VALKYRIES PETROLEUM CORP.

Notice of Special Meeting
To Be Held On July 25, 2006

And

Management Circular
Regarding a Proposed Arrangement

2101 - 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E8
Tel. (604) 689-7842
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June 28, 2006

Dear Shareholder:

It is my pleasure to extend to you, on behalf of the Board of Directors of Valkyries Petroleum Corp. ("Valkyries" or the "Corporation"), an invitation to attend a special general meeting of the shareholders of the Corporation to be held at Suite 2101, 885 West Georgia Street, Vancouver, B.C. Canada on July 25, 2006 at 12:00 p.m. (Pacific Time).

The purpose of the meeting will be to ask shareholders to vote on a resolution approving the acquisition of Valkyries by Lundin Petroleum AB ("Lundin Petroleum"). If approved, the acquisition of Valkyries will be completed by way of a Plan of Arrangement by which each Valkyries common share will be exchanged for one Lundin Petroleum share. Further details about the Plan of Arrangement can be found in the accompanying management information circular.

The Board of Directors of Valkyries has carefully considered the Plan of Arrangement and has determined that it is in the best interests of the Corporation and recommends that shareholders vote IN FAVOUR of the resolution.

The Board of Directors came to these determinations based on, among other things, the recommendation of a Special Committee of independent directors that the Plan of Arrangement is in the best interests of the Corporation, is fair to the shareholders and should be recommended to the shareholders.

Valkyries' mandate for its shareholders has been to aggressively pursue reserves, production and cash flow growth through strategic investment in production, development and exploration assets with a primary focus on opportunities in Russia. Over the past two years, the Corporation has successfully built a platform for growth with its Russian assets and now want to enable our shareholders to capitalize on a new phase of rapid growth that a company like Lundin Petroleum can provide. The financial and technical capability of Lundin Petroleum will enable the combined entity to penetrate the Russian market at an accelerated rate while at the same time diversifying exploration, technical and political risk.

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Albania, France, Indonesia, Ireland, Netherlands, Nigeria, Norway, Sudan, Tunisia, United Kingdom and Venezuela. Lundin Petroleum has existing proven and probable reserves of 146.1 million barrels of oil equivalent as at 1 January 2006 and a forecast net production for 2006 of 36,000 barrels of oil equivalent per day. During 2005, Lundin Petroleum generated a net profit after taxes of USD 133.3 million (SEK 994 million) and an operating cash flow of USD 352.4 million (SEK 2.6 billion). Its financial and technical depth will ensure that stakeholders will garner the most value possible from Valkyries' Russian assets and benefit from exposure to a world class portfolio of global production and exploration assets.

On behalf of the Corporation, we would like to thank all of the shareholders for their ongoing support as we prepare to take part in this important event in the history of Valkyries Petroleum Corp.

Yours very truly,

VALKYRIES PETROLEUM CORP.

"Keith C. Hill"
President and C.E.O.

VALKYRIES PETROLEUM CORP.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a Special Meeting (the "Meeting") of the shareholders of **VALKYRIES PETROLEUM CORP.** (the "Corporation" or "Valkyries") will be held at **the corporate offices of the Corporation, Suite 2101, 885 West Georgia Street, Vancouver, British Columbia, on Tuesday, the 25th day of July, 2006 at the hour of 12:00 p.m. (Vancouver Time)** for the following purposes:

1. To consider, pursuant to an interim order of the Supreme Court of British Columbia dated June 22, 2006 (the "Interim Order"), and, if deemed advisable, to pass a special resolution with or without variation, (the "Arrangement Resolution") approving the arrangement (the "Arrangement") pursuant to section 192 of the *Canada Business Corporations Act* involving Valkyries Petroleum Corp. ("Valkyries"), Lundin Petroleum AB ("Lundin Petroleum") and Lundin Petroleum Canada Inc. (formerly known as 6565654 Canada Inc.), a wholly-owned subsidiary of Lundin Petroleum ("Lundin Subco"), pursuant to which, among other things: (i) each Valkyries shareholder (other than a dissenting shareholder) will transfer and assign all the common shares of Valkyries held by such shareholder ("Valkyries Shares") to Lundin Subco in exchange for the common shares of Lundin Petroleum ("Lundin Shares") on the basis of one Lundin Share for each Valkyries Share, (ii) the outstanding share purchase options of Valkyries will become exercisable for Lundin Shares at the exercise price to be converted from Canadian dollars to Swedish kronas at the noon exchange rate of the Bank of Canada on the Effective Date of the Arrangement, and (iii) Valkyries will become a wholly-owned subsidiary of Lundin Subco; and

2. To transact such further or other business as may properly come before the Meeting and any adjournment thereof.

The Arrangement Resolution referenced above is more particularly described in the accompanying management circular of Valkyries (the "Circular") and the full text of the Arrangement Resolution is included as Exhibit E to the Circular. Capitalized terms not otherwise defined in this notice shall have the meaning ascribed to them in the Circular.

In order to be passed, the Arrangement Resolution must be approved by (i) not less than two-thirds of the votes cast by the Valkyries Shareholders at the Meeting and (ii) by a simple majority of the votes cast by the Disinterested Valkyries Shareholders at the Meeting.

The Arrangement is subject to shareholder approval pursuant to the Interim Order. Before the Arrangement can become effective, it must be approved by a final order (the "Final Order") of the Supreme Court of British Columbia. A copy of the Petition to the Court and the Interim Order for the Final Order are attached as Exhibits F and G, respectively, to the Circular. **Any Valkyries Shareholder may participate, be represented and present evidence or arguments at the hearing for the Final Order. Any person desiring further information about the steps that must be taken prior to making submissions may contact Patrick Sullivan of TVS Barristers at 300 – 1168 Hamilton Street, Vancouver, B.C., 604-687-7007. If such person does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to such person or persons. Reference is made to the Interim Order and Final Order under the heading "The Combination — Court Approval and Completion of the Arrangement".**

The Arrangement will be completed pursuant to an agreement (the "Business Combination Agreement") among Valkyries, Lundin Petroleum and Lundin Subco and dated May 26, 2006. A description of the Arrangement and the other matters to be considered at the Meeting is included in the Circular.

Only Valkyries Shareholders of record at the close of business on June 20, 2006 are entitled to receive notice of, and vote at, the Meeting and any adjournment or postponement thereof.

Pursuant to the Interim Order, registered Valkyries Shareholders have been granted the right to dissent in respect of the Arrangement Resolution and to be paid fair value for their Valkyries Shares. The right of dissent is described in the Circular. **Failure to strictly comply with the requirements set forth in the Circular may result in the loss of any right of dissent.**

If you are a *registered shareholder* of the Corporation and are unable to attend the Meeting in person, please date, complete, execute and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the Meeting within the time and to the location set out in the proxy.

If you are a *non-registered shareholder* of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary.

Whether or not you expect to attend the Meeting in person, please complete, date, sign and return the accompanying form of proxy at your earliest convenience. The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice.

Unless otherwise directed, the persons named in the form of proxy accompanying the Notice of Meeting intend to vote in favour of the Arrangement Resolution.

DATED at Vancouver, British Columbia the 20th day of June, 2006.

BY ORDER OF THE BOARD

(Signed) Keith Hill

Keith Hill
President and CEO

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EXHIBITS

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

This solicitation of proxies and the transactions contemplated in this Circular are made in the United States for the securities of a Canadian company in accordance with Canadian corporate and securities laws. The Lundin Shares issued pursuant to the Arrangement (including those to be issued upon the exercise of Lundin Petroleum incentive warrants (the “Incentive Warrants”)) have not been registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and will instead be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) of the U.S. Securities Act. The solicitation of proxies made in connection with this Circular is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada. Security holders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and to proxy statements under the U.S. Exchange Act.

The financial statements of Valkyries included or incorporated by reference in this Circular have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards. The financial statements (including the pro forma financial statements) of Lundin Petroleum included or incorporated by reference in this Circular have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These statements may not be comparable in all respects to financial statements of United States companies.

As a Canadian issuer, Valkyries is required under Canadian law to comply with National Instrument 51-101 *“Standards of Disclosure for Oil and Gas Activities"* ("NI 51-101") issued by the Canadian Securities Administrators, in all of its reserves related disclosures.

In the United States however, registrants, including foreign private issuers, are generally required to disclose proved reserves using the standards contained in the United States Securities and Exchange Commission ("SEC") Regulation S-X. Under certain circumstances, applicable U.S. law permits foreign private issuers to comply with its own country's law if the requirements vary. The primary difference between the two standards is the additional requirement under NI 51-101 to disclose both proved and proved plus probable reserves as well as related future net revenues using forecast prices and costs. Another difference lies in the definition of proved reserves. As discussed in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook"), the standards which NI 51-101 employs, the difference in estimated proved reserves based on constant pricing and costs between the two standards is not material.

U.S. shareholders should be aware that the disposition of Valkyries Shares pursuant to the Arrangement might have tax consequences both in Canada and in the United States, which may not be described fully herein. See "Certain Tax Considerations to Valkyries Shareholders — Certain Canadian Federal Income Tax Considerations — Shareholders Not Resident in Canada" and "Certain Tax Considerations to Valkyries Shareholders — Certain United States Federal Income Tax Consequences" in this Circular. Shareholders are encouraged to consult their own tax advisers.

The enforcement by investors of civil liabilities under the United States securities laws may be affected adversely by the fact that Valkyries is incorporated and organized under the laws of Canada, that most of its respective officers and directors are residents of Canada and that most of all of the assets of Valkyries are located outside of the United States, and by the fact that Lundin Petroleum is incorporated and organized under the laws of Sweden, that most of its respective officers and directors are residents of countries other than the United States and that most of the assets of Lundin Petroleum are located outside of the United States. You may not be able to sue a Canadian or foreign company or its officers or directors in a Canadian or foreign court for violations of United States securities laws. It may be difficult to enforce in Canada or in Sweden a judgment of a United States court that is based on a violation of U.S. securities laws.

THE SECURITIES TO BE ISSUED PURSUANT TO THIS TRANSACTION HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

REPORTING CURRENCY

In this document, unless otherwise specified, all references to "dollars" or "$" are to Canadian dollars. On June 20, 2006, the noon rate in Canada, as reported by the Bank of Canada, was $1.1163 for each US$1.00 and $0.1521 for each 1.00SEK.

The closing, high, low and average exchange rates for the U.S. dollar in terms of Canadian dollars (noon rate) for the years ended December 31, 2005 and 2004, as reported by the Bank of Canada, were as follows:

	Year Ended December 31, 2005(1)	**Year Ended December 31, 2004**(1)	**3 Months Ended March 31, 2006**(1)
Closing	$1.17	$1.20	$1.17
High	$1.27	$1.40	$1.17
Low	$1.15	$1.18	$1.13
Average	$1.21	$1.30	$1.15

(1) Source: Bank of Canada — calculated as an average of the daily noon rates for each period.

