

CPR - Competent Person's Report prepared by RPS Energy effective February 20, 2009

	<u>MMbbls</u>	<u>MMbbls</u>	<u>MMbbls</u>
<u>Core Area</u>			
Reserves (1P, 2P, 3P)	-	-	-
Contingent Resources (Low, Best, High)	72.00	122.50	166.00
<u>Other Areas of the Field</u>			
Prospective Resources (Low, Best, High)			
Bentley East	17.49	30.01	72.00
Other prospects	5.71	10.86	28.40

The 2009 CPR includes the results of the 9/3b-5 well completed in early 2008.

RESERVES EVALUATION IN THE RAR

Summary of Oil and Natural Gas Reserves in the FSP

As at 30th April 2011

(Forecast prices and costs)

<u>Reserves Category</u>	<u>Heavy Oil</u>		<u>Natural Gas⁽¹⁾</u>	
	<u>Gross</u> <u>(MMstb)</u>	<u>Net</u> <u>(MMstb)</u>	<u>Gross</u> <u>(Bcf)</u>	<u>Net</u> <u>(Bcf)</u>
Proved				
Developed	0	0	0.00	0.00
Developed Non-Producing	0	0	0.00	0.00
Undeveloped	22.0	22.0	2.20	2.20
Total Proved (1P)	22.0	22.0	2.20	2.20
Probable	5.8	5.8	0.58	0.58
Proved Plus Probable (2P)	27.8	27.8	2.78	2.78
Possible	7.1	7.1	0.71	0.71
Proved Plus Probable Plus Possible (3P)	34.9	34.9	3.49	3.49

Notes:

(1) Conversion factor used of 5800 standard cubic feet per boe.

**Summary of Net Present Values of Future Net Revenue in the FSP
As at 30th April 2011
(Forecast prices and costs)**

Reserves Category	Before Income Tax					Unit Value Before Income Tax Discounted at 10%/yr \$/bbl
	Discounted at					
	0%/yr. \$MM	5%/yr. \$MM	10%/yr. \$MM	15%/yr. \$MM	20%/yr. \$MM	
PROVED						
Developed Producing	-	-	-	-	-	-
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	539.8	441.2	356.8	284.7	223.0	16.20
TOTAL PROVED (1P)	539.8	441.2	356.8	284.7	223.0	16.20
TOTAL PROBABLE	378.1	322.9	306.5	237.3	204.2	52.66
TOTAL PROVED + PROBABLE (2P)	917.9	764.1	663.3	522.0	427.2	23.83
TOTAL POSSIBLE	380.0	313.3	229.2	215.0	178.9	32.46
TOTAL PROVED + PROBABLE + POSSIBLE (3P)	1297.9	1077.4	892.5	737.0	606.1	25.57

Reserves Category	After Income Tax					Unit Value After Income Tax Discounted at 10%/yr \$/bbl
	Discounted at					
	0%/yr. \$M	5%/yr. \$M	10%/yr. \$M	15%/yr. \$M	20%/yr. \$M	
PROVED						
Developed Producing	-	-	-	-	-	-
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	361.6	290.2	228.7	176.0	130.6	10.40
TOTAL PROVED (1P)	361.6	290.2	228.7	176.0	130.6	10.40
TOTAL PROBABLE	224.4	193.3	167.1	144.7	125.8	28.71
TOTAL PROVED + PROBABLE (2P)	586.0	483.5	395.8	320.7	256.4	14.22
TOTAL POSSIBLE	237.0	195.5	161.9	134.5	112.1	22.93
TOTAL PROVED + PROBABLE + POSSIBLE (3P)	823.0	679.0	557.7	455.2	368.5	15.98

Notes:

- (1) UK Corporation Tax is charged at the rate of 30% on net taxable income.
- (2) UK Supplemental Corporation Tax ("SCT") is charged at the rate of 32% on net taxable income.
- (3) Heavy oil tax allowances of up to £800 million have been applied to offset the SCT to the extent possible during the FSP.

