

CORPORATE GOVERNANCE REPORT 2011

INTRODUCTION – GOVERNANCE STRUCTURE

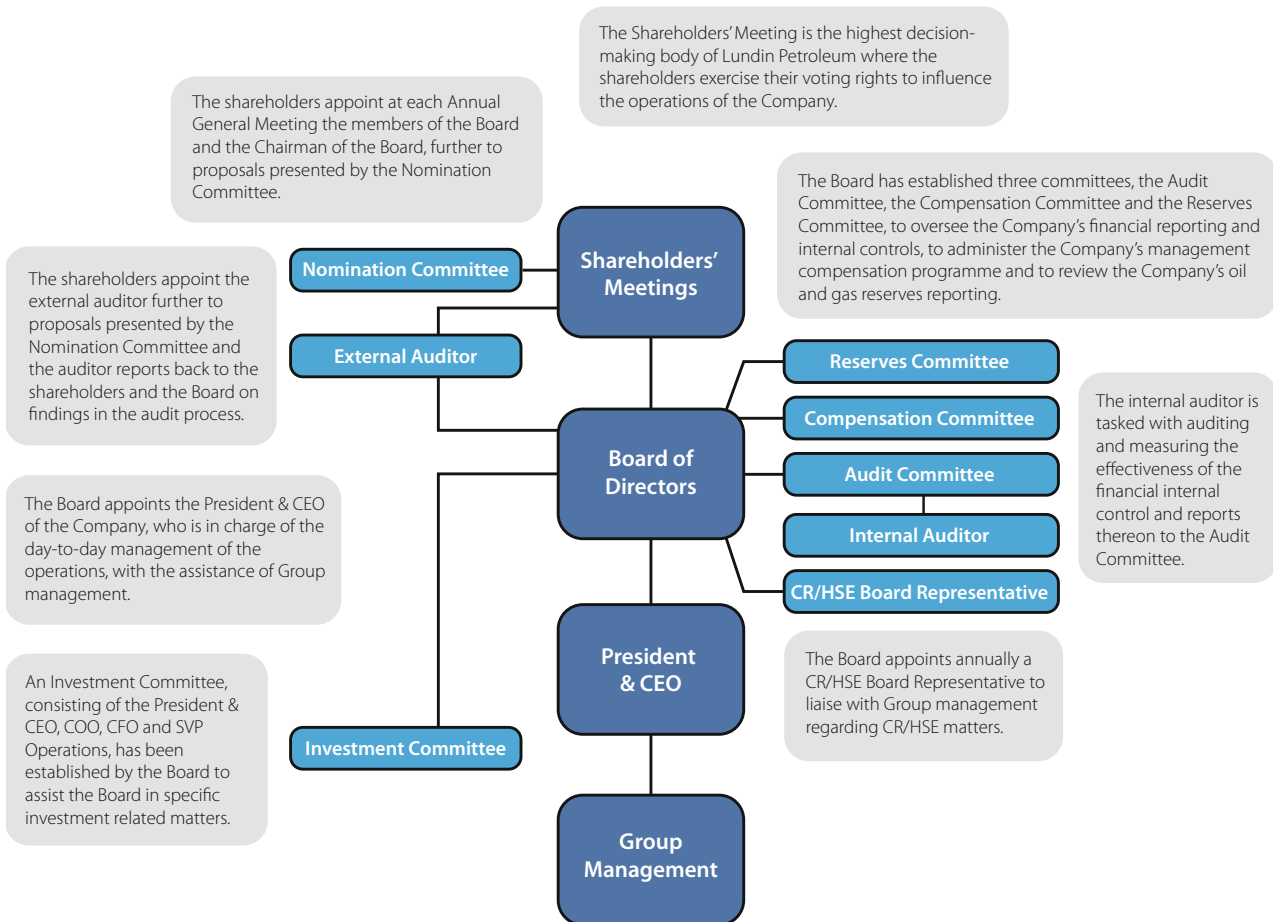
The object of Lundin Petroleum’s business is to explore, develop and produce oil and gas and to develop other energy resources, as laid down in its Articles of Association. The Company aims to create value for its shareholders through exploration and organic growth, while operating in an economically, socially and environmentally responsible way for the benefit of all its stakeholders. To achieve this value creation, Lundin Petroleum has, during its ten year history applied, and continues to apply, a governance structure that favours straightforward decision making processes, with easy access to relevant decision makers, while nonetheless providing the necessary checks and balances for the control of the activities, both operationally and financially.

Internal governance instruments and practices, such as the Code of Conduct and the Rules of Procedure of the Board, have existed since the creation of the Company in 2001, however the governance structure has continuously evolved following internal developments as well as changes to applicable legislation, stock exchange rules and other regulations. In particular, the introduction of a Swedish Code of Corporate Governance on 1 July 2005, and its revised versions, have led to developments in the corporate governance structure of Lundin Petroleum, e.g. the creation of a Nomination Committee, implementation of more detailed Rules of Procedure, in-depth consideration of independence requirements and improved governance routines and practices in general.

After ten years of corporate governance at Lundin Petroleum, the Company remains committed to applying good corporate governance practices that are best suited for the Company and its activities, to ensure that the Company is managed in an effective manner, in the best interests of all shareholders, for continued delivery of value creation for shareholders.

This Corporate Governance Report has been subject to a review by the Company’s external auditor.

LUNDIN PETROLEUM – GOVERNANCE STRUCTURE



GUIDING PRINCIPLES OF CORPORATE GOVERNANCE

Since its creation, Lundin Petroleum has been guided by general principles of corporate governance to:

- » Protect shareholder rights
- » Provide a safe and rewarding working environment to all employees
- » Abide by applicable laws and best industry practice
- » Carry out its activities competently and sustainably
- » Sustain the well-being of local communities in its areas of operations

Lundin Petroleum adheres to principles of corporate governance found in both internal and external rules and regulations. As a Swedish public limited company listed on the NASDAQ OMX Stockholm, Lundin Petroleum is subject to the Swedish Companies Act (SFS 2005:551) and the Annual Accounts Act (SFS 1995:1554), as well as the Rule Book for Issuers of the NASDAQ OMX Stockholm (which rules can be found on the website www.nasdaqomx.com). Lundin Petroleum is also listed on the Toronto Stock Exchange since 24 March 2011 and is as a result subject to Canadian securities regulations as well.

In addition, the Company abides by principles of corporate governance found in a number of internal and external documents.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance (Code of Governance) is based on the tradition of self-regulation and acts as a complement to the corporate governance rules contained in the Companies Act, the Annual Accounts Act and other regulations such as the Rule Book for Issuers and generally acceptable behaviour in the securities market. The Code of Governance can be found on the website www.bolagsstyrning.se.

The Code of Governance is based on the "comply or explain principle", which entails that a company may choose to apply another solution than the one provided by the Code of Governance if it finds an alternative solution to be more appropriate in a particular case. The company must however explain why it did not comply with the rule in question and describe the company's preferred solution, as well as the reasons for it. Lundin Petroleum complied with all the rules of the Code of Governance in 2011, other than in one instance as mentioned below regarding the composition of the Nomination Committee.

Lundin Petroleum's Articles of Association

Lundin Petroleum's Articles of Association, which form the basis of the governance of the Company's operations, set forth the Company's name, the seat of the Board, the object of the business activities, the shares and share capital of the Company and contain rules with respect to the Shareholders' Meetings. The Articles of Association can be found on the Company's website www.lundin-petroleum.com.