The closing, high, low and average exchange rate for the Swedish Kronor in terms of Canadian dollars for the years ended December 31, 2005 and 2004, as reported by the Bank of Canada, were as follows:

	Year Ended December 31, 2005(1)	**Year Ended December 31, 2004**(1)	**3 Months Ended March 31, 2006**(1)
Closing	$0.1467	$0.1804	$0.1502
High	$0.1810	$0.1855	$0.1531
Low	$0.1440	$0.1697	$0.1430
Average	$0.1629	$0.1772	$0.1486

(1) Source: Bank of Canada — calculated as an average of the daily noon rates for each period.

FORWARD-LOOKING STATEMENTS

This Circular contains "forward-looking statements", within the meaning of the United States Private Securities Litigation Reform Act of 1995, and "forward-looking information" under similar Canadian legislation, concerning the business, operations and financial performance and condition of each of Valkyries and Lundin Petroleum. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production, synergies and financial impact of the proposed transaction; the benefits of the proposed transaction and the development potential of Valkyries' and Lundin Petroleum's properties; the future price of oil and gas; the estimation of oil and gas reserves; the realization of oil and gas reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; permitting time lines and permitting, drilling or processing issues; currency exchange rate fluctuations; government regulation of oil and gas exploration and development operations; environmental risks; unanticipated reclamation expenses; title disputes or claims; litigation liabilities; and limitations on insurance coverage. Generally, forward-looking statements and forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements and forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Valkyries and Lundin Petroleum to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to risks related to: unexpected events during drilling and start-up; variations in oil quality; delay or failure to receive board or government approvals; timing and availability of external financing on acceptable terms; the businesses of Valkyries and Lundin Petroleum not being integrated successfully or such integration proving more difficult, time consuming or costly than expected; not realizing on the anticipated benefits from the Arrangement and all related transactions or not realizing on such anticipated benefits within the expected time frame; risks related to international operations; actual results of current exploration and development activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of oil and gas; possible variations in oil and gas reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the oil and gas exploration and development industry; delays in the completion of development or construction activities, as well as those factors discussed in or referred to in the current annual Management's Discussion and Analysis of Valkyries, filed with the Canadian Securities Regulatory Authorities and available at www.sedar.com, and the Management's Discussion and Analysis of Lundin Petroleum included in Exhibit B attached hereto. Although management of each of Valkyries and Lundin Petroleum has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Neither Valkyries nor Lundin Petroleum undertakes to update any forward-looking statements or forward-looking information that are incorporated by reference herein, except in accordance with applicable securities laws.

OIL AND GAS RESERVES

Readers are advised that National Instrument 51-101 of the Canadian Securities Administrators requires that reporting issuers file a statement of reserves data as at the last day of the reporting issuer's most recent financial year and for the financial year then ended. The statement of reserves must be accompanied by: (i) a report of an independent qualified reserves evaluator or auditor who shall have evaluated or audited at least 75% of the future net revenue (calculated using a discount rate of 10%) attributable to proved plus probable reserves as reported in the statement of reserves; and (ii) a report of management and directors of the reporting issuer that confirms the responsibility of management for the content and filing of the statement of reserves and that confirms the role of the board of directors in connection with management's confirmation. Readers should refer to the continuous disclosure documents filed by Valkyries since January 1, 2006, available at www.sedar.com, and to Exhibit B – "Lundin Petroleum AB" for this detailed information, which is subject to the qualifications and notes set forth therein.

Readers should refer to the continuous disclosure documents filed by Valkyries since January 1, 2006 available at www.sedar.com, and to Exhibit B – "Lundin Petroleum AB" for further information relating to the proved plus probable oil and gas reserves of Valkyries and of Lundin Petroleum.

INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at June 20, 2006, except where otherwise noted.

No person has been authorized to give information or to make any representations in connection with the transactions other than those contained in this Circular and, if given or made, any such information or representations should be considered as not having been authorized by Valkyries or Lundin Petroleum.

This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.

Information in this Circular regarding Lundin Petroleum, its subsidiaries and their respective business and affairs has been provided by Lundin Petroleum and is the sole responsibility of Lundin Petroleum. Valkyries does not assume responsibility for the accuracy or completeness of such information.

SUMMARY

The following is a summary of certain information contained elsewhere in this Circular including the Exhibits hereto. Certain capitalized words and terms used in this summary are defined in the Glossary of Terms. This summary is qualified in its entirety by, and should be read together with, the detailed information and financial data and statements contained or referred to elsewhere or incorporated by reference in this Circular including the Exhibits hereto.

THE MEETING

Date, Time and Place of Meeting

The Meeting will be held on Tuesday, July 25, 2006 commencing at 12:00 p.m. (Vancouver time) at the corporate offices of Valkyries, Suite 2101, 885 West Georgia Street, Vancouver, British Columbia.

Record Date

At the close of business on June 20, 2006 (the "Record Date"), there were 55,780,414 Valkyries Shares outstanding. Valkyries Shareholders of record at the close of business on the Record Date are entitled to attend, and to vote at, the Meeting.

Matters to be Considered

The Meeting will be constituted as a special meeting of Valkyries Shareholders. The Valkyries Shareholders will be asked to consider and vote upon: (i) pursuant to the Interim Order, the Arrangement Resolution; and (ii) such other matters as may properly come before the Meeting.

Valkyries Shareholder Approval

In order for the Arrangement to be effected, the Arrangement Resolution must be approved by (i) an affirmative vote of not less than two-thirds of the votes cast thereon by Valkyries Shareholders at the Meeting, in person or by proxy, and (ii) an affirmative vote of a majority of the votes cast thereon by the Disinterested Valkyries Shareholders at the Meeting, in person or by proxy.

Interests of Certain Persons in the Arrangement

Certain directors and/or officers of Valkyries have interests in the Combination that are different than the interests of Valkyries Shareholders generally. Specifically, each of Lukas Lundin, William Rand and Ashley Heppenstall are directors of, and in the case of Lukas Lundin, is also an officer of, Valkyries and are also directors of, and in the case of Ashley Heppenstall, is also an officer of, Lundin Petroleum. In addition, Adolf H. Lundin, Honorary Chairman of Lundin Petroleum, is a principal shareholder of both Valkyries and Lundin Petroleum. Also, Vostok Nafta Investment Ltd., a company of which Adolf H. Lundin is a principal shareholder and of which Adolf H. Lundin, Lukas H. Lundin, Ian H. Lundin, William Rand, Carl Bildt and Kai Hietarinta are directors, holds 5,000,000 Valkyries Shares. See "General Proxy Information – Interest of Certain Persons in the Arrangement", "General Proxy Information – Related Party Transaction" and "Interest of Certain Persons in Material Transactions and Matters to be Acted Upon".

THE COMBINATION

Pursuant to the Business Combination Agreement, Valkyries and Lundin Petroleum have agreed to complete the Arrangement pursuant to which, among other things, each Valkyries Shareholder (other than the Dissenting Shareholders) will transfer and assign all Valkyries Shares held by such Valkyries Shareholder to Lundin Subco in exchange for one (1) Lundin Share for each Valkyries Share held by such Valkyries Shareholder, with the result that, as at the Effective Date, Lundin Subco will become the sole registered shareholder of Valkyries and the former Valkyries Shareholders will become shareholders of Lundin Petroleum, all pursuant to the Plan of Arrangement.

Upon completion of the Arrangement and as at the Effective Date, each holder of a Valkyries Option will be entitled to receive, upon subsequent exercise thereof, in accordance with the terms thereof, and shall accept in lieu of the number of Valkyries Shares otherwise issuable upon such exercise, the number of Lundin Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time of the Arrangement, such holder had been the registered holder of the number of Valkyries Shares to which such holder was previously entitled upon exercise. The exercise price of the Valkyries Options will be converted from Canadian dollars to Swedish kronas, based on the noon spot rate of exchange as reported by the Bank of Canada for Canadian dollars to Swedish kronas on the Effective Date. The Valkyries Options will continue to be governed by the Valkyries Stock Option Plan.

Upon completion of the Arrangement, former Valkyries Shareholders will own approximately 17.8% of the outstanding Lundin Shares, on a non-diluted basis. (approximately 17.8% on a fully-diluted basis).

See "The Combination".

Benefits of the Arrangement

The Board of Directors believes that the Combination will have the following benefits for Valkyries Shareholders:

1. the Combination offers a premium of approximately 8.2% to Valkyries' Shareholders based on the respective closing prices of the Valkyries Shares and the Lundin Shares on May 26, 2006, the date prior to the date on which the transaction was announced;

2. the combined Lundin Petroleum will have wider access to the technical expertise required to grow the Russian business;

3. the combined company will be well positioned for internal growth and have the financial strength and flexibility to take advantage of consolidation and acquisition opportunities in the oil and gas exploration and development industry;

4. the transaction provides Valkyries Shareholders with liquid consideration that fairly values Valkyries' asset base, including a significant value for exploration potential;

5. Valkyries Shareholders will benefit from the size and liquidity of the combined entity and will have gained the benefit of the growth that is provided by Lundin Petroleum;

6. the combined company will have access to a greater level of financial capital which will provide a greater range of deal opportunities;

7. the transaction will mitigate the current high level of concentrated risk associated with the exploration projects and the country focus, which are exclusively in Russia;

8. Valkyries Shareholders will gain exposure to high upside exploration projects currently held in Lundin Petroleum; and

9. the combined company will have an experienced management team with significant operating experience.

Special Committee Review and Recommendation of the Board of Directors

A Special Committee of the Board of Directors was constituted on May 1, 2006 to examine and review the Combination, to consider and advise the Board as to whether the Arrangement is in the best interests of the Corporation, and to report to the Board respecting its recommendations and conclusions. The Special Committee engaged Blake Cassels and Graydon LLP as its legal advisors, and engaged RBC Dominion Securities Inc. (“RBC”) to prepare a formal valuation of the Valkyries Shares and to provide an opinion as to the fairness of the consideration under the Arrangement from a financial point of view to the Valkyries Shareholders, other than the Related Interests. The Special Committee concluded that the Arrangement is fair to Valkyries Shareholders and that the Combination is in the best interests of Valkyries. Further, the Special Committee unanimously resolved to recommend to the Board of Directors that it approve and execute the Business Combination Agreement.