**Total Future Net Revenue Attributable to the FSP
(Undiscounted)
As at 30th April, 2011
(Forecast prices and costs)**

<u>Reserves Category</u>	<u>Revenue</u>	<u>Royalties</u>	<u>Operating Costs</u>	<u>Development Costs</u>	<u>Abandonment and Reclamation Costs</u>	<u>Future Net Revenue Before Income Taxes</u>	<u>Income Taxes</u>	<u>Future Net after Revenue Income Taxes</u>
Bentley Field								
Total Proved (1P)	1893.8	0.0	639.7	676.3	38.0	539.8	178.2	361.6
Total Proved Plus Probable (2P)	2390.3	0.0	758.1	676.3	38.0	917.9	331.9	586.0
Total Proved Plus Probable Plus Possible (3)	<u>2993.8</u>	<u>0.0</u>	<u>981.6</u>	<u>676.3</u>	<u>38.0</u>	<u>1297.9</u>	<u>474.9</u>	<u>823.0</u>

**Future Development Costs Attributable to the FSP
(Undiscounted)
As at 30th April, 2011
(Forecast prices and costs)**

<u>Year</u>	<u>Total Proved Estimated (\$MM)</u>	<u>Total Proved Plus Probable Estimated (\$MM)</u>	<u>Total Proved Plus Probable Plus Possible Estimated (\$MM)</u>
Bentley Field			
2011	182.3	182.3	182.3
2012	259.7	259.7	259.7
2013	222.8	222.8	222.8
2014	11.5	11.5	11.5
2015	0.0	0.0	0.0
Thereafter	0.0	0.0	0.0
Total for all years undiscounted	676.3	676.3	676.3

Notes:

The capital expenditure and construction schedule of the FSP is assumed to be the same for the Proved (1P), Proved plus Probable (2P) and Proved plus Probable plus Possible (3P) outcomes. Hence the estimated future development costs are assumed to be the same for all three outcomes.

Pricing and Cost Assumptions

The RAR employs the following pricing assumptions for crude oil as set out below, taken from the McDaniel forecast with effect from 31st March 2011 as published at www.mcdan.com. Commencing with this price forecast, the RAR has applied a 12% reduction in the revenue from the sale of crude oil to take account of the assumed discount to the Brent crude price.

The RAR uses a 2% per annum escalation in costs commencing in June 2011.

<u>Year</u>	<u>Brent</u>	<u>% change</u>	<u>Cost Inflation</u>
2011 (9 mos)	105.00		
2012	99.50	-0.06	0.02
2013	97.80	-0.02	0.02
2014	97.10	-0.01	0.02
2015	96.30	-0.01	0.02
2016	98.30	0.02	0.02
2017	100.30	0.02	0.02
2018	102.30	0.02	0.02
2019	104.20	0.02	0.02
2020	106.40	0.02	0.02
2021	108.50	0.02	0.02
2022	110.70	0.02	0.02
2023	112.80	0.02	0.02
2024	115.10	0.02	0.02
2025	117.50	0.02	0.02
2026	119.90	0.02	0.02
2027	122.35	0.02	0.02
2028	124.85	0.02	0.02
2029	127.40	0.02	0.02
2030	130.00	0.02	0.02
2031	132.66	0.02	0.02
2032	135.37	0.02	0.02
2033	138.13	0.02	0.02

RESOURCES EVALUATION IN THE RAR

Contingent Resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or lack of markets.

The table below sets out, as at 30th April 2011 a summary of the Company's contingent resources as estimated by TRACS taking account of the Company's working interest in the Company's Assets.