Lundin Petroleum's Code of Conduct

Lundin Petroleum's Code of Conduct is a set of principles formulated by the Board to give overall guidance to employees, contractors and partners on how the Company is to conduct

Main external rules & regulations affecting Lundin Petroleum's corporate governance:

- » Swedish Companies Act
- » Swedish Annual Accounts Act
- » The NASDAQ OMX Stockholm Rule Book for Issuers
- » Swedish Code of Corporate Governance

Main internal rules & regulations affecting Lundin Petroleum's corporate governance:

- » The Articles of Association
- » The Code of Conduct
- » Policies, Guidelines & Procedures
- » The HSE Management System (Green Book)
- » The Rules of Procedure of the Board, instructions to the CEO and for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee

its activities in an economically, socially and environmentally responsible way, for the benefit of all its stakeholders, including shareholders, employees, business partners, host and home governments and local communities. The Company applies the same standards to its activities worldwide to satisfy both its commercial and ethical requirements and strives continuously to improve its performance and to act in accordance with good oilfield practice and high standards of corporate citizenship.

To mark the ten year anniversary of Lundin Petroleum, a revised Code of Conduct was approved by the Board in 2011 to confirm the Company's continued commitment to the values and principles expressed in it and to carrying out activities in an efficient and responsible way. The Code of Conduct remains an integral part of the Company's contracting procedures and any violations of the Code of Conduct will be the subject of an inquiry and appropriate remedial measures. Performance under the Code of Conduct is assessed on an annual basis by the Board. The Code of Conduct can be found on the Company's website www.lundin-petroleum.com.

Lundin Petroleum's Policies, Guidelines & Procedures and Management System

While the Code of Conduct provides Lundin Petroleum's ethical framework, dedicated policies, guidelines and procedures have been developed to outline specific rules and controls applicable in the different business areas. The Company has policies, guidelines and procedures covering for example Operations, Accounting and Finance, Corporate Responsibility (CR) including Health, Safety and Environment (HSE) and Anti-Corruption, Legal, Information Systems, Human Resources and Corporate Communications. The policies, guidelines and procedures are reviewed on a continuous basis and are modified and up-dated as and when required. Some of these documents can be found on the Company's website www.lundin-petroleum.com, whereas others are only available internally.

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In addition, Lundin Petroleum has a dedicated HSE Management System (Green Book), modelled after the ISO 14001 standard, which gives guidance to management, employees and contractors regarding the Company's intentions and expectations in HSE matters. The Green Book serves to ensure that all operations meet Lundin Petroleum's legal and ethical obligations, responsibilities and commitments within the HSE field. A more detailed description of the Green Book is available on the Company's website www.lundin-petroleum.com.

Lundin Petroleum's Rules of Procedure of the Board

The Rules of Procedure of the Board contain the fundamental rules regarding the division of duties between the Board, the Committees, the Chairman of the Board and the Chief Executive Officer (CEO). The Rules of Procedure also include instructions to the CEO, instructions for the financial reporting to the Board and the terms of reference of the Board Committees and the Investment Committee. The Rules of Procedure, which are approved annually by the Board, were reviewed in the spring of 2011 as a result of the new Code of Governance that entered into force in 2010. The amended Rules of Procedure were adopted by the Board in May 2011.

SHARE CAPITAL AND SHAREHOLDERS

The shares of Lundin Petroleum are listed on the Large Cap list of the NASDAQ OMX Stockholm and on the Toronto Stock Exchange. At the end of 2011, the issued share capital of Lundin Petroleum amounted to SEK 3,179,106 divided into 317,910,580 shares with a quota value of SEK 0.01 each. All shares carry the same voting rights and the same rights to a share of the Company's assets and net result.

Lundin Petroleum had at the end of 2011 a total of 36,897 shareholders listed with Euroclear Sweden. Lundin Petroleum AB itself held 6,882,638 of its own shares, as a result of share repurchases in previous years, representing 2.2 percent of the share capital. As per 31 December 2011, the major shareholders of the Company, which held more than ten percent of the

shares (and votes), were Lorito Holdings (Guernsey) Ltd. and Zebra Holdings and Investment (Guernsey) Ltd., two investment companies wholly owned by Lundin family trusts, which together held 27.4 percent of the shares. In addition, Landor Participations Inc., an investment company wholly owned by a trust whose settler is Ian H. Lundin, held 3.6 percent of the shares. More detailed information regarding the shares and shareholders of Lundin Petroleum in 2011 can be found on pages 58–59.

NOMINATION COMMITTEE

The shareholders of the Company decide how the Nomination Committee is to be formed at each Annual General Meeting (AGM). The tasks of the Nomination Committee include making recommendations to the AGM regarding the election of the Chairman and other Board members, fees for the Chairman and the other Board members, including fees for Board Committee work, election of auditor, fees for the auditor, election of the Chairman at the AGM and principles for appointment of the Nomination Committee for the AGM of the following year. The Nomination Committee members are, regardless of how they are appointed, required to promote the interests of all shareholders of the Company.

Further to the Nomination Committee's responsibility to propose members to the Board to the AGM, the Chairman of the Board undertakes each year an evaluation of the work of the Board and presents the results and conclusions to the Nomination Committee. No remuneration is paid to the Chairman or any other member of the Nomination Committee for their work on the Nomination Committee.

Nomination Committee for the 2012 AGM

In accordance with the principles resolved by the 2011 AGM, the Nomination Committee for the 2012 AGM consists of the representatives for four of the larger shareholders of the Company based on shareholdings as per 1 August 2011, see schedule below.

Nomination Committee for the 2012 AGM

Member	Representing	Shares represented as at 1 August 2011	Shares represented as at 31 December 2011	Independent of the Company and the Group management	Independent of the Company's major shareholders
Kerstin Stenberg	Swedbank Robur fonder	3.6 percent	3.4 percent	Yes	Yes
Ulrika Danielson	Andra AP-fonden	1.2 percent	1.0 percent	Yes	Yes
Anders Algotsson	AFA Försäkring	1.4 percent	1.0 percent	Yes	Yes
Ian H. Lundin	Lorito Holdings (Guernsey) Ltd., Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc., also non-executive Chairman of the Board of Lundin Petroleum	32.0 percent	31.0 percent	Yes	No ¹
Magnus Unger	Non-executive Board member of Lundin Petroleum who acts as the Chairman of the Nomination Committee			Yes	Yes
		Total 38.2 percent	Total 36.4 percent		

¹ For details, please see schedule on pages 54–55.

The Nomination Committee fulfils the independence requirements of the Code of Governance and no member of Group management is a member of the Committee. Magnus Unger was again unanimously elected as Chairman, a function that he has held since the Nomination Committee formed for the 2006 AGM. The fact that he is the Chairman of the Nomination Committee and a Board member of Lundin Petroleum constitutes a deviation from rule 2.4 in the Code of Governance, however, as in previous years, he was considered by the Nomination Committee to be best suited for the task.

The names of the members of the Nomination Committee were announced and posted on the Company's website on 24 October 2011, i.e. within the time frame of six months before the AGM as prescribed by the Code of Governance. The Nomination Committee held three meetings during the year and informal contacts took place between such meetings. The Nomination Committee received a report regarding the Board's work, as well as the results of the evaluation of the Board's work. A comparison of directors' fees in Europe was also undertaken by the Chairman of the Committee and the findings thereof were presented to the full Committee. The Committee further considered the independence of the Board members under the rules of the Code of Governance. The full report of the Nomination Committee regarding its work and proposals for the 2012 AGM will be published on the Company's website together with the notice of the AGM.

SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is the highest decision-making body of Lundin Petroleum where the shareholders exercise their voting rights and influence the operations of the Company. Shareholders may request that a specific issue be included in the agenda provided such request reaches the Board in due time. The AGM is to be held each year before the end of June at the seat of the Board in Stockholm. The notice of the AGM, which is to be given no more than six and no less than four weeks prior to the meeting, is to be announced in the Post- och Inrikes Tidningar (the Swedish Gazette) and on the Company's website. The documentation for the AGM is provided on the Company's website in Swedish and in English at the latest three weeks, however usually four weeks, before the AGM.

At the AGM, the shareholders decide on a number of key issues regarding the governance of the Company, such as election of the members of the Board and the auditor, the remuneration of the Board, management and the auditor, including approval of the Policy on Remuneration for the Executive Management, discharge of the Board members and the CEO from liability and the adoption of the annual accounts and appropriation of the Company's result. Extraordinary General Meetings are held as and when required for the operations of the Company.