In reaching its conclusions and formulating its recommendations, the Special Committee considered the expected benefits from the Combination as well as a number of factors including:

(a) information regarding Lundin Petroleum, its assets and properties (see a summary of such information set forth in Exhibit B — "Lundin Petroleum AB");

(b) information regarding Lundin Petroleum with respect to its historical and current financial condition, business and operations;

(c) historical information regarding the market prices and trading information of the Valkyries Shares and the Lundin Shares;

(d) that the Arrangement will give Valkyries Shareholders the opportunity to mitigate the risks, including political risks, associated with the Valkyries Shares by exchanging them for Lundin Shares, which have much less risk associated with them;

(e) that the majority of the Corporation’s market capitalization is associated with its offshore Caspian Lagansky exploration block which is an exploration target that is subject to considerable risk;

(f) the anticipated size and market liquidity of the combined Lundin Petroleum, subsequent to the Arrangement;

(g) that the Lundin Shares offered in connection with the Arrangement provide Valkyries Shareholders with the opportunity to be shareholders of a larger, more diversified company with a greater capacity to fund acquisition and development projects from cash flow and bank debt, thus avoiding shareholder dilution;

(h) Valkyries Shareholders will retain their ability to benefit from the growth prospects represented by Lundin Petroleum Group following the Arrangement by receiving one (1) Lundin Share for each Valkyries Share held;

(i) the Exchange Ratio implied a price of $13.54 per Valkyries Share representing a premium of approximately 8.2% to Valkyries’ Shareholders based on the respective closing prices of the Lundin Shares and the Valkyries Shares on May 26, 2006, the date prior to the date on which the Arrangement was announced;

(j) the Valuation which concluded that, as at May 26, 2006, the fair market value of the Valkyries Shares was in the range of $13.50 to $20.00 per Valkyries Share;

(k) the Fairness Opinion which concluded that, as at May 26, 2006, the consideration under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests;

(l) the view of the Valkyries Board of Directors that the terms and conditions of the Business Combination Agreement, including the amount of the Termination Fee and the circumstances under which it is payable, do not prevent, or unreasonably deter, an unsolicited third party from proposing or making a Valkyries Superior Proposal, provided that Valkyries complies with the terms of the Business Combination Agreement;

(m) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Valkyries Shareholders and a majority of the votes cast at the Meeting by the Disinterested Valkyries Shareholders;

(n) the Arrangement requires approval of the Court, which will consider, among other things, the fairness of the Arrangement to Valkyries Shareholders;

(o) the risks associated with the completion of the Combination, and the risks associated with not completing the Combination; and

(p) under the Arrangement, Registered Valkyries Shareholders will have dissent rights.

The Special Committee also considered current industry, economic and market conditions and trends as well as the reasons set forth under "The Combination — Benefits of the Combination".

After considering the report of the Special Committee, the Board of Directors adopted the Special Committee's recommendation, concluded that the Arrangement and the terms of the Business Combination Agreement are fair to Valkyries Shareholders and authorized the entry by Valkyries into the Business Combination Agreement and all related agreements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT VALKYRIES SHAREHOLDERS VOTE IN FAVOUR OF THE ARRANGEMENT RESOLUTION.

Independent Valuation and Fairness Opinion

RBC, the independent valuator retained by the Special Committee in connection with its consideration of the Arrangement, prepared the Valuation and Fairness Opinion in accordance with Rule 61-501 and Policy Q-27. RBC was not retained to provide any advice to the Special Committee or Valkyries regarding the Arrangement or any other potential alternatives that might be available to Valkyries, or to advise the Special Committee or Valkyries whether to seek or pursue any alternatives other than the Arrangement. Valkyries Shareholders are encouraged to read the full text of the Valuation and Fairness Opinion which is attached as Exhibit C to this Circular.

Based upon and subject to the analyses, assumptions, qualifications and limitations discussed in the Valuation and Fairness Opinion, RBC advised the Special Committee that, in its opinion, as at May 26, 2006, the fair market value of the Valkyries Shares was in the range of $13.50 to $20.00 per Valkyries Share and that the consideration being offered under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests.

Intention of Valkyries Officers, Directors and Signficiant Shareholders

Each of the officers and directors of Valkyries have advised Valkyries that such officer or director intends to vote or cause to be voted in favour of the Arrangement Resolution, the Valkyries Shares beneficially owned by him or her or over which he or she exercises control or direction at the Meeting.

Such officers and directors of Valkyries collectively beneficially own and exercise control or direction over an aggregate of 348,415 Valkyries Shares, representing approximately 0.63% of the Valkyries Shares outstanding.

In addition, 8,263,844 Valkyries Shares, representing 14.8% of the outstanding Valkyries Shares, that are beneficially owned by, or over which control and direction is exercised by, Adolf H. Lundin, will be voted in favour of the Arrangement Resolution.

Implementation of Arrangement

If the Arrangement is approved at the Meeting and a Final Order approving the Arrangement is issued by the Supreme Court of British Columbia and the applicable conditions to completion of the Arrangement have been satisfied:

(a) Articles of Arrangement will be filed pursuant to which:

(i) all Valkyries Shares held by Valkyries Shareholders (other than Dissenting Shareholders) will be transferred and assigned, without any further act or formality on their part, free and clear of all liens, claims and encumbrances, to Lundin Subco in exchange for Lundin Shares on the basis of one (1) Lundin Share for each Valkyries Share;

(ii) all Valkyries Shares held by Dissenting Shareholders shall be deemed to be transferred by such Dissenting Shareholders, without any further act or formality on their part, free and clear of all liens, claims and encumbrances, to Valkyries, and Valkyries will be obliged to pay, as determined on the Effective Date, the fair value of such Dissenting Shareholders' Valkyries Shares;

(iii) each Valkyries Option will entitle the holder to receive upon the exercise thereof, in lieu of the number of Valkyries Shares otherwise issuable upon the exercise thereof, the number of Lundin Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise, at a price per Lundin Share issued adjusted to reflect the Combination**;**

(iv) Valkyries Shareholders (other than Dissenting Shareholders) will become shareholders of Lundin Petroleum, a corporation incorporated under the laws of Sweden; and

(v) Valkyries will become a wholly-owned subsidiary of Lundin Subco.

See "The Combination."

Treatment of Valkyries Options

The Business Combination Agreement and the Plan of Arrangement provide that each holder of a Valkyries Option will be entitled to receive upon the subsequent exercise thereof in accordance with its terms, and shall accept in lieu of the number of Valkyries Shares otherwise issuable upon such exercise, the number of Lundin Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise.

The exercise price of the Valkyries Options will be converted from Canadian dollars to Swedish kronas at the noon exchange rate as reported by the Bank of Canada on the Effective Date. Valkyries Options shall continue to be governed by and be subject to the terms of the Valkyries Stock Option Plan and any applicable agreement thereunder.

Conditions to the Combination

The Arrangement is subject to a number of mutual conditions, which can only be waived by both Valkyries and Lundin Petroleum, including, among others, (i) the Interim Order shall have been granted and not amended in a manner unacceptable to Valkyries or Lundin Petroleum; (ii) Valkyries Shareholder approval; (iii) the Final Order shall have been granted in form and substance satisfactory to Valkyries and Lundin Petroleum, each acting reasonably; (iv) the Articles of Arrangement shall be in form and substance satisfactory to Valkyries and Lundin Petroleum; (v) no law or regulation shall make it illegal or negatively impact the Arrangement so as to have a Material Adverse Effect on

Valkyries or Lundin Petroleum; (vi) the Swedish Financial Supervisory Authority shall have approved the registration of a prospectus of Lundin Petroleum relating to the admission of Lundin Shares to be issued to Valkyries Shareholders to trade on the Stockholm Stock Exchange; (vii) receipt of all required consents, permits and other regulatory approvals and all third party consents; (viii) the distribution of Lundin Shares pursuant to the Arrangement being exempt from the prospectus and registration requirements of applicable Canadian Securities Laws; and (ix) the Lundin Shares to be issued in the United States pursuant to the Arrangement being exempt from registration requirements under the U.S. Securities Act. See "The Combination — Description of the Plan of Arrangement", "The Combination — Qualification and Resale of Lundin Shares", and "The Business Combination Agreement — Conditions to the Closing".

The obligations of Lundin Petroleum to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Valkyries under the Business Combination Agreement being true and correct in all material respects (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on Valkyries Group; (iii) Valkyries having complied in all material respects with its covenants in the Business Combination Agreement; (iv) Valkyries Shareholders holding no more than 10% of the outstanding Valkyries Shares shall have exercised their right of dissent in respect of the Arrangement Resolution; (v) Mintley Investments Limited shall have entered into an agreement with Valkyries, in form and substance satisfactory to Lundin Petroleum acting reasonably, to accept 1,000,000 Lundin Shares in lieu of the 1,000,000 Valkyries Shares issuable to Mintley Investments Limited, which Lundin Shares will be issued upon the Caspian Field sustaining gross production of 2,500 barrels per day for a period of 30 consecutive days; and (vi) the directors of Valkyries shall not have withdrawn or modified, in a manner adverse to Lundin Petroleum, their approval or recommendation to Valkyries Shareholders of the Arrangement.

The obligations of Valkyries to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Lundin Petroleum under the Business Combination Agreement being true and correct in all material respects; (ii) there having been no changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could have, a Material Adverse Effect on the Lundin Petroleum Group; (iii) the Lundin Shares to be issued pursuant to the Arrangement shall have been approved for listing on the Stockholm Exchange on the Effective Date or as soon as practicable thereafter; (iv) Lundin Petroleum having complied in all material respects with its covenants in the Business Combination Agreement; and (v) the first trade in the Lundin Shares distributed pursuant to the Arrangement shall be exempt from the registration and prospectus requirements of applicable Canadian Securities Laws.

Non-Solicitation

Pursuant to the Business Combination Agreement, Valkyries has agreed that it will not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Valkyries including any member of the Valkyries Group, Member, or otherwise: (a) solicit, initiate or promote (including by way of furnishing information or entering into any form of agreement or understanding) any inquiries or proposals regarding any Valkyries Competing Proposal or potential Valkyries Competing Proposal; (b) participate in any discussions or negotiations regarding any Valkyries Competing Proposal or potential Valkyries Competing Proposal; (c) agree to, approve or recommend or propose publicly to agree to approve or recommend any Valkyries Competing Proposal or potential Valkyries Competing Proposal; or (d) make any public announcement or take any other action inconsistent with, or that could reasonably be likely to be regarded as detracting from, the recommendation of the directors of Valkyries to approve the Combination. Notwithstanding the foregoing, nothing will prevent or restrict the Board of Directors from, prior to the approval of the Arrangement by Valkyries Shareholders, considering or negotiating any unsolicited *bona fide* Valkyries Competing Proposal that could be a Valkyries Superior Proposal or from approving or recommending to Valkyries Shareholders, or entering into any agreement in respect of, a Valkyries Superior Proposal in accordance with the terms of the Business Combination Agreement. Valkyries must promptly notify Lundin Petroleum of the receipt by any director or officer of Valkyries of any Valkyries Competing Proposal, any amendment to the foregoing, or any request for non-public information relating to Valkyries. See "The Business Combination Agreement – Conditions to Closing – Non-Solicitation and Valkyries Superior Proposal".