Summary of Oil and Natural Gas Contingent Resources for the SSP As at 30th April, 2011

	Low Estimate	Best Estimate	High Estimate
Crude Oil Resources, MMstb	72.7	87.2	100.9
Natural Gas Resources, Bcf	7.35	8.80	10.47
BOE Resources, MMboe ⁽¹⁾	74.0	88.7	102.6

Notes:

(1) Conversion factor used of 5800 standard cubic feet per boe

Summary of Net Present Values of the Contingent Resources for the SSP (Forecast prices and costs) As at 30th April 2011

	NPV10 (after tax) (\$MM)	NPV0 (after tax) (\$MM)	Crude Oil Resources (MMstb)	NPV10 (after tax) (\$/bbl)	NPV0 (after tax) (\$/bbl)
Low Estimate	660.6	1,507.6	72.7	9.1	20.7
Best Estimate	960.5	2,051.8	87.2	11.0	23.5
High Estimate	1,315.0	2,741.8	100.9	13.0	27.2

There is no certainty that it will be commercially viable to produce any portion of the contingent resources set forth in the table above.

Prospective Resources

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discover and a chance of development.

	Low Estimate	Best Estimate	High Estimate	Probability of Geologic Success, Pg (1)	P _g - Adjusted Best Estimate
Prospects					
Bentley East (North) (2)					
Oil Resources, MMstb	1.5	4.2	8.8	58%	2.4
Natural Gas Resources, Bcf	21.4	10.4	3.8	58%	6.1
BOE Resources, MMboe ⁽³⁾	5.2	6.0	9.5	58%	3.5
Bentley East (South) (2)					
Oil Resources, MMstb	2.2	5.1	9.8	66%	3.3
Natural Gas Resources, Bcf	24.1	12.7	5.5	66%	8.3
BOE Resources, MMboe ⁽³⁾	6.4	7.3	10.7	66%	4.8
Bentley South					
Oil Resources, MMstb	2.5	5.0	7.8	65%	3.2
BOE Resources, MMboe	2.5	5.0	7.8	65%	3.2
Bunsen					
Oil Resources, MMstb	3.8	4.9	6.3	73%	3.6
BOE Resources, MMboe	3.8	4.9	6.3	73%	3.6
Bunsen West					
Oil Resources, MMstb	1.3	2.2	3.1	22%	0.5
BOE Resources, MMboe	1.3	2.2	3.1	22%	0.5
Bessemer					
Oil Resources, MMstb	2.1	4.5	9.7	25%	1.1
BOE Resources, MMboe	2.1	4.5	9.7	25%	1.1
Brunel					
Oil Resources, MMstb	3.1	5.9	11.5	17%	1.0
BOE Resources, MMboe	3.1	5.9	11.5	17%	1.0
Arithmetic Summation					
MMboe	24.2	35.8	58.6		17.7

Notes:

(1) P_g is the geological chance of success that the unrisks hydrocarbon volumes will be found.

(2) For the Bentley East (North and South) prospects, the proportion of oil and free gas initially in place is uncertain. Hence the low estimate of oil resources has been combined with the high estimate of gas resources and vice-versa.

(3) Conversion factor used of 5800 standard cubic feet per boe.

There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources set forth in the table above.

Glossary

In this Material Change Report, the following words have the meanings as set out below.

“1P” means proved reserves, which are those quantities that are estimated with a high degree of certainty to be recoverable.

“2P” means proved plus probable reserves. Probable reserves are those quantities of additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

“3P” means proved plus probable plus possible reserves. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves and there is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

“*best estimate*” is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

“*boe*” means barrels of oil equivalent. Boe’s, derived by converting gas to oil in the ratio of five thousand eight hundred cubic feet of gas to one barrel of oil, may be misleading, particularly if used in isolation. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

“*contingent resources*” means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

“*Core Area*” means FSP and SSP.

“*DECC*” means UK Department of Energy and Climate Change.

“*FSP*” means First Stage Production.

“*high estimate*” is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

"low estimate" is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

"MM" means millions.

"MMbbls" means millions of barrels.

"MMboe" means millions of barrels of oil equivalent.

"MMstb" means millions stock tank barrels.

"NPV0" means net present value in money of the day using a 0% forward discount rate, which values do not represent fair market value.

"NPV10" means net present value in money of the day using a 10% forward discount rate, which values do not represent fair market value.

"prospective resources" means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

"SSP" means Second Stage Production.