2011 AGM

The 2011 AGM was held on 5 May 2011 at Grand Hotel in Stockholm. The AGM was attended by 303 shareholders, personally or by proxy, representing 48.9 percent of the share capital. The Chairman of the Board, all Board members and the

CEO were present, as well as the Company's auditor and the majority of the members of the Nomination Committee for the 2011 AGM². In order for all participants to be able to follow the AGM, all proceedings were simultaneously translated from Swedish to English and from English to Swedish.

The resolutions passed by the 2011 AGM include:

- » Re-election of Ian H. Lundin, Magnus Unger, William A. Rand, Lukas H. Lundin, C. Ashley Heppenstall, Asbjørn Larsen and Dambisa F. Moyo as Board members and election of Kristin Færøvik as a new Board member.
- » Re-election of Ian H. Lundin as Chairman of the Board.
- » Discharge of the Board and the CEO from liability for the administration of the Company's business for 2010.
- » Adoption of the Company's income statement and balance sheet and the consolidated income statement and balance sheet and deciding that no dividend was to be declared for 2010.
- » Approval of the remuneration of the Board members and the auditor.
- » Approval of the Company's Policy on Remuneration.
- » Authorisation for the Board to issue new shares and/or convertible debentures corresponding to in total not more than 35,000,000 new shares, with or without the application of the shareholders pre-emption rights, in order to enable the Company to raise capital for the Company's business operations and business acquisitions.
- » Authorisation for the Board to decide on repurchases and sales of the Company's own shares on the NASDAQ OMX Stockholm or the Toronto Stock Exchange, where the number of shares held in treasury from time to time shall not exceed five percent of all outstanding shares of the Company.
- » Approval of the nomination process for the 2012 AGM.

The minutes of the 2011 AGM are available in Swedish and English on the Company's website www.lundin-petroleum.com.

EXTERNAL AUDITOR OF THE COMPANY

Lundin Petroleum's external auditor audits annually the Company's financial statements, the consolidated financial statements, the Board's and the CEO's administration of the Company's affairs and the Corporate Governance Report. In addition, the auditor performs a review of the Company's half year report. The Board of Directors meets at least once a year with the auditor without any member of Group management present at the meeting. The auditor is elected for a period of four years to provide for continuity in the audit process. At the 2011 AGM, no election of auditor took place as the audit firm PricewaterhouseCoopers AB was elected at the 2009 AGM as the auditor of the Company for the period until the 2013 AGM. The auditor in charge is the authorised public accountant Bo Hjalmarsson. The auditor's fees are described in the notes to the financial statements – see Note 36 on page 95 and Note 10 on page 100. The auditor's fees also detail payments made for assignments outside the regular audit mandate. Such assignments are kept to a minimum to ensure the auditor's independence towards the Company.

² The members of the Nomination Committee for the 2011 AGM were KG Lindvall (Swedbank Robur fonder), Ossian Ekdahl (Första AP-fonden), Anders Algotsson (AFA Försäkring), Ian H. Lundin (Lorito Holdings (Guernsey) Ltd, Zebra Holdings and Investment (Guernsey) Ltd. and Landor Participations Inc. as well as non-executive Chairman of the Board of Lundin Petroleum) and Magnus Unger (non-executive Board member of Lundin Petroleum and Chairman of the Nomination Committee).

CORPORATE GOVERNANCE REPORT 2011

BOARD OF DIRECTORS

The Board of Directors of Lundin Petroleum is responsible for the organisation of the Company and management of the Company's operations. The Board of Directors is to manage the Company's affairs in the interests of the Company and all shareholders with the aim of creating long-term shareholder value.

Composition of the Board

The Board shall, according to the Articles of Association, consist of a minimum of three and a maximum of ten directors with a maximum of three deputies, and the AGM decides the final number each year. The Board members are elected for a term of one year and as mentioned previously, Ian H. Lundin, also Chairman of the Board, Magnus Unger, William A. Rand, Lukas H. Lundin, C. Ashley Heppenstall, also CEO of the Company, Asbjørn Larsen and Dambisa F. Moyo were re-elected, and Kristin Færøvik was elected as a new Board member, at the 2011 AGM for the period until the next AGM. There are no deputy members and no members appointed by employee organisations. The Board members, with the exception of the CEO, are not employed by the Company, do not receive any salary from the Company and are not eligible for participation in the Company's incentive programmes. In addition, the Board is supported by a corporate secretary who is not a Board member. The appointed corporate secretary is as of March 2011 Jeffrey Fountain, the Company's Vice President Legal.

The Chairman of the Board, Ian H. Lundin, is responsible for ensuring that the Board's work is well organised and conducted in an efficient manner. He upholds the reporting instructions for management, as drawn up by the CEO and as approved by the Board, however, he does not take part in the day-to-day decision-making concerning the operations of the Company. The Chairman further maintains close contact with the CEO to ensure the Board is at all times sufficiently informed of the Company's operations and financial status and meets, at various occasions during the year, shareholders of the Company to discuss shareholder questions and ownership issues in general.

All Board members elected at the 2011 AGM have extensive experience from the world of business and several members are also highly experienced within the oil and gas field. The Nomination Committee for the 2011 AGM considered, taking into account the business operations of Lundin Petroleum and its current phase of development, that the Board is composed of multi-faceted individuals who are well-suited for the job with breadth in expertise, experience and background. Further, in preparation of the elections at the 2011 AGM, the Nomination Committee considered the independence of each (proposed) Board member and determined that the composition of the (proposed) Board met the independence requirements of the Code of Governance both in respect of independence towards the Company and the Group management and towards the

The principal tasks of the Board of Directors include:

- » establishing the overall operational goals and strategy of the Company;
- » making decisions regarding the supply of capital;
- » appointing, evaluating and, if necessary, dismissing the CEO;
- » ensuring that there is an effective system for follow-up and control of the Company's operations;
- » ensuring that there is a satisfactory process for monitoring the Company's compliance with laws and other regulations relevant to the Company's operations;
- » defining necessary guidelines to govern the Company's ethical conduct;
- » ensuring that the Company's external communications are characterised by openness, and that they are accurate, reliable and relevant;
- » ensuring that the Company's organisation in respect of accounting, management of funds and the Company's financial position in general include satisfactory systems of internal control; and
- » continuously evaluating the Company's and the Group's economic situation.

Company's major shareholders. The independence of each Board member is presented in the schedule on pages 54–55.

Board Meetings and Work

The Board is guided by the Rules of Procedure, which set out how the Board is to conduct its work. In addition to the statutory meeting following the AGM, the Board normally holds at least six ordinary meetings per calendar year. At the meetings, the CEO reports on the status of the business, prospects and the financial situation of the Company, in accordance with operational needs. In addition, decision items and issues of material importance to the Company are considered by the Board and the Board Committees report on matters as and when required.

Board Meetings and Work in 2011

During 2011, nine board meetings took place, including the statutory meeting. To develop the Board's knowledge of the Company and its operations, a yearly field trip is in general carried out by the Board to one of the Company's operational locations and in 2011, the Board visited the French operations. In addition, the Board members were invited to attend a working session in Norway for a detailed review of the Luno field development project and one executive session, together with Group management, was held in France in connection with a Board meeting. At the executive session, an in-depth operations report regarding the Group's exploration and development activities was given, as well as a reserves and production update. A financial overview of the Group was presented and a CR/ HSE report, with a particular focus on anti-corruption initiatives undertaken by the Company, was given. Group management further attended a number of Board meetings during the year to present and report on specific questions, as and when required.