Valkyries Superior Proposal

Neither Valkyries nor the directors thereof shall accept, approve or recommend or enter into any agreement in respect of an Valkyries Competing Proposal on the basis that it would constitute a Valkyries Superior Proposal, unless (i) Valkyries has promptly advised Lundin Petroleum, orally and in writing, of any request for information that may relate to a Valkyries Competing Proposal or any inquiry with respect to or that could lead to a Valkyries Competing Proposal; and (ii) four business days have elapsed from the date on which Lundin Petroleum received notice of the determination of the Board of Directors to accept, approve, recommend or enter into any agreement in respect of such Valkyries Superior Proposal, and Lundin Petroleum has not within such four business day period modified the Business Combination Agreement such that the Valkyries Competing Proposal is not a Valkyries Superior Proposal. See "The Business Combination Agreement – Conditions to Closing – Non-Solicitation and Valkyries Superior Proposal".

Termination and Termination Fees

The Business Combination Agreement may be terminated at any time prior to the Effective Date:

1. by mutual written consent of the parties;

2. by either party if:

    (a) a mutual condition or a condition in its favour is not satisfied; or

    (b) the Effective Date is not on or before the Termination Date, provided however, if the Arrangement has not been completed by such date because the Meeting has not been held because notice of the Meeting has not been given, then Valkyries shall not be entitled to terminate the Business Combination Agreement and if the Arrangement has not been completed by such date because the Lundin Petroleum Meeting has not been held because notice of the Lundin Petroleum Meeting has not been given, then Lundin Petroleum shall not be entitled to terminate the Business Combination Agreement; or

    (c) the Meeting is held and completed and the Valkyries Shareholders do not approve the Arrangement Resolution or the Lundin Petroleum Meeting is held and the issue of the Lundin Shares pursuant to the Arrangement is not approved; or

3. by Lundin Petroleum if there is a Valkyries Superior Proposal and the directors of Valkyries withdraw or modify in any manner adverse to Lundin Petroleum its approval or recommendation of the Arrangement, or fail, after being requested by Lundin Petroleum in writing, to reaffirm its approval or recommendation of the Arrangement, or have accepted, approved, recommended or entered into any agreement in respect of any Valkyries Superior Proposal.

    If Lundin Petroleum terminates the Business Combination Agreement in connection with:

1. a Valkyries Superior Proposal and the Board of Directors of Valkyries has (i) withdrawn or modified in a manner adverse to Lundin Petroleum their approval or recommendation of the Arrangement; (ii) failed, after being requested by Lundin Petroleum in writing, to reaffirm its approval or recommendation of the Arrangement within four business days of receipt of a Valkyries Superior Proposal, or (iii) accepted, approved or recommended or entered into an agreement in respect of any Valkyries Superior Proposal; or

2. Valkyries failing to satisfy, in any material respect, its covenants regarding non-solicitation and Valkyries Superior Proposals, as described under the heading "The Business Combination Agreement — Conditions to Closing – Non-Solicitation and Valkyries Superior Proposal";

then Valkyries shall pay Lundin Petroleum an amount in cash equal to U.S.$2,000,000.

If Valkyries terminates the Business Combination Agreement because the issue of Lundin Shares pursuant to the Arrangement is not approved at the Lundin Petroleum Meeting, then Lundin Petroleum shall pay to Valkyries an amount in cash equal to U.S.$2,000,000.

In addition, in the event that Valkyries enters into an agreement to implement a Valkyries Superior Proposal, Lundin Petroleum may require that Valkyries hold the Meeting, and place the Arrangement Resolution before the Valkyries Shareholders for approval if this Circular has been sent to the Valkyries Shareholders and the four day period following written notice to Lundin Petroleum of such Valkyries Superior Proposal has not expired.

Exchange of Valkyries Shares for Lundin Shares

Lundin Shares are not evidenced by certificates. Instead, they are first registered with the Swedish Company Office. Then they are evidenced by book-based entries in a computerized system managed by the Swedish Securities Centre ("VPC"), which maintains the securities register of Swedish public companies through a paperless share registration system. Title to shares is evidenced only through registration in the book-based system of the VPC. Registration of the Lundin Shares, could take several business days to complete. For further information or assistance, Valkyries Shareholders are encouraged to call their stock broker or the Valkyries' Investor Relations Office at 604-689-7842 for assistance. See "General Proxy Solicitation – Exchange of Valkyries Shares for Lundin Shares".

Stock Exchange Listings and Reporting Issuer Status

Lundin Shares are listed and posted for trading on the Stockholm Stock Exchange under the symbol "LUPE". Valkyries Shares are listed and posted for trading on the TSX Venture Exchange under the symbol "VPC". As part of the Arrangement, the Valkyries Shares will be cancelled and delisted from the TSX Venture Exchange and Valkyries will cease to be a reporting issuer in the Provinces of British Columbia and Alberta. Upon completion of the Arrangement, Lundin Petroleum will become a reporting issuer in the Provinces of British Columbia and Alberta. However, pursuant to Part 5 of National Instrument 71-102, Lundin Petroleum, as a designated foreign issuer, is, in general terms, only required to comply with the foreign disclosure requirements of the foreign regulatory authority having jurisdiction.

Income Tax Considerations

Canadian and U.S. Valkyries Shareholders should consult their own tax advisers for specific advice concerning the tax consequences of the Arrangement.

Summary of Canadian Income Tax Considerations

In general, a Canadian resident Valkyries shareholder (other than a Dissenting Shareholder) who holds such shares as capital property will realize a capital gain or capital loss as a result of the Arrangement.

In general, a non-resident Valkyries shareholder will not be subject to tax in Canada as a result of the Arrangement provided the Valkyries shares do not constitute taxable Canadian property to such holder.

For a more detailed description of the Canadian federal income tax considerations relating to the Arrangement, see "Certain Tax Consideration to Valkyries Shareholders – Certain Canadian Income Federal Income Tax Considerations".

Summary of U.S. Income Tax Considerations

As of the date of this Circular, Lundin and Valkyries anticipate that they each will treat the Arrangement as a tax-deferred reorganization under section 368(a) of the Internal Revenue Code. However, no legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement. There can be no assurance that the Internal Revenue Service will not challenge the status of the Arrangement as a tax-deferred reorganization under section 368(a) of the Internal Revenue Code or that the U.S. courts will uphold the status of the Arrangement as a tax-deferred reorganization under section 368(a) of the Internal Revenue Code in the event of an Internal Revenue Service challenge. The requirements that must be satisfied in order for the Arrangement to qualify as a tax-deferred reorganization under section 368(a) of the Internal Revenue Code are complex, and each U.S. Holder should consult its own tax advisor regarding these requirements. In addition, even if the Arrangement qualifies as a tax-deferred reorganization under section 368(a) of the Internal Revenue Code, U.S. Holders generally will be required to recognize gain (but not loss) pursuant to the Arrangement in the event that (a) Valkyries currently is a "passive foreign investment company" or was a "passive foreign investment company" at any time during a U.S. Holder's holding period for the Valkyries Shares and (b) Lundin does not qualify as a "passive foreign investment company" for the taxable year that includes the day after the Effective Date.

For a more detailed description of the U.S. income tax considerations relating to the Arrangement, see "Certain Tax Considerations to Valkyries Shareholders – Certain U.S. Income Tax Considerations".

Summary of Swedish Income Tax Considerations

In general a Swedish resident Valkyries shareholder, other than a Dissenting Shareholder, who is an individual, will not incur any immediate tax consequences on the exchange of Valkyries Shares for Lundin Shares. For some legal entities, capital gains on shares that are held for business purposes are tax-exempt. For those legal entities that are subject to capital gains, there may be an optional deferral of that tax.

For a more detailed description of the Swedish income tax considerations relating to the Arrangement, see "Certain Tax Considerations to Valkyries Shareholders – Certain Swedish Income Tax Considerations".

Risk Factors

Valkyries Shareholders should consider a number of risk factors in evaluating whether to approve the Arrangement Resolution, which are discussed in this Circular. These risk factors include certain risks related to the business of Lundin Petroleum, which are discussed in greater detail herein. See "The Combination – Risk Factors", Exhibit A — "Risk Factors" and Exhibit B – "Risk Factors".

Dissenting Shareholders

Registered Valkyries Shareholders are entitled to dissent from the Arrangement Resolution in the manner provided in section 190 of the CBCA, as modified by the Interim Order and the Plan of Arrangement. Each Valkyries Share held by Dissenting Shareholders shall be deemed to be transferred by the holders thereof, without any further act or formality on their part, free and clear of all liens, claims and encumbrances, to Valkyries. Valkyries will be obliged to pay, as determined on the Effective Date, the fair value of such Dissenting Shareholders' Valkyries Shares. See Exhibit J — "Dissent Rights". Valkyries Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice as failure to comply strictly with the provisions of the CBCA may prejudice their right of dissent. See "General Proxy Information – Dissent Rights".

Valkyries Selected Financial Data

The following selected financial data for Valkyries is based upon, and should be read in conjunction with, the more detailed financial information appearing in the audited comparative consolidated balance sheets of Valkyries as at December 31, 2005 and 2004 and the audited consolidated statements of shareholders' equity, loss and deficit and cash flows for the twelve-month period ended December 31, 2005 and 2004, together with the auditors' report thereon and the notes thereto and the management's discussion and analysis in respect thereof incorporated by reference in this Circular, as well as the unaudited interim financial statements of Valkyries as at and for the three months ended March 31, 2006.

		Summary Financial Data ($000, except where stated)	
	Year ended December 31, 2005	Year ended December 31, 2004 (restated)	3 months ended March 31, 2006
Consolidated Statements of Loss and Deficit			
Oil and gas revenues	49,349	11,077	14,357
Expenses	50,443	12,062	14,153
Other (income) expense	11,865	1,155	137
Loss (income) from continuing operations before income tax	12,959	2,140	(67)
Net loss from continuing operations	14,678	2,750	454
Net loss for the period	13,017	828	298
Basic and diluted (earnings) loss per share ($/share)	0.32	0.03	0.01
Weighted average number of shares outstanding as of the end of the period (thousands)	40,945	22,408	53,942

	Year ended December 31, 2005	Year ended December 31, 2004 (restated)	3 months ended March 31, 2006
Balance Sheet			
Total assets	186,871	76,309	219,410
Shareholders' equity	120,007	24,441	150,642
Capital stock	171,187	65,593	201,137

Lundin Petroleum Selected Financial Data

The following selected financial data for Lundin Petroleum is based upon, and should be read in conjunction with, the more detailed financial information appearing in the audited comparative consolidated financial statements of Lundin Petroleum as at and for the twelve months ended December 31, 2005 and 2004, together with the auditors' report thereon and the notes thereto, and the unaudited interim financial statements as at and for the three months ended March 31, 2006, and management's discussion and analysis in respect thereof incorporated by reference in this Circular.