In 2011, the work of the Board included the following:

- » Review and approval of the report for the financial year ended 31 December 2010.
- » Strategic discussions regarding the current operations and future exploration and development projects.
- » Consideration of asset disposals and acquisitions.
- » Consideration of non-budgeted financial commitments following operational needs, e.g. additional wells/ side-tracks, Front End Engineering Design (FEED) costs, development plan (PDO) preparation costs, etc.
- » Consideration of substantial projects and commitments including drilling rig and seismic survey arrangements, revisions to drilling programmes, development plan (PDO) submissions, parent company guarantees, etc.
- » Consideration of new licence applications.
- » Discussions with the Company's auditor regarding the audit process and the Company's reporting, internal control and risk management.
- » Meeting with the Company's auditor without management present at the meeting.
- » Constitution of a Reserves Committee in connection with the Company's listing on the Toronto Stock Exchange in March 2011.
- » Review and approval of the materials and proposals for the 2011 AGM, including the Company's 2010 Annual Report.
- » Consideration and approval of a revised Code of Conduct.
- » Review and approval of the Company's six month report as per 30 June 2011, based on the recommendations of the Audit Committee.

- » Review and approval of up-dated Rules of Procedure for the Board, including instructions to the CEO, instructions for the financial reporting to the Board and terms of reference of the Board Committees and the Investment Committee.
- » Review and approval of reserves statements required under Canadian securities regulation.
- » Review and approval of the Anti-Corruption Policy and Guidelines.
- » Review and approval of the 2012 budget and work programme.
- » In addition, the Board continuously received management reports and updates regarding the ongoing operations, the Company's financial status and CR/HSE matters to enable the Board to duly monitor the Company's operations and financial position.

The Board is also responsible for evaluating the work of the CEO on a continuous basis and shall at least once a year, without management present at the meeting, specifically consider this issue. In 2011, the Compensation Committee, on behalf of the Board, undertook a review of the work and performance of Group management, including the CEO, and presented the results of the review at a Board meeting, including proposals regarding the compensation of the CEO and other Group management. Neither the CEO nor other Group management were present at the Board meetings when such discussions took place.

Evaluation of the Board's Work

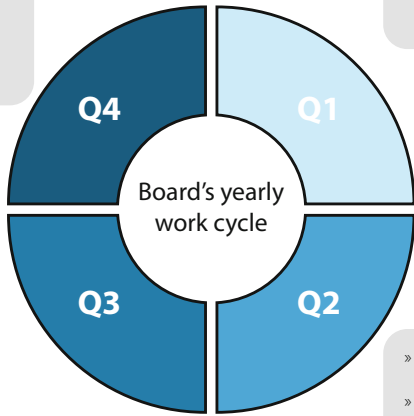
A formal review of the work of the Board was conducted in November 2011 through a questionnaire submitted to all Board

The Board's work follows a yearly cycle to ensure the Board duly addresses all areas of responsibility and that adequate focus is placed on strategic and important issues for the benefit of the Company's shareholders. Generally, issues are discussed and addressed at the ordinary meetings as follows.

- » Adoption of the budget and work programme.
- » Consideration of the Board self-evaluation to be submitted to the Nomination Committee.
- » Audit Committee report regarding the third quarter report.
- » Performance assessment of the CEO.
- » Consideration of Compensation Committee remuneration proposals.

- » Approval of the year end report.
- » Approval of the year end reserves report.
- » Approval of the remuneration report.
- » Approval of remuneration proposals regarding variable remuneration.

- » Executive session with Group management.
- » Detailed discussion of strategy issues.
- » In-depth analysis of one or more of the Company's business areas.
- » Review of the Rules of Procedure.



- » Approval of the Annual Report.
- » Review of the auditor's report.
- » Approval of the Policy on Remuneration for submission to the AGM.
- » Determination of the AGM details and approval of the AGM materials.

- » Adoption of the half year report, reviewed by the auditor.

- » Audit Committee report regarding the first quarter report.
- » Annual CR/HSE management report.
- » Annual assessment of the Code of Conduct.
- » Meeting with the auditor without management present.
- » Statutory meeting following the AGM.

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BOARD OF DIRECTORS



Ian H. Lundin
Chairman since 2002
Director since 2001
Member of the Nomination
Committee
Chairman of the Reserves
Committee



C. Ashley Heppenstall
Director since 2001
President and Chief Executive
Officer since 2002



Kristin Færøvik
Director since 2011
Member of the Compensation
Committee



Asbjørn Larsen
Director since 2008
Member of the Audit and
Reserves Committees
CR/HSE Board Representative

For more information see pages 54–55

members. Several aspects of the Board's work were considered and individual feedback from all of the Board members was received. The overall conclusions were the following:

» Board structure

The composition of the Board as a whole is appropriate to the Company's operations, phase of development and for addressing issues facing the Company; the Board members collectively exhibit diversity and breadth in respect of expertise, experience and background and have sufficient knowledge of the Company, its operations, organisation and industry; the composition of the Board Committees is appropriate; the duties and decision-making powers of the Board Committees are clear and well-defined; there should be no term limits or a fixed retirement policy.

» Board meetings

The number of Board meetings is appropriate; the meetings are well planned with clear agendas; the Board receives adequate materials in advance of the meetings; the Board's work is well organised, the meetings are chaired effectively and the time at the meetings is used efficiently with sufficient time for presentations and discussions; the members prepare for meetings and participate constructively; the Board focuses properly on competitive, financial and other challenges to promote the interests of the Company and is adequately involved in determination of the Company's overall goals and strategy; the Board is effective in monitoring the Company's operational performance and implementation of the strategy.

» Other

Information received between meetings is adequate and timely; the staff and related support for Board and Committee meetings is adequate; there is sufficient time/opportunity for Committee meetings; the Committees report to the Board in an effective and sufficient manner; there are sufficient contacts with the Company's auditor to ensure the financial reporting and internal controls are in compliance with rules and regulations; the CEO performance review process is adequate; the Board is well organised to handle a potential crisis situation; holding Board meetings in various operational locations is beneficial; the Board focuses on activities that will help maximise shareholder value.

The results and conclusions of the review were presented to the Nomination Committee.

Remuneration of Board Members

The remuneration of the Chairman and other Board members follows the resolution adopted by the AGM. The 2011 AGM decided that the Board shall receive a total compensation of not more than SEK 4,200,000. The Chairman was awarded an amount of SEK 800,000 and each other Board member, with the exception of the CEO, an amount of SEK 400,000. The AGM further decided to award SEK 100,000 for each Board Committee assignment, however, limited to a total of SEK 1,000,000 for Committee work. In addition, the 2011 AGM approved an amount of SEK 2,500,000 to be paid to Board members for special assignments outside the directorship.

The remuneration of the Board of Directors is detailed further in the schedule on pages 54–55 and in the notes to the financial statements – see Note 34 on pages 93–94.

BOARD COMMITTEES AND THE CR/HSE REPRESENTATIVE

To maximise the efficiency of the Board's work and to ensure a thorough review of certain issues, the Board has established a Compensation Committee, an Audit Committee and a Reserves Committee and has appointed a CR/HSE Board Representative. The tasks and responsibilities of the Committees are detailed in the terms of reference of each Committee, which are annually adopted as part of the Rules of Procedure of the Board. Minutes are kept at Committee meetings and matters discussed are reported to the Board. In addition, informal contacts take place between ordinary meetings as and when required by the operations.

Compensation Committee

The Compensation Committee assists the Board in Group management remuneration matters and receives information and prepares the Board's and the AGM's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of Group management. The objective of the Committee in determining compensation for Group management is to provide a compensation package that is based on market conditions, competitive and takes into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the individual. The Committee's tasks also include monitoring and evaluating programmes for variable remuneration, the application of the Policy on Remuneration as well as the current remuneration structures and levels in the Company. For further information regarding Group remuneration matters, see the remuneration sections of this report on pages 50–51.

Audit Committee

The Audit Committee assists the Board in ensuring that the Company's financial reports are prepared in accordance with International Financial Reporting Standards (IFRS), the Swedish Annual Accounts Act and accounting practices applicable to a company incorporated in Sweden and listed on the NASDAQ OMX Stockholm and the Toronto Stock Exchange. The Audit Committee supervises the Company's financial reporting and the efficiency of the Company's financial internal controls, internal audit and risk management and its primary objective is to provide support to the Board in the decision making processes regarding such matters. In addition, the Committee is empowered by the Committee's terms of reference to make decisions on certain issues delegated to it, such as review and approval of the Company's first and third quarter interim financial statements on behalf of the Board. The Audit Committee also regularly liaises with the Group's external auditor as part of the annual audit process and reviews the audit fees and the auditor's independence and impartiality. The Audit Committee further assists the Company's Nomination Committee in the preparation of proposals for the election of auditor at the AGM, as and when required.

Reserves Committee

The Reserves Committee was created in connection with the listing of Lundin Petroleum's shares on the Toronto Stock Exchange in 2011 and reviews and reports to the Board on matters relating to the Company's policies and procedures for

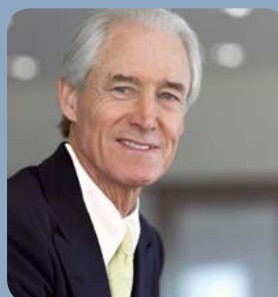
BOARD OF DIRECTORS



Lukas H. Lundin
Director since 2001



Dambisa F. Moyo
Director since 2009
Member of the Compensation Committee



William A. Rand
Director since 2001
Chairman of the Audit and Compensation Committees



Magnus Unger
Director since 2001
Member of the Audit and Compensation Committees
Chairman of the Nomination Committee

For more information see pages 54–55

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reporting oil and gas reserves and related information as per National Instrument 51-101 (NI 51-101) issued under applicable Canadian securities regulation. The Reserves Committee reports to the Board on the Company's procedures for disclosing oil and gas reserves and other related information, on the appointment of the independent qualified reserves auditor and on the Company's procedures for providing information to the independent qualified reserves auditor. The Reserves Committee also meets with management and the independent qualified reserves auditor to review, and determine whether to recommend that the Board approve, the statement of reserves and other oil and gas information required to be submitted annually under NI 51-101.

The CR/HSE Board Representative

The Board of Directors has a leadership and supervisory role in all CR and HSE matters within the Group and appoints yearly one non-executive Director to act as the CR/HSE Board Representative. The tasks of the CR/HSE Board Representative include to liaise with Group management regarding CR and HSE related matters and to regularly report on such matters to the Board of Directors. The current CR/HSE Board Representative is Asbjørn Larsen. More information about the Company's CR/HSE activities can be found in the Corporate Responsibility section on pages 32-39.

Audit Committee 2011			
Members	Meeting attendance	Audit Committee work during the year	Other requirements
William A. Rand, Chairman Magnus Unger Asbjørn Larsen	6/6 6/6 6/6	<ul style="list-style-type: none"> - Assessment of the 2010 year end report and the 2011 half year report for completeness and accuracy and recommendation for approval to the Board. - Assessment and approval of the first and third quarter reports 2011 on behalf of the Board. - Evaluation of accounting issues in relation to the assessment of the financial reports. - Three meetings with the external auditor to discuss the financial reporting, internal controls, etc. - Evaluation of the audit performance and the independence and impartiality of the external auditor. - Follow-up and evaluation of the results of the internal audit of the Group. 	<ul style="list-style-type: none"> - The composition of the Audit Committee fulfilled the independence requirements of the Code of Governance. - William A. Rand has chaired the Audit Committee since its inception in 2002 and all Audit Committee members have financial/legal management expertise. In addition, Asbjørn Larsen's previous assignments include the position of CFO and CEO of a Norwegian listed upstream petroleum company and he has extensive experience in accounting and audit matters.
Compensation Committee 2011			
Members	Meeting attendance	Compensation Committee work during the year	Other requirements
William A. Rand, Chairman Magnus Unger Dambisa F. Moyo Lukas H. Lundin ³ Kristin Færøvik ⁴	4/4 4/4 3/4 1/1 3/3	<ul style="list-style-type: none"> - Review of the performance of the CEO, the other members of Executive Management and other Group management as per the Performance Management Process. - Preparing a report regarding the Board's evaluation of remuneration of the Executive Management in 2010. - Continuous monitoring and evaluation of remuneration structures, levels, programmes and the Policy on Remuneration. - Preparing a proposal for the 2011 Policy on Remuneration for Board and AGM approval. - Preparing a proposal for remuneration and other terms of employment for the CEO for Board approval. - Review of the CEO's proposals for remuneration and other terms of employment of the other members of Executive Management and VP level employees for Board approval. - Review and approval of the CEO's proposals for the principles of compensation of other Group management and employees. - Review and approval of the CEO's proposals for 2011 LTIP awards. - Approval of severance arrangements. - Undertaking a remuneration benchmark study and engaging the HayGroup to assist with the study. 	<ul style="list-style-type: none"> - The composition of the Compensation Committee fulfilled the independence requirements of the Code of Governance. - William A. Rand has chaired the Compensation Committee since its inception in 2002 and thus possesses extensive experience in compensation matters. In addition, considering the varied backgrounds and experience of the Committee members in general, the Compensation Committee has ample knowledge and experience of management remuneration issues.
Reserves Committee 2011			
Members	Meeting attendance	Reserves Committee work during the year	Other requirements
Ian H. Lundin, Chairman Asbjørn Larsen	1/1 1/1	<ul style="list-style-type: none"> - General review of the Company's oil and gas reserves procedures and practices. - Review of the Company's procedures for assembling and reporting other information associated with oil and gas activities. - Meeting with management and Gaffney, Cline & Associates, the independent qualified reserves auditor, to discuss the reserves reporting. - Review of reserves data. 	<ul style="list-style-type: none"> - The composition of the Reserves Committee fulfilled the independence requirements of Canadian securities regulation as per NI 51-101.

³ Lukas H. Lundin was a member of the Compensation Committee until 5 May 2011.

⁴ Kristin Færøvik has been a member of the Board and the Compensation Committee since 5 May 2011.

MANAGEMENT



C. Ashley Heppenstall
President & Chief
Executive Officer,
Director



Alexandre Schneider
Executive Vice President
& Chief Operating Officer



Geoffrey Turbott
Vice President Finance &
Chief Financial Officer



Chris Bruijnzeels
Senior Vice President
Operations



Christine Batruch
Vice President Corporate
Responsibility



Jeffrey Fountain
Vice President Legal

MANAGEMENT

Management structure

The President and CEO of the Company, C. Ashley Heppenstall, is responsible for the management of the day-to-day operations of Lundin Petroleum. He is appointed by, and reports to, the Board and is also the only executive Board member. The tasks of the CEO and the division of duties between the Board and the CEO are defined in the Rules of Procedure and the Board's instructions to the CEO. In addition to the overall management of the Company, the CEO's tasks include ensuring that the Board receives all relevant information regarding the Company's operations, including profit trends, financial position and liquidity, as well as information regarding important events such as significant disputes, agreements and developments in important business relations. The CEO is also responsible for preparing the required information for Board decisions and for ensuring that the Company complies with applicable legislation, securities regulations and other rules such as the Code of Governance. To fulfil his duties, the CEO works closely with the Chairman of the Board to discuss the Company's operations, financial status, up-coming Board meetings, implementation of decisions and other relevant matters.

The CEO is assisted in his functions by Group management, being:

- » The Investment Committee, which in addition to the CEO includes
 - the Chief Operating Officer (COO), Alexandre Schneider, who is responsible for Lundin Petroleum's worldwide exploration and production operations;
 - the Chief Financial Officer (CFO), Geoffrey Turbott, who is responsible for the financial reporting, internal audit, risk management, IT, HR, tax and treasury function; and
 - the Senior Vice President Operations (SVP Operations), Chris Bruijnzeels, who is responsible for operations, reserves and the optimum development of Lundin Petroleum's asset portfolio.
- » The Vice President Corporate Responsibility, Christine Batruch, who is responsible for the Group's CR and HSE strategy, and the Vice President Legal, Jeffrey Fountain, who is responsible for all legal matters pertaining to the Group.
- » The General Managers/Managing Directors who are responsible for the day-to-day activities of the local operational entities.