Summary Financial Data
(SEK000, except where stated)

	Year ended December 31, 2005	Year ended December 31, 2004	3 months ended March 31, 2006 (unaudited)
Income Statement			
Operating income	4,190,184	2,468,286	1,244,754
Cost of Sales	-2,272,468	-1,605,808	-495,686
Gross Profit	1,917,716	862,478	749,068
Operating profit/(loss)	2,013,158	848,402	719,198
Net result	993,975	605,258	419,509
Earnings per share – SEK	3.89	2.39	1.63
Diluted earnings per share SEK	3.87	2.37	1.62

	Year ended December 31, 2005	Year ended December 31, 2004	3 months ended March 31, 2006 (unaudited)
Balance Sheet			
Total assets	7,762,373	5,852,213	8,128,126
Shareholders' equity	3,682,666	2,370,213	4,014,114

Pro Forma Selected Financial Data

The following selected unaudited pro forma financial data for Lundin Petroleum is based upon, and should be read in conjunction with, the more detailed financial information appearing in the unaudited consolidated pro forma financial statements of Lundin Petroleum for the year ended December 31, 2005 and the three-month period ended March 31, 2006 included elsewhere in this Circular. The unaudited pro forma consolidated financial statements of Lundin Petroleum reflect the completion of the Combination as if it had occurred on January 1, 2005 for the purposes of the pro forma consolidated statement of operations, and on March 31, 2006 for the purposes of the pro forma balance sheet. The unaudited pro forma financial statements are not necessarily indicative of the financial position or financial results that would have been achieved had the Arrangement been completed at the beginning of the periods presented and should not be construed as representative of such amounts for any future dates or periods.

	Pro Forma Summary Financial Data (SEK000, except where stated)	
	Year ended December 31, 2005	Three months ended March 31, 2006
	(unaudited)	(unaudited)
Pro Forma Consolidated Income Statement		
Operating income	4,493,481	1,341,369
Cost of sales	2,545,355	(576,025)
Gross profit	1,948,126	765,344
Operating profit	1,996,244	717,903
Profit before tax	1,769,957	737,115
Net profit	906,373	415,536
Earnings per share	2.90	1.32
Diluted earnings per share	2.88	1.31

	As at March 31, 2006
	(unaudited)
Pro Forma Consolidated Balance Sheet	
Total tangible and intangible assets	12,394,012
Total financial fixed assets	518,995
Total current assets	1,901,103
Total assets	14,814,110
Total equity	9,153,404
Total long-term liabilities	4,293,152
Total current liabilities	1,367,554

GLOSSARY OF TERMS

The following is a glossary of terms used frequently in this Circular and in Exhibit "A" and Exhibit "B" attached hereto.

"**ADP**" means ADP Investor Communications Corporation.

"**affiliate**" shall have the meaning ascribed to such term under the CBCA.

"**Arrangement**" means the arrangement under section 192 of the CBCA described in the Business Combination Agreement and set out in the Plan of Arrangement, subject to any amendment or supplement thereto and made in accordance with or at the discretion of the Court in the Final Order, involving Valkyries, Lundin Petroleum and Lundin Subco pursuant to which, among other things: (i) each Valkyries Shareholder (other than the Dissenting Shareholders) will transfer and assign all Valkyries Shares held by such Valkyries Shareholder to Lundin Subco in exchange for one (1) Lundin Share for each Valkyries Share held by such Valkyries Shareholder on the basis of the Exchange Ratio; (ii) Lundin Subco will become the sole registered shareholder of Valkyries; and (iii) the former Valkyries Shareholders will become shareholders of Lundin Petroleum.

"**Arrangement Resolution**" means the special resolution of Valkyries Shareholders approving the Arrangement as set out in Exhibit E to this Circular.

"**Articles of Arrangement**" means the articles of arrangement giving effect to the Arrangement, to be filed pursuant to the CBCA.

"**Board of Directors**" or "**Board**" means the board of directors of Valkyries.

"**Business Combination Agreement**" means the agreement between Lundin Petroleum, Lundin Subco and Valkyries in respect of the Arrangement dated May 26, 2006, filed and available on SEDAR and incorporated by reference in this Circular.

"**Canadian Securities Regulatory Authorities**" means the applicable securities commissions and similar securities regulatory authorities of the provinces and territories of Canada.

"**CBCA**" means the *Canada Business Corporations Act*, as may be amended from time to time.

"**CDS**" means the Canadian Depository for Securities Limited.

"**Certificate**" means the certificate of arrangement of Valkyries issued by the Director under the CBCA.

"**Circular**" means this management Circular, as it may be amended, restated or supplemented from time to time.

"**Combination**" means the business combination of Valkyries, Lundin Petroleum and Lundin Subco pursuant to the terms of the Business Combination Agreement.

"**Computershare**" means Computershare Trust Company of Canada, the transfer agent and registrar in respect of the Valkyries Shares.

"**Corporation**" or "**Valkyries**" means Valkyries Petroleum Corp., a corporation existing under the CBCA.

"**Court**" means the Supreme Court of British Columbia.

"**CRA**" means Canada Revenue Agency.

"**Director**" means the director appointed pursuant to section 260 of the CBCA.

“Disinterested Valkyries Shareholders” means Valkyries Shareholders other than the Related Interests.

"**Dissent Notice**" means a written objection to the Arrangement Resolution made by a Registered Valkyries Shareholder in accordance with the Dissent Procedures.

"**Dissent Procedures**" means the dissent procedures described under "General Proxy Information — Dissent Rights" and Exhibit J — "Dissent Rights".

"**Dissenting Shareholder**" means a Registered Valkyries Shareholder who dissents in respect of the Arrangement Resolution in strict compliance with the Dissent Procedures.

"**Effective Date**" means the date set out in the Certificate as being the effective date in respect of the Arrangement.

"**Effective Time**" means 12:01 a.m. (Vancouver time) on the Effective Date.

"**Eligible Institution**" means a Canadian Schedule I Chartered Bank, a major trust company in Canada, a commercial bank or trust company having an office, branch or agency in the United States, a firm that is a member of a recognized stock exchange in Canada, the Investment Dealers Association of Canada, a national securities exchange in the United States or the National Association of Securities Dealers, Inc. or a participant in the Securities Transfer Agents Medallion Program (STAMP).

"**Exchange Ratio**" means the ratio of one (1) Lundin Share to be exchanged for one (1) Valkyries Share.

"**Fairness Opinion**" means the opinion of RBC, dated May 26, 2006, provided to the Special Committee as to the fairness, from a financial point of view, of the consideration offered under the Arrangement to the Valkyries Shareholders, other than the Related Interests, a copy of which is attached as Exhibit C to this Circular.

"**Final Order**" means the final order of the Court approving the Arrangement.

“**Foreign Private Issuer**” means “foreign private issuer” as defined in Rule 403 of the United States *Securities Act of 1933*, as amended.

"**Interim Order**" means the interim order of the Court granted on June 23, 2006 pursuant to which Valkyries is authorized to present the Plan of Arrangement at the Meeting.

"**Intermediary**" means an intermediary that a Non-Registered Shareholder may deal with, including banks, trust companies, securities dealers or brokers and trustees or administrators of RRSPs, RRIFs, RESPs and similar plans, and their nominees.

"**Letter of Transmittal**" means the Letter of Transmittal for transmittal of Valkyries Shares (printed on blue paper) in the form delivered to Registered Valkyries Shareholders, or a facsimile thereof.

"**Lundin Petroleum**" means Lundin Petroleum AB, a corporation existing under the laws of Sweden.

"**Lundin Petroleum Group**" shall mean and include Lundin Petroleum and the other Lundin Petroleum Group Members.

"**Lundin Petroleum Group Member**" shall mean and include Lundin Petroleum and any corporation, partnership or company in which Lundin Petroleum beneficially owns or controls, directly or indirectly, more than 50% of the equity, voting rights, profit interest, capital or other similar interest thereof or any joint venture in which Lundin Petroleum has a direct or indirect interest.

"**Lundin Petroleum Meeting**" means the extraordinary general meeting of Lundin Shareholders to be held to approve the issue of the Lundin Shares pursuant to the Business Combination Agreement.

"**Lundin Shares**" means the common shares in the capital of Lundin Petroleum.

"**Lundin Subco**" means Lundin Petroleum Canada Inc., a direct wholly-owned subsidiary of Lundin Petroleum incorporated pursuant to the CBCA for the sole purpose of effecting the Arrangement.

"**Material Adverse Change**" means, in respect of Lundin Petroleum or Valkyries, any one or more changes, events or occurrences, and "**Material Adverse Effect**" means, in respect of Lundin Petroleum or Valkyries, any state of facts, which, in either case, either individually or in the aggregate, are, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, prospects, assets, liabilities or financial condition of Lundin Petroleum and the Lundin Petroleum Group, or Valkyries and the Valkyries Group, respectively, on a consolidated basis, other than any change, effect, event or occurrence: (i) relating to the global economy or securities markets in general; (ii) affecting the worldwide oil and gas exploration and development industry in general and that does not have a materially disproportionate effect on Lundin Petroleum and the Lundin Petroleum Group on a consolidated basis, or Valkyries and the Valkyries Group on a consolidated basis, respectively; (iii) resulting from changes in the price of oil; or (iv) relating to the rate at which Canadian dollars can be exchanged for United States dollars or vice versa.

"**Meeting**" means the special meeting of the shareholders of Valkyries to be held on July 25, 2006 at the time and place set out in the Notice of Meeting or any adjournment thereof.

"**Meeting Materials**" means this Circular, the Notice of Meeting, the form of proxy for use in connection with the Meeting and, for Registered Valkyries Shareholders, the Letter of Transmittal.

"**NI 54-101**" means the Canadian Securities Administrators' *National Instrument 54-101, Proxy Solicitation*.

"**Non-Registered Shareholder**" means a Valkyries Shareholder who is a beneficial holder of Valkyries Shares and is not a Registered Valkyries Shareholder in respect of such Valkyries Shares.

"**Non-Resident Shareholders**" has the meaning specified under "Certain Tax Considerations to Valkyries Shareholders — Certain Canadian Federal Income Tax Considerations — Valkyries Shareholders Not Resident in Canada".

"**Notice of Meeting**" means the notice dated June 20, 2006 in respect of the Meeting included in the Meeting Materials.

"OSC" means the Ontario Securities Commission.

"**Plan of Arrangement**" means the plan of arrangement proposed by Valkyries and Lundin Petroleum to effect the Arrangement, which is attached hereto as Exhibit D.

“**Policy Q-27**” means the Autorité des marches financiers du Québec Policy Statement Q-27 **–** *Protection of minority shareholders in the course of certain transactions.*

"**RBC**" means RBC Dominion Securities Inc., a member company of RBC Capital Markets, the independent valuator retained by the Special Committee to prepare the Valuation and Fairness Opinion.

"**Record Date**" means June 20, 2006.

"**Registered Valkyries Shareholder**" means a registered holder of Valkyries Shares.

"**Related Interests**" means Adolf H. Lundin, Ellegrove Capital Ltd., Abalone Capital Ltd., Lorito Holdings Ltd., Vostok Nafta Investment Ltd., the directors and senior officers of Lundin Petroleum (including, without limitation Lukas H. Lundin, C. Ashley Heppenstall and William Rand) and any affiliate of the foregoing;

"**RESP**" means a registered education savings plan (within the meaning of the Tax Act).