Group management works closely together in respect of commercial, technical, HSE, financial and legal issues with the aim of creating long-term shareholder value. Group management is also responsible for ensuring that the operations are conducted in compliance with all Group policies and procedures.

Investment Committee

The Company's Investment Committee, which consists of the members of the Executive Management, was established by the Board in 2009 to assist the Board in discharging its responsibilities in overseeing the Company's investment portfolio. The role of the Committee is to determine that the Company has a clearly articulated investment policy, to develop, review and recommend to the Board investment strategies and guidelines in line with the Company's overall policy, to review and approve investment transactions and to monitor compliance with investment strategies and guidelines. The responsibilities and duties include considering annual budgets, supplementary budget approvals, investment proposals, commitments, relinquishment of licences, disposal of assets and performing other investment related functions as the Board may designate. The Investment Committee has scheduled meetings every two weeks and meets more frequently if required by the operations.

CORPORATE GOVERNANCE REPORT 2011

REMUNERATION

Group Principles of Remuneration

Lundin Petroleum aims to offer all its employees compensation packages that are competitive and in line with market conditions to ensure it can recruit, motivate and retain highly skilled individuals, in a manner that nonetheless enhances shareholder value. The principles of remuneration within the Group are therefore made up of four elements, being (i) basic salary; (ii) yearly variable salary; (iii) long-term incentive plans; and (iv) other benefits. As part of the yearly assessment process, the Company has established a Performance Management Process to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures are formally agreed and key elements of variable remuneration are clearly linked and defined to the achievement of stated and agreed performance measures. To ensure compensation packages within the Group remain competitive and in line with market conditions, the Compensation Committee undertakes regular benchmarking studies and may request the advice and assistance of external reward consultants, which it did in 2011 through the HayGroup. The HayGroup did not perform any other assignments for the Company or the Executive Management.

Remuneration of Executive Management

The remuneration of Executive Management follows the principles that are applicable to all employees, however, the principles must be approved by the AGM. The Compensation Committee therefore prepares yearly for approval to the Board, and for submission for final approval to the AGM, a Policy on Remuneration for the Executive Management. Based on the approved Policy on Remuneration, the Compensation Committee subsequently proposes to the Board for approval the remuneration and other terms of employment of the CEO, and the CEO proposes to the Compensation Committee, for approval by the Board, the remuneration and other terms of employment of the other members of the Executive Management.

The tasks of the Compensation Committee include monitoring and evaluating the application of the Policy on Remuneration approved by the AGM, and to fulfil this task, the Compensation Committee prepares a yearly report, for approval by the Board, on the evaluation of remuneration of the Executive Management. The external auditor of the Company also verifies on a yearly basis whether the Company has complied with the Policy on Remuneration. Both reports are available on the Company's website and the Policy on Remuneration approved by the 2011 AGM is included in this Corporate Governance Report. Further details regarding the remuneration of Executive Management in 2011 can be found in the notes to the financial statements – see Notes 34–35 on pages 93–95.

For information regarding the Board's proposal for remuneration to the Executive Management to the 2012 AGM, please see page 71.

LUNDIN PETROLEUM AB'S 2011 POLICY ON REMUNERATION FOR THE EXECUTIVE MANAGEMENT (AS APPROVED BY THE 2011 AGM)

Application and Objectives of the Policy

In this Policy on Remuneration, the terms "Executive Management" or "Executives" refers to the President and Chief Executive Officer (CEO), the Executive Vice President and Chief Operating Officer, the Vice President Finance and Chief Financial Officer, and the Senior Vice President Operations.

It is the aim of Lundin Petroleum to recruit, motivate and retain high calibre Executives capable of achieving the objectives of the Group, and to encourage and appropriately reward performance in a manner that enhances shareholder value. Accordingly, the Group operates this Policy on Remuneration to ensure that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice, and aims to ensure that the Executive Management is rewarded fairly for its contribution to the Group's performance.

Compensation Committee

The Board of Directors of Lundin Petroleum has established the Compensation Committee to, among other things, administer this Policy on Remuneration. The Compensation Committee is to receive information and prepare the Board of Directors' and the Annual General Meeting's decisions on matters relating to the principles of remuneration, remunerations and other terms of employment of the Executive Management. The Compensation Committee meets regularly and its tasks include monitoring and evaluating programmes for variable remuneration for the Executive Management and the application of this Policy on Remuneration, as well as the current remuneration structures and levels in the Company.

Elements of Remuneration

There are four key elements to the remuneration of Executive Management:

- a) basic salary;
- b) yearly variable salary;
- c) long-term incentive plan; and
- d) other benefits.

Basic Salary

The Executive's basic salary shall be based on market conditions, shall be competitive and shall take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the Executive. The Executive's basic salary, as well as the other elements of the Executive's remuneration, shall be reviewed annually to ensure that such remuneration remains competitive and in line with market conditions. As part of this assessment process, the Company, as well as the Compensation Committee, periodically undertakes benchmarking comparisons in respect of its remuneration policy and practices. In such circumstances, the comparator group is chosen with regard to:

- a) companies both within and outside the oil and gas industry;
- b) the size of the company (turnover, profits and employee numbers);
- c) the diversity and complexity of the company's business;
- d) the geographical nature of the company's business; and
- e) the company's growth, expansion and change profile.

The advice and assistance of specialised consultants may be requested in connection with these comparisons and the Compensation Committee shall ensure that there is no conflict of interest regarding other assignments such consultants may have for the Company and the Executive Management.

Yearly variable salary

The Company considers that yearly variable salary is an important part of the Executive's remuneration package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. Through its Performance Management Process, the Company sets predetermined and measurable performance criteria for each Executive, aimed at promoting long term value creation for the Company's shareholders.

At the end of each year, the CEO will make a recommendation to the Compensation Committee regarding the payment of the yearly variable salary to the other Executives based upon the achievement of their respective performance criteria. After consideration of the CEO's recommendations, the Compensation Committee will recommend to the Board of Directors for approval the level of the yearly variable salary of the CEO and of the other Executives.

The yearly variable salary shall, in the normal course of business, be based upon a predetermined limit, being within the range of 1–12 monthly salaries. However, the Compensation Committee may recommend to the Board of Directors for approval yearly variable salary outside of this range in circumstances or in respect of performance which the Compensation Committee considers to be exceptional.

Long-term Incentive Plan

The Company believes that it is appropriate to structure the long-term incentive plan (LTIP) to align Executive Management's incentives with shareholder interests. Therefore, the Company's LTIP for Executive Management is an incentive plan related to the Company's share price.

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 will be 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.

Other Benefits

Other benefits shall be based on market terms and shall facilitate the discharge of each Executive's duties. Such benefits include statutory pension benefits comprising a defined contribution scheme with premiums calculated on the full basic salary. The pension contributions in relation to the basic salary are dependent upon the age of the Executive.

Severance Arrangements

A mutual termination period of between one month and six months applies between the Company and Executives, depending on the duration of the employment with the Company. In addition, severance terms are incorporated into the employment contracts for Executives that give rise to compensation, equal to two years' basic salary, in the event of termination of employment due to a change of control of the Company.

The Compensation Committee shall approve termination packages that exceed USD 150,000 in value per individual.

Authorisation for the Board

The Board of Directors is authorised to deviate from the Policy on Remuneration in accordance with Chapter 8, section 53 of the Swedish Companies Act in case of special circumstances in a specific case.

CORPORATE GOVERNANCE REPORT 2011

INTERNAL CONTROL AND RISK MANAGEMENT FOR THE FINANCIAL REPORTING

The responsibility of the Board of Directors for internal control over financial reporting is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Governance. The information in this report is limited to internal control and risk management regarding financial reporting and describes how internal control over the financial reporting is organised, but does not comment on its effectiveness.

Lundin Petroleum's Financial Reporting Internal Control System consists of five key components, as described below and is based upon the Committee of Sponsoring Organisations of the Treadway Commission (COSO) model.

Internal control system for financial reporting

Lundin Petroleum's objective for financial reporting is to provide reliable and relevant information for internal and external purposes, in compliance with existing laws and regulations, in a timely and accurate manner. An internal control system for financial reporting has been created to ensure that this objective will be met. An internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, and is designed to manage rather than eliminate the risk of failure to achieve the financial reporting objectives.

Improving on a continuous basis

The internal control of financial reporting is a continuous evaluation of the risks and control activities within the Group. The evaluation work is an ongoing process that involves internal and external benchmarking, as well as improvement and development of control activities.

1. Control Environment

Lundin Petroleum's Board of Directors has the overall responsibility for establishing an effective internal control system. The Audit Committee assists the Board in relation to the financial reporting, internal control and the reporting of financial risks. The Audit Committee also supervises the efficiency of the internal auditing, internal control and financial reporting and reviews all interim and annual financial reports.

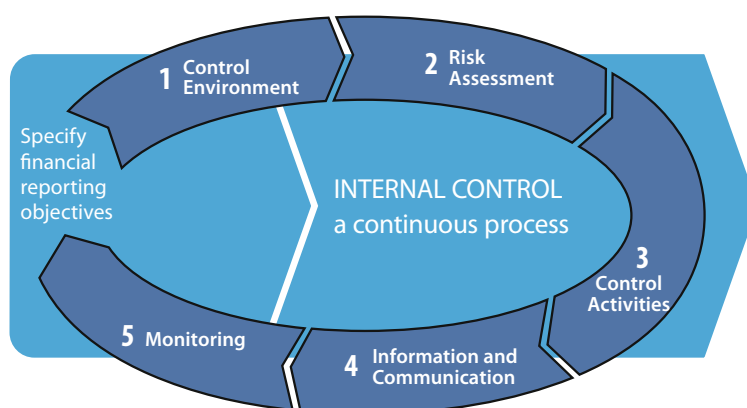
The CEO is responsible for maintaining in the daily operations an effective control environment and for operating the system of internal control and risk management in the Group and is assisted by Group management at varying levels. Lundin Petroleum further has an internal auditor whose main responsibility is to ensure adherence to the internal control framework. The internal auditor reports to the Audit Committee.

The development and implementation of a Group-wide framework of consistent policies and procedures, to strengthen the internal control of the Group, is a continuous process. Together with laws and external regulations, these internal policies and procedures form the control environment which is the foundation of the internal control and risk management process at Lundin Petroleum. All employees are accountable for compliance with these policies and procedures within their areas of control and risk management.

2. Risk Assessment

Risk assessment is an integrated part of the internal control framework and is performed on an ongoing basis at Lundin Petroleum. Risk assessment is a process that identifies, sources and measures the risk of material error in the financial reporting and accounting systems of the Group. This process is the basis for designing control activities to mitigate identified risks. For further details on the different risks, see the Risks and Risk Management section on pages 60–61.

Lundin Petroleum's Financial Reporting Internal Control System The Five Key Components



Significant internal documents that form the control environment at Lundin Petroleum:

- » The Code of Conduct: the Code of Conduct sets out the principles by which Lundin Petroleum is guided and describes the responsibilities it has towards its stakeholders.
- » The Anti-fraud Policy: the policy outlines the employees' responsibilities with regard to fraud prevention, what to do if fraud is suspected and what action will be taken by management in the case of suspected or actual fraud.
- » The Whistleblowing Policy: the policy was adopted to complement the anti-fraud policy as a means to address serious concerns that could have a significant impact on the Group.
- » The Authorisation Policy: the policy defines the limits of authority that are applicable within the Group.
- » The Group Accounting Principles Manual: the manual outlines the Group's accounting principles and explains how transactions are to be accounted for and requirements for disclosure. The manual focuses upon the accounting policies to be applied in accordance with International Financial Reporting Standards (IFRS).
- » The Finance and Administration Manual: the manual describes the day-to-day financial procedures within the Group.

As part of the risk assessment for 2011, Lundin Petroleum has reviewed and analysed the risks that exist within the financial reporting process and has structured its internal control systems around the risks identified. The risks have been assessed through a standardised methodology based on likelihood and impact. When risks are identified and evaluated, control activities are implemented to minimise the risks in the financial reporting process. Those risks are documented in a Group-wide risk map. Conclusions of the risk assessment are reported to management and the Board through the Audit Committee. Identified risk areas are mitigated through business processes with incorporated risk management, policies and procedures, segregation of duties and delegation of authority.

3. Control Activities

The finance department of each Group company is responsible for the regular analysis of the financial results and for reporting thereon to the finance department at Group level. Various other control activities are also incorporated into the financial reporting process to ensure that the financial reporting gives a true and fair view at any reporting date and that business is conducted efficiently. Developed control activities within Lundin Petroleum include processes for approval of business transactions, reconciliations, reviews of operating performance, segregation of duties, policies and procedures and information systems. The choice of control activities depends on the nature of the risk identified and the results of a materiality analysis.

Further, the Investment Committee was established by the Board to assist the Board in overseeing the Group's investment decisions such as annual budgets, investment proposals, etc. and to make recommendations to the Board as required. The Investment Committee meets at least twice per month and its review and approval process constitutes an important control activity within the Group.

The internal auditor performs on a regular basis risk assessments and audits as per an internal audit plan which is approved by the Audit Committee twice per year. In addition, the internal auditor coordinates joint venture audits that are undertaken by Lundin Petroleum. In the oil and gas industry, operations are conducted through joint venture arrangements, where partners share the costs and risks of the activities. To ensure that accounting procedures are followed and costs are incurred in accordance with the joint operating agreement, for non-operated assets, joint venture partners have audit rights over the operating partner.

4. Information and Communication

Communicating relevant information throughout all levels of the Group, as well as to external parties, in a complete, correct and timely manner is an important part of the internal control framework. The communications policy that has been approved by the Board of Directors defines how external information is to be issued, by whom and the way in which the information should be given.

Financial information is published by Lundin Petroleum in the following forms:

- » The Annual Report
- » Quarterly reports
- » Press releases for news and events that may have an impact on the share price
- » Presentations, webcasts and audiocasts for analysts, investors and media
- » Lundin Petroleum's website

Policies and procedures, such as the Group Accounting Principles Manual, the Authorisation Policy and the Finance and Administration Manual are also communicated on a regular basis to all employees and are accessible through the information system network.

5. Monitoring

Monitoring of the financial reporting of Lundin Petroleum is carried out by the Board of Directors, the CEO, Group management, the internal auditor and the finance department of each Group company. To ensure that the Board receives sufficient and accurate information, the Rules of Procedures of the Board include detailed instructions regarding the type of financial reports that shall be submitted to the Board regarding the Group as a whole and the entities it comprises. The Board also reviews, primarily through the Audit Committee, the most important accounting principles applied by the Group in the financial reporting, as well as changes to these principles. Minutes are taken at all meetings of the Audit Committee and are provided to the external auditor.

Financial monitoring activities are conducted by local management and the finance department of each Group company, and the finance department at Group level, and include monthly and quarterly follow-up of results against budget and forecast. Further, an important monitoring activity carried out by the internal auditor is to follow-up on the results of the previous years' internal audits and risk assessments to ensure that the appropriate corrective measures have been implemented.