"**RRIF**" means a registered retirement income fund (within the meaning of the Tax Act).

"**RRSP**" means a registered retirement savings plan (within the meaning of the Tax Act).

"**Rule 61-501**" means *OSC Rule 61-501 — Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions.*

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, which can be accessed online at www.sedar.com.

"**Special Committee**" means the Special Committee of the Board of Directors that was formed to assess the Arrangement and is comprised of Brian D. Edgar (Chairman), and Pierre Besuchet.

"**Tax Act**" means the *Income Tax Act* (Canada) as amended, restated or replaced from time to time.

"**Termination Date**" means December 31, 2006.

"**Termination Fee**" has the meaning ascribed thereto in Section 10.4 (a) of the Business Combination Agreement.

"**TSX-V**" means the TSX Venture Exchange.

"**Valkyries**" or the "**Corporation**" means Valkyries Petroleum Corp., a corporation existing under the CBCA.

"**Valkyries Competing Proposal**" means, in respect of Valkyries, any inquiry, proposal or offer made by a party with whom Valkyries and each of its officers and directors deals at arm's length regarding (a) the possible acquisition of, or business combination with any Valkyries Group Member (whether by way of amalgamation, arrangement, consolidation, take-over bid, purchase of shares, purchase of assets, or otherwise); (b) the possible acquisition of any material portion of their shares of capital stock, other equity interests or assets; (c) any take-over bid, or exchange offer, secondary purchase or similar transaction made by any Person or entity involving the acquisition or lock-up of 10% or more of the outstanding Valkyries Shares; or (d) any other transaction, the consummation of which would reasonably be expected to prevent or materially impede, interfere with or delay the consummation of the Arrangement.

"**Valkyries Group**" shall mean and include Valkyries and the other Valkyries Group Members.

"**Valkyries Group Member**" shall mean and include Valkyries and any corporation, partnership or company in which Valkyries beneficially owns or controls, directly or indirectly, more than 50% of the equity, voting rights, profit interest, capital or other similar interest thereof or any joint venture in which Valkyries has a direct or indirect interest.

"**Valkyries Options**" means the options outstanding to acquire an aggregate of Valkyries Shares issued pursuant to the Valkyries Stock Option Plan, with exercise prices ranging from \$2.80 to \$14.78 per Valkyries option and with expiry dates ranging from January 12, 2007 to June 1, 2008.

"**Valkyries Shareholders**" means the holders of Valkyries Shares.

"**Valkyries Shares**" means the common shares in the capital of Valkyries.

"**Valkyries Stock Option Plan**" means the stock option plan of Valkyries, as amended, dated May 3, 2005.

"**Valkyries Superior Proposal**" means any *bona fide* written Valkyries Competing Proposal that in the good faith judgment of the Board of Directors of Valkyries:

(i) would result in a transaction that is more favourable, from a financial point of view, to the holders of Valkyries Shares than the terms of the Arrangement (after taking into account any modifications to this Agreement proposed by Lundin Petroleum);

(ii) is not subject to any condition as to financing; and

(iii) is capable of being completed (without assuming away any risk of non-completion) on the terms proposed within a reasonable period of time,

provided that if the consideration payable pursuant to the Valkyries Superior Proposal is payable wholly or partly in the form of securities (other than securities that are immediately redeemable or exchangeable for cash and for which adequate provision has been made to ensure the payment of such cash consideration upon redemption or exchange), the determination of the independent committee of the Board of Directors that the Valkyries Superior Proposal would result in a transaction that is more favourable, from a financial point of view, to the holder of Valkyries Shares than the terms of the Arrangement is supported by the advise of an independent, nationally recognized investment bank, which advise is reflected in the minutes of a Meeting of the Board of Directors.

"**Valuation**" means the formal valuation of the Valkyries Shares, dated May 26, 2006, prepared by RBC for the Special Committee in accordance with Rule 61-501 and Policy Q-27, a copy of which is attached as Exhibit C to this Circular.

GENERAL PROXY INFORMATION

Proxy Solicitations

This Circular is furnished in connection with the solicitation of proxies by the management of Valkyries for use at the special meeting of Valkyries Shareholders to be held on Tuesday, July 25, 2006, at the time and place and for the purposes set out in the accompanying Notice or at any adjournment thereof (the "Meeting"). Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made without special compensation by directors, officers and regular employees of the Corporation. The Corporation may retain other persons or companies to solicit proxies on behalf of management of the Corporation, in which event customary fees for such services will be paid. All solicitation costs will be borne by the Corporation.

The information contained in this management Circular is given as of June 20, 2006, unless otherwise indicated. All amounts are given in Canadian dollars, except as otherwise noted.

Appointment and Revocation of Proxy

The persons named in the form of proxy (the “Proxy”) which accompanies this Circular are directors and officers of the Corporation. **A registered shareholder who wishes to appoint some other person to serve as their representative at the Meeting may do so by striking out the printed name and inserting the desired person's name in the blank space provided.** The completed Proxy should be delivered to Computershare by 12:00 p.m. (Pacific Time) on July 21, 2006, or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting at which the Proxy is to be used.

The Proxy may be revoked by:

(a) signing a proxy with a later date and delivering it at the time and place noted above;

(b) signing and dating a written notice of revocation and delivering it at the time and to the place noted above; or

(c) attending the Meeting or any adjournment of the Meeting and registering with the scrutineer as a shareholder present in person.

Provisions Relating to Voting of Proxies

The Valkyries Shares represented by proxy in the enclosed form will be voted or withheld from voting by the designated holder in accordance with the direction of the registered shareholder appointing him. If there is no direction by the registered shareholder, those shares will be voted for all proposals set out in the Proxy. The Proxy gives the person named in it the discretion to vote as such person sees fit on any amendments or variations to matters identified in the Notice of Meeting, or any other matters which may properly come before the Meeting. At the time of printing of this Circular, management of the Company knows of no other matters which may come before the Meeting other than those referred to in the Notice of Meeting.

Non-Registered Holders

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Valkyries Shareholders are “non-registered” shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. A person is not a registered shareholder (a “Non-Registered Holder”) in respect of shares which are held either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")), of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Company are referred to as "NOBOs". Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Company are referred to as "OBOs". In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company has elected to send the Notice of Meeting, this Circular and the Proxy (collectively, the "Meeting Materials") directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them.

Intermediaries will frequently use service companies to forward the Meeting Materials to the OBOs. Generally, an OBO who has not waived the right to receive Meeting Materials will either:

(a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the OBO and must be completed, but not signed, by the OBO and deposited with Computershare; or

(b) more typically, be given a voting instruction form ("VIF") which is not signed by the Intermediary, and which, when properly completed and signed by the OBO and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

These securityholder materials are being sent to both registered shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Company or its agent has sent these materials to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send these materials to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instruction.

The Meeting Materials sent to NOBOs who have not waived the right to receive meeting materials are accompanied by a VIF, instead of a form of proxy. By returning the VIF in accordance with the instructions noted on it, a NOBO is able to instruct the voting of the Valkyries Shares owned by it.

VIFs, whether provided by the Company or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF. The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Valkyries Shares which they beneficially own. Should a Non-Registered Holder who receives a VIF wish to attend the Meeting or have someone else attend on his or her behalf, the Non-Registered Holder may request a legal proxy as set forth in the VIF, which will grant the Non-Registered Holder, or his or her nominee, the right to attend and vote at the Meeting.

Voting Shares and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of Valkyries Shares, of which 55,780,414 are issued and outstanding as of June 20, 2006. Each Valkyries Share is entitled to one vote at meetings of the Valkyries Shareholders.

The Board of Directors has fixed the close of business on June 20, 2006 as the Record Date for the purposes of determining the holders of Valkyries Shares entitled to receive notice of and to vote at the Meeting.

Valkyries Shareholders registered as at June 20, 2006 are entitled to attend and vote at the Meeting. Valkyries Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

The following table sets forth the only person who, to the knowledge of the directors and senior officers of the Corporation, beneficially owns or exercises control or direction over those Valkyries Shares carrying 10% or more of the voting rights attached to all Valkyries Shares:

Name	**Number of Valkyries Shares/Percentage of outstanding Valkyries Shares**
Adolf H. Lundin [(1)]	8,263,844 (14.8%)

(1) These Valkyries Shares are registered in the name of Ellegrove Capital Ltd. ("Ellegrove"), as to 3,838,487 Valkyries Shares, Abalone Capital Ltd. ("Abalone"), as to 2,264,643 Valkyries Shares and Lorito Holdings Ltd. ("Lorito") as to 2,160,714 Valkyries Shares. Ellegrove, Abalone and Lorito are owned by a trust whose settler is Mr. Adolf H. Lundin.

Quorum and Votes Required for Certain Matters

The presence of two persons, each entitled to vote at the Meeting as a Valkyries Shareholder or a duly appointed proxyholder, will constitute a quorum for the Meeting.

Valkyries is subject to the securities laws of certain provinces of Canada. The rules impose various requirements on issuers that propose to effect certain types of transactions involving related parties vis-à-vis the issuer. These requirements include enhanced disclosure, the requirement to prepare and summarize the results of a formal valuation of the transaction and the requirement to have the transaction approved by a simple majority of disinterested shareholders.

The Arrangement constitutes a business combination for the purposes of OSC Rule 61-501. Valkyries has determined that a formal valuation of the Combination is required under OSC Rule 61-501.

Pursuant to the Interim Order, the Arrangement Resolution requires the affirmative vote of not less than two-thirds of the votes cast by Valkyries Shareholders, and the affirmative vote of not less than one-half of the votes cast by Disinterested Valkyries Shareholders, who vote in respect thereof, in person or by proxy, at the Meeting. OSC Rule 61-501 also requires that the Arrangement Resolution be approved by a majority of the votes cast by Disinterested Valkyries Shareholders at the Meeting.

Interest of Certain Persons in the Arrangement

In considering the recommendation of the Board of Directors to vote in favour of the Arrangement Resolution, Valkyries Shareholders should be aware that certain directors and/or officers of Valkyries have interests in the Arrangement that are different than the interests of Valkyries Shareholders generally.

Directors and executive officers of Valkyries collectively hold, as at the date hereof, an aggregate of approximately 348,415 Valkyries Shares and 210,000 Valkyries Options that, following completion of the Combination, will entitle the holders thereof to acquire 348,415 Lundin Shares and 210,000 Lundin Shares, respectively. Adolf H. Lundin, an insider of Valkyries, beneficially owns or has control and direction over, 8,263,844 Valkyries Shares that, following completion of the Combination, will entitle him to acquire, directly or indirectly, 8,263,844 Lundin Shares. In addition, the directors and executive officers of Valkyries own an aggregate of 1,920,028 Lundin Shares representing approximately 0.74% of the Lundin Shares outstanding and Adolf H. Lundin owns, or has control and direction over, 71,435,168 Lundin Shares, representing approximately 27.7% of the Lundin Shares outstanding. Adolf H. Lundin is also a principal shareholder of Vostok Nafta Investment Ltd., which entity holds 5,000,000 Valkyries Shares.