CORPORATE GOVERNANCE REPORT 2011

BOARD OF DIRECTORS

Name	Ian H. Lundin	C. Ashley Heppenstall	Kristin Færøvik ⁴	Asbjørn Larsen
Function	Chairman (since 2002)	President and CEO, Director	Director	Director
Elected	2001	2001	2011	2008
Born	1960	1962	1962	1936
Education	Bachelor of Science degree in Petroleum Engineering from the University of Tulsa.	Bachelor of Science degree in Mathematics from the University of Durham.	Master of Science degree in Petroleum Engineering from the University of Trondheim.	Norwegian School of Economics and Business Administration (NHH).
Experience	Ian H. Lundin was previously CEO of International Petroleum Corp. during 1989–1998, of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Kristin Færøvik is currently the Executive Vice President Offshore of Bergen Group. She worked with Marathon Petroleum Company 2003–2010 and with BP 1986–2003.	Asbjørn Larsen was CFO of Saga Petroleum during 1978–1979 and President and CEO during 1979–1998.
Other board duties	Chairman of the board of Etrion Corporation and Bukowski Auktioner AB.	Member of the board of Etrion Corporation, Vostok Nafta Investment Ltd. and Gateway Storage Company Limited.	None.	Vice chairman of the board of Saga Fjordbase AS, member of the board of Selvaag Gruppen AS, GreenStream Network Oyj, The Montebello Cancer Rehabilitation Foundation and The Tom Wilhelmssen Foundation.
Shares in Lundin Petroleum (as at 31 December 2011)	Nil ¹	1,391,283	9,000	12,000
Board Attendance	9/9	9/9	5/5	9/9
Audit Committee Attendance				6/6
Compensation Committee Attendance			3/3	
Reserves Committee Attendance	1/1			1/1
Remuneration for Board and Committee work	SEK 800,000	Nil	SEK 250,000	SEK 500,000
Remuneration for special assignments outside the directorship ⁸	SEK 1,170,000	Nil	Nil	Nil
Independent of the Company and the Group management	Yes ²	No ³	Yes	Yes
Independent of the Company's major shareholders	No ¹	No ³	Yes	Yes

1 Ian H. Lundin is the settler of a trust that owns Landor Participations Inc., an investment company that holds 11,538,956 shares in the Company, and is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

2 Ian H. Lundin has been regularly retained by management to perform remunerated work duties which fall outside the scope of the regular work of the Board. It is the Nomination Committee's and the Company's opinion that despite his work, he remains independent of the Company and the Group management.

3 C. Ashley Heppenstall is in the Nomination Committee's and the Company's opinion not deemed independent of the Company and the Group management since he is the President & CEO of Lundin Petroleum and not of the Company's major shareholders since he holds directorships in two companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

Lukas H. Lundin	Dambisa F. Moyo	William A. Rand	Magnus Unger	Name
Director	Director	Director	Director	Function
2001	2009	2001	2001	Elected
1958	1969	1942	1942	Born
Graduate from the New Mexico Institute of Mining, Technology and Engineering.	Doctorate in Economics at Oxford University, Masters from Harvard University's Kennedy School of Government, MBA in Finance and Bachelors in Chemistry from the American University in Washington D.C.	Commerce degree (Honours Economics) from McGill University, Law degree from Dalhousie University, Master of Laws degree in International Law from the London School of Economics and Doctorate of Laws from Dalhousie University (Hon.).	MBA from the Stockholm School of Economics.	Education
Lukas H. Lundin has held several key positions within companies where the Lundin family has a major shareholding.	Dambisa F. Moyo worked as a consultant for the World Bank during 1993–1995 and at Goldman Sachs during 2001–2008.	William A. Rand practised law in Canada until 1992, after which he co-founded an investment company and pursued private business interests.	Magnus Unger was an Executive Vice President within the Atlas Copco group during 1988–1992.	Experience
Chairman of the board of Lundin Mining Corp., Vostok Nafta Investment Ltd., Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Sirocco Mining Inc. and Lundin Foundation, member of the board of Fortress Minerals Corp. and Bukowski Auktioner AB.	Member of the board of SABMiller, Barclays plc, Barclays Bank plc and Barrick Gold Corp.	Member of the board of Lundin Mining Corp., Vostok Nafta Investment Ltd., Denison Mines Corp., New West Energy Services Inc. and NGEx Resources Inc.	Chairman of the board of CAL-Konsult AB and member of the board of Black Earth Farming Ltd.	Other board duties
788,331 ⁵	10,000	120,441	50,000	Shares in Lundin Petroleum (as at 31 December 2011)
8/9	8/9	9/9	9/9	Board Attendance
		6/6	6/6	Audit Committee Attendance
1/1 ⁶	3/4	4/4	4/4	Compensation Committee Attendance
				Reserves Committee Attendance
SEK 450,000	SEK 500,000	SEK 600,000	SEK 600,000	Remuneration for Board and Committee work
Nil	Nil	Nil	SEK 100,000	Remuneration for special assignments outside the directorship ⁸
Yes	Yes	Yes	Yes	Independent of the Company and the Group management
No ⁵	Yes	No ⁷	Yes	Independent of the Company's major shareholders

4 Kristin Færøvik has been a member of the Board and the Compensation Committee since 5 May 2011.

5 Lukas H. Lundin is a member of the Lundin family that holds, through a family trust, Lorito Holdings (Guernsey) Ltd. which holds 76,342,895 shares in the Company and Zebra Holdings and Investment (Guernsey) Ltd. which holds 10,844,643 shares in the Company.

6 Lukas H. Lundin was a member of the Compensation Committee until 5 May 2011.

7 William A. Rand is in the Nomination Committee's and the Company's opinion not deemed independent of the Company's major shareholders since he holds directorships in companies in which entities associated with the Lundin family hold ten percent or more of the share capital and voting rights.

8 The remuneration paid during 2011 relates to fees paid for special assignments undertaken on behalf of the Group. The payment of such fees was in accordance with fees approved by the 2011 AGM.

CORPORATE GOVERNANCE REPORT 2011

INVESTMENT COMMITTEE/EXECUTIVE MANAGEMENT

Name	C. Ashley Heppenstall	Alexandre Schneider	Geoffrey Turbott	Chris Bruijnzeels
Function	President and Chief Executive Officer, Director	Executive Vice President and Chief Operating Officer	Vice President Finance and Chief Financial Officer	Senior Vice President Operations
With Lundin Petroleum since	2001	2001	2001	2003
Born	1962	1962	1963	1959
Education	Bachelor of Science degree in Mathematics from the University of Durham.	Graduate from the University of Geneva with a degree in Geology and a Masters degree in Geophysics.	Member of the Institute of Chartered Accountants of New Zealand.	Graduate from the University of Delft with a degree in Mining Engineering.
Experience	C. Ashley Heppenstall has worked with public companies where the Lundin family has a major shareholding since 1993. He was CFO of Lundin Oil AB during 1998–2001 and of Lundin Petroleum during 2001–2002.	Alexandre Schneider has worked with public companies where the Lundin family has a major shareholding since 1993.	Geoffrey Turbott has worked with public companies where the Lundin family has a major shareholding since 1995.	Chris Bruijnzeels worked with Shell International during 1985–1998 in several reservoir engineering functions and with PGS Reservoir Consultants during 1998–2003 as Principal Reservoir Engineer and Director Evaluations.
Board duties	Member of the board of Etrion Corporation, Vostok Nafta Investment Ltd. and Gateway Storage Company Limited.	Member of the board of ShaMaran Petroleum Corp., EnQuest plc and Swiss Sailing Team AG.	None.	None.
Shares in Lundin Petroleum (as at 31 December 2011)	1,391,283	223,133	45,000	21,333
Phantom options	2,062,848	1,512,755	962,662	962,662

Stockholm, 11 April 2012

The Board of Directors of Lundin Petroleum AB (publ)



Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders in Lundin Petroleum AB (publ), corporate identity number 556610-8055.

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2011 on pages 40-56 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 11 April 2012

PricewaterhouseCoopers AB

A handwritten signature in black ink, appearing to read 'Bo Hjalmarsson', written over a horizontal line.

Bo Hjalmarsson
Authorized Public Accountant
Lead Auditor

A handwritten signature in black ink, appearing to read 'Bo Karlsson', written over a horizontal line.

Bo Karlsson
Authorized Public Accountant