In addition, Lukas Lundin is a director of Valkyries, and is Chairman of the Valkyries board of directors and is also a director of Lundin Petroleum. William A. Rand is a director of both Valkyries and Lundin Petroleum. Ashley Heppenstall is a director of Valkyries and is President, Chief Executive Officer and a director of Lundin Petroleum. Also, Vostok Nafta Investment Ltd., a company of which Adolf H. Lundin is a principal shareholder and of which Adolf H. Lundin, Lukas H. Lundin, Ian H. Lundin, William Rand, Carl Bildt and Kai Hietarinta are directors, holds 5,000,000 Valkyries Shares.

Related Party Transaction

The Combination may constitute a “business combination” within the meaning of Rule 61-501 and a “related party transaction” within the meaning of Q-27 because Adolf H. Lundin is a principal shareholder of both Valkyries and Lundin Petroleum. Accordingly, a formal valuation, within the meaning of Rule 61-501 and Q-27, of the Valkyries Shares was required. The Special Committee was constituted on May 1, 2006. The Special Committee retained RBC to prepare and deliver to the Special Committee a formal valuation of the Valkyries Shares in accordance with the requirements of Rule 61-501 and Q-27.

Dissent Rights

Valkyries Shareholders who oppose the special resolution are entitled to dissent in accordance with the Dissent Procedures set out in Exhibit J — "Dissent Rights". Exhibit J — "Dissent Rights" is only a summary of the dissenting shareholder provisions of the CBCA (as modified by the Interim Order and the Plan of Arrangement), which are technical and complex. Valkyries Shareholders wishing to avail themselves of their rights under those provisions seek their own legal advice as failure to comply strictly with the provisions of the CBCA may prejudice their right of dissent.

THE COMBINATION

The Arrangement

Valkyries entered into the Business Combination Agreement that will, subject to the terms and conditions of the Business Combination Agreement, result in the Combination of Valkyries and Lundin Petroleum by way of the Arrangement, a Court-approved plan of arrangement under the CBCA. As a result of the Combination, among other things, Valkyries will become a wholly-owned subsidiary of Lundin Subco and each Valkyries Shareholder (other than Dissenting Shareholders, Lundin Petroleum and its affiliates) will be entitled to receive Lundin Shares in exchange for the Valkyries Shares held by such Valkyries Shareholder on the basis of one (1) Lundin Share for each Valkyries Share (the “Exchange Ratio”) held by such Valkyries Shareholder, all pursuant to the provisions of the Plan of Arrangement.

Upon the completion of the Arrangement, each holder of a Valkyries Option will be entitled to receive upon the subsequent exercise thereof, in accordance with its terms, and shall accept in lieu of the number of Valkyries Shares otherwise issuable upon exercise, the number of Lundin Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was previously entitled upon such exercise.

The conditions to the Combination include, among others, approval by at least two-thirds of the votes cast by Valkyries Shareholders at the Meeting, approval by a majority of the votes cast by Disinterested Valkyries Shareholders at the Meeting, the approval of the Court, and the conditional approval of the TSX-V.

Subject to the conditions in the Business Combination Agreement being satisfied or waived, Valkyries will apply to the Court for the Final Order approving the Plan of Arrangement under the provisions of section 192 of the CBCA. Upon obtaining the Final Order, Valkyries will file the Articles of Arrangement with the Director. The Arrangement will become effective upon obtaining a certificate of arrangement from the Director. See "The Business Combination Agreement — Conditions to Closing".

Background

The following is a summary of the meetings, negotiations and discussions between Valkyries and Lundin Petroleum that preceded the execution of the Business Combination Agreement.

On March 29, 2006, Valkyries and Lundin Petroleum entered into a confidentiality agreement to enable them to conduct due diligence reviews of each other.

On May 1, 2006, the Board of Directors formed the Special Committee, comprised of Brian Edgar and Pierre Besuchet, to review a possible transaction with Lundin Petroleum. The Special Committee was empowered to retain legal counsel and an independent valuator. On May 5, 2006, the Special Committee retained RBC as the independent valuator and it retained Blake Cassels and Graydon LLP as its legal advisors.

From May 1, 2006 to May 26, 2006, Valkyries, Lundin Petroleum and their respective legal advisors negotiated the terms and exchanged drafts of the Business Combination Agreement and the Plan of Arrangement and continued with legal, financial and technical due diligence.

On May 26, 2006, RBC delivered the Valuation and Fairness Opinion to the Special Committee. On May 27, 2006, the Special Committee determined that the Arrangement and the terms of the Business Combination Agreement were in the best interests of Valkyries and fair to Valkyries Shareholders and unanimously resolved that it would recommend to the Board of Directors that the Board of Directors approve and execute the Business Combination Agreement and recommend that Valkyries Shareholders vote to approve the Arrangement Resolution.

On May 27, 2006, the Valkyries Board of Directors met to consider the recommendation of the Special Committee, and unanimously resolved to approve and authorize the execution of the Business Combination Agreement. Prior to the vote Lukas Lundin, William Rand and Ashley Heppenstall, being all of the directors of Valkyries other than Messrs. Edgar and Besuchet and Keith Hill, declared their interest in the transaction as directors of both Valkyries and Lundin Petroleum.

On May 27, 2006, Valkyries and Lundin Petroleum executed and delivered the Business Combination Agreement and on May 29, 2006 a public announcement was made by a joint press release of Valkyries and Lundin Petroleum.

On June 22, 2006, the Board of Directors approved, among other things, the contents and mailing of this Circular.

Benefits of the Combination

The Board of Directors believes that the Combination will have the following benefits for Valkyries Shareholders:

1. the Combination offers a premium of approximately 8.2% to Valkyries' Shareholders based on the respective closing prices of the Valkyries Shares and the Lundin Shares on May 26, 2006, the date prior to the date on which the transaction was announced;

2. the combined Lundin Petroleum will have direct access to the technical expertise required to grow the Russian business;

3. the combined company will be well positioned for internal growth and have the financial strength and flexibility to take advantage of consolidation and acquisition opportunities in the oil and gas exploration and development industry;

4. the transaction provides Valkyries Shareholders with liquid consideration that fairly values Valkyries' asset base, including a significant value for exploration potential;

5. Valkyries Shareholders will benefit from the size and liquidity of the combined entity and will have gained the benefit of the growth that is provided by Lundin Petroleum;

6. the combined company will have access to a greater level of financial capital which will provide a greater range of deal opportunities;

7. the transaction will mitigate the current high level of concentrated risk associated with the exploration projects and the country focus, which are exclusively in Russia;

8. Valkyries Shareholders will gain exposure to high upside exploration projects currently held in Lundin Petroleum; and

9. the combined company will have an experienced management team with significant operating experience.

Special Committee

A Special Committee of the Board of Directors was constituted on May 1, 2006 to examine and review the Combination, to consider and advise the Board as to whether the Arrangement is in the best interests of the Corporation and its shareholders, and to report to the Board respecting its recommendations and conclusions. **The Special Committee concluded that the Arrangement is fair to Valkyries Shareholders and that the Combination is in the best interests of Valkyries. Further, the Special Committee unanimously resolved to recommend to the Board of Directors that it approve and execute the Business Combination Agreement.**

In reaching its conclusions and formulating its recommendations, the Special Committee considered the expected benefits from the Combination as well as a number of factors including:

(a) information regarding Lundin Petroleum, its assets and properties (see a summary of such information set forth in "Exhibit B — Lundin Petroleum AB");

(b) information regarding Lundin Petroleum with respect to its historical and current financial condition, business and operations;

(c) historical information regarding the market prices and trading information of the Valkyries Shares and the Lundin Shares;

(d) that the Arrangement will give Valkyries Shareholders the opportunity to mitigate the risks, including political risks, associated with the Valkyries Shares by exchanging them for Lundin Shares, which have much less risk associated with them;

(e) that the majority of the Corporation's market capitalization is associated with its offshore Caspian Lagansky exploration block which is an exploration target that is subject to considerable risk;

(f) the anticipated size and market liquidity of the combined company, subsequent to the Arrangement;

(g) that the Lundin Shares offered in connection with the Arrangement provide Valkyries Shareholders with the opportunity to be shareholders of a larger, more diversified company with a greater capacity to fund acquisition and development projects from cash flow and bank debt, thus avoiding shareholder dilution;

(h) Valkyries Shareholders will retain their ability to benefit from the growth prospects represented by the combined company by receiving one (1) Lundin Share for each Valkyries Share held;

(i) the Exchange Ratio implied a price of \$13.54 per Valkyries Share representing a premium of approximately 8.2% to Valkyries' Shareholders based on the respective closing prices of the Lundin

Shares and the Valkyries Shares on May 26, 2006, the date prior to the date on which the Arrangement was announced;

(j) the Valuation which concluded that, as at May 26, 2006, the fair market value of the Valkyries Shares was in the range of $13.50 to $20.00 per Valkyries Share;

(k) the Fairness Opinion, which concluded that, as at May 26, 2006, the consideration under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests;

(l) the view of the Valkyries Board of Directors that the terms and conditions of the Business Combination Agreement, including the amount of the Termination Fee and the circumstances under which it is payable, do not prevent, or unreasonably deter, an unsolicited third party from proposing or making a Valkyries Superior Proposal, provided that Valkyries complies with the terms of the Business Combination Agreement;

(m) the Arrangement Resolution must be approved by not less than two-thirds of the votes cast at the Meeting by Valkyries Shareholders and a majority of the votes cast at the Meeting by Disinterested Valkyries Shareholders;

(n) the Arrangement requires approval of the Court, which will consider, among other things, the fairness of the Arrangement to Valkyries Shareholders;

(o) the risks associated with the completion of the Combination, and the risks associated with not completing the Combination; and

(p) under the Arrangement, Registered Valkyries Shareholders will have dissent rights.

The Special Committee also considered current industry, economic and market conditions and trends as well as the reasons set forth under "The Combination — Benefits for the Combination".

Independent Valuation and Fairness Opinion

The following constitutes a summary only of the Valuation and Fairness Opinion. The Valuation and Fairness Opinion have been prepared and provided solely for the use of the Special Committee and the Board of Directors and for inclusion in this Circular, and may not be used or relied upon by any other person without the express prior written consent of RBC. The following summary is qualified in its entirety by the full text of the Valuation and Fairness Opinion attached as Exhibit C to this Circular.

Engagement of RBC

The Special Committee initially contacted RBC regarding a potential assignment in May 2006, and RBC was formally engaged by the Special Committee pursuant to an agreement between Valkyries and RBC (the “Engagement Agreement”) dated May 5, 2006. The terms of the Engagement Agreement provide that RBC is to be paid $850,000 for the Valuation and Fairness Opinion. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by Valkyries in certain circumstances. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Valuation and Fairness Opinion or the outcome of the Arrangement.

RBC was instructed by the Special Committee to prepare a formal valuation of the Valkyries Shares, and to provide an opinion as to the fairness of the consideration under the Arrangement from a financial point of view to the Valkyries Shareholders, other than the Related Interests. RBC was not retained to provide any advice to the Special Committee or Valkyries regarding the Arrangement or any other potential alternatives that might be available to Valkyries, or to advise the Special Committee or Valkyries whether to seek, evaluate or pursue any alternatives other than the Arrangement.

Credentials of RBC

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally.

Independence of RBC

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Valkyries, Lundin Petroleum or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving Valkyries, Lundin Petroleum or any of their respective associates or affiliates, within the past two years. There are no understandings, agreements or commitments between RBC and Valkyries, Lundin Petroleum or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Valkyries, Lundin Petroleum or any of their respective associates or affiliates.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of Valkyries, Lundin Petroleum or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to Valkyries, Lundin Petroleum or the Arrangement.

Scope of Review

In preparing the Valuation and Fairness Opinion, RBC reviewed and relied upon, among other things, publicly available information for each of Valkyries and Lundin Petroleum, independent reserve and resource reports, 2006-2008 business plan and financial projections of each of Valkyries and Lundin Petroleum, as well as such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances. RBC also held discussions with senior management of each of Valkyries and Lundin Petroleum.

Assumptions and Limitations

With the Special Committee's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of Valkyries and Lundin Petroleum and their respective consultants and advisors (collectively, the "Information"). The Valuation and Fairness Opinion are conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

In preparing the Valuation and Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met and that the disclosure provided or incorporated by reference in the Circular and the Business Combination Agreement with respect to Valkyries, Lundin Petroleum and their respective subsidiaries and affiliates and the Arrangement is accurate in all material respects.

The Valuation and Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at May 26, 2006 and the condition and prospects, financial and otherwise, of Valkyries, Lundin Petroleum and their respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of Valkyries and Lundin Petroleum, respectively. In its analyses and in preparing the Valuation and Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation or Fairness Opinion. The preparation of a valuation or fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. Neither the Valuation nor the Fairness Opinion are to be construed as a recommendation to any Valkyries Shareholder as to whether to vote in favour of the Arrangement.

Definition of Fair Market Value

For purposes of the Valuation, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. RBC has not made any downward adjustment to the value of the Valkyries Shares to reflect the liquidity of the Valkyries Shares, the effect of the Arrangement or the fact that the Valkyries Shares held by the Valkyries Shareholders, other than the Related Interests, do not form part of a controlling interest.

Valuation

RBC's primary valuation methodology in preparing the Valuation was a net asset value ("NAV") analysis. A precedent transactions analysis of oil and gas companies with operations in Russia and the other countries of the former Soviet Union was also considered, however RBC placed less reliance on this analysis for a number of reasons, including, among others: (i) few directly comparable precedent transactions exist and where such transactions do exist the public disclosure is limited as such transactions tend to involve either private companies or the sale of assets of a larger company, (ii) the limited number of transactions resulted in a wide range of implied multiples and (iii) each such transaction is unique and impacted by factors including type, production and reserve mix, asset quality, consideration, synergies and the point in the commodity cycle during which the transaction occurred. RBC also reviewed the trading multiples of comparable public companies in the oil and gas industry from the perspective of whether a public market value analysis might exceed NAV or precedent transaction values for the Valkyries Shares. However, RBC concluded that public company multiples implied values that were below the NAV and precedent transaction values. Given the foregoing, and that public company values generally reflect minority discount values rather than "en bloc" values, RBC did not rely on this methodology in determining the value of the Valkyries Shares.

The NAV approach ascribes a separate value for each category of assets and liabilities, utilizing the methodology most appropriate in each case; the sum of total assets less total liabilities yields the NAV. This approach ascribes value to the proven, probable and possible reserves and the prospective resources existing at the time of the valuation on the basis of discounted future after-tax cash flows, and takes into account the amount, timing and relative certainty of projected cash flows. This approach is known as a "depletion" or "blow-down" evaluation and is a common method of evaluation of petroleum interests (reserves, prospective resources and related production facilities) in the oil and gas industry. As in the case of a typical discounted cash flow analysis, capital expenditures required to develop existing reserves and prospective resources are deducted from cash flows. The NAV approach requires that certain assumptions be made regarding, among other things, future cash flows and discount rates. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values.

In arriving at the equity value of the Valkyries Shares from the enterprise value that results from the discounted cash flow analysis, RBC made adjustments for the Company's net cash position at December 31, 2005 as adjusted for certain events subsequent to that date.

Valuation Conclusion

Based upon and subject to the analyses and assumptions set out in the Valuation and Fairness Opinion, RBC is of the opinion that, as at May 26, 2006, the fair market value of the Valkyries Shares is in the range of $13.50 to $20.00 per Valkyries Share.

Fairness Opinion

In considering the fairness of the consideration under the Arrangement from a financial point of view to the Valkyries Shareholders, other than the Related Interests, RBC principally considered and relied upon the following: (i) an assessment of the value of the consideration per Valkyries Share under the Arrangement; (ii) a comparison of the value of the consideration per Valkyries Share under the Arrangement to the range of fair market values of the Valkyries Shares under the Valuation; and (iii) a comparison of the range of premiums offered under the Arrangement to premiums paid in recent Canadian going private transactions.

Fairness Opinion Conclusion

Based upon and subject to the analyses and assumptions set out in the Valuation and Fairness Opinion, RBC is of the opinion that, as of May 26, 2006, the consideration under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests.

Prior Valuation

Valkyries is not aware of any ‘‘prior valuations’’, as defined in Rule 61-501 or Policy Q-27, of Valkyries or its material assets or securities within the 24 month period preceding May 26, 2006.

Recommendation of the Board of Directors

After considering the report of the Special Committee, the Board of Directors adopted the Special Committee's recommendation, concluded that the Arrangement is in the best interests of Valkyries and fair to Valkyries Shareholders and authorized the entry by Valkyries into the Business Combination Agreement and all related agreements. **The Board of Directors has unanimously approved the Business Combination Agreement and the Plan of Arrangement and unanimously recommends that the Valkyries Shareholders vote IN FAVOUR of the Arrangement Resolution at the Meeting.** All of the directors, other than Brian Edgar, Pierre Besuchet and Keith Hill, declared their interest in the transaction prior to the vote.

In reaching its conclusions and formulating its recommendations, the Board of Directors considered a number of factors, including the recommendation of the Special Committee, the expected benefits of the Combination, the risks associated with completing the Combination as well as the factors listed above considered by the Special Committee.

The discussion of the information and factors considered and given weight by the Board of Directors is not intended to be exhaustive, but is believed to include all material factors considered by the Board of Directors. In reaching the determination to approve and recommend the Arrangement Resolution, the Board of Directors did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

Intention of Officers, Directors and Signficiant Shareholders

Each of the officers and directors of Valkyries has advised Valkyries that such officer or director intends to vote or cause to be voted the Valkyries Shares beneficially owned by him or her or over which he or she exercises control or direction in favour of the Arrangement Resolution.

Such officers and directors of Valkyries collectively beneficially own and exercise control or direction over an aggregate of 348,415 Valkyries Shares, representing approximately 0.63% of the Valkyries Shares outstanding.

In addition, 8,263,844 Valkyries Shares, representing 14.8% of the outstanding Valkyries Shares, that are beneficially owned by, or over which control and direction is exercised by, Adolf H. Lundin, will be voted in favour of the Arrangement Resolution.

Court Approval and Completion of the Arrangement

The Arrangement must be approved by the Court. Prior to the mailing of this Circular, Valkyries obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Petition to the Court and the Interim Order for the Final Order is attached to this Circular as Exhibits F and G, respectively.

Subject to the approval of the Arrangement Resolution by the Valkyries Shareholders at the Meeting, the hearing in respect of the Final Order is scheduled to take place on July 27, 2006 at 10:00 a.m. (Vancouver time) or shortly thereafter in the Court at 800 Smithe Street, Vancouver, BC V6Z 2E1. All Valkyries Shareholders who wish to participate or be represented or to present evidence or arguments at that hearing must serve and file a notice of appearance as set out in the Interim Order and satisfy all other applicable requirements. Any person desiring further information about the steps that must be taken prior to making submissions may contact Patrick Sullivan of TVS Barristers at 300 – 1168 Hamilton Street, Vancouver, B.C., 604-687-7007. If such person does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to such person or persons. At the hearing in respect of the Final Order, the Court will consider, among other things, the fairness and reasonableness of the Arrangement. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct, subject to compliance with such terms and conditions, if any, as the Court may deem appropriate.

The Court will be advised, prior to the hearing, that the Court's approval of the Arrangement will form the basis for an exemption from registration of the securities of Lundin Petroleum issued in connection with the Arrangement under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**") pursuant to Section 3(a)(10) thereof.

Assuming that the Final Order is granted and the other conditions in respect of the Arrangement as set out in the Business Combination Agreement are satisfied or waived, it is anticipated that the Articles of Arrangement will be filed with the Director to give effect to the Plan of Arrangement and the various other documents necessary to complete the Arrangement as contemplated under the Business Combination Agreement will be executed and delivered.

It is currently anticipated that the Effective Date will be on or about August 1, 2006.

Description of the Plan of Arrangement

Subject to the conditions in the Business Combination Agreement being satisfied or waived, Valkyries will apply to the Court for the Final Order approving the Plan of Arrangement under section 192 of the CBCA. In connection with the Arrangement, each Valkyries Shareholder (other than Dissenting Shareholders and members of the Lundin Petroleum Group) will be entitled to receive Lundin Shares in exchange for the Valkyries Shares held by such Valkyries Shareholder on the basis of one (1) Lundin Share for each Valkyries Share held by such Valkyries Shareholder, all pursuant to the provisions of the Plan of Arrangement.

On the Effective Date and pursuant to the provisions of the Plan of Arrangement, the following will occur without further act or formality:

(a) all right, title and interest of the registered and beneficial holders of Valkyries Shares (other than Dissenting Shareholders), free and clear of any encumbrances, shall be transferred and assigned to Lundin Subco, in consideration for Lundin Shares, on the basis of one (1) Lundin Share for each Valkyries Share;

(b) in consideration for Lundin Petroleum issuing Lundin Shares to holders of Valkyries Shares (other than Dissenting Shareholders), Lundin Subco shall issue to Lundin Petroleum that number of shares of Lundin Subco that is equal to the number of Lundin Shares issued to holders of Valkyries Shares (other than Dissenting Shareholders); and

(c) each Valkyries Option shall entitle the holder thereof to receive (and such holder shall accept), upon the exercise thereof, in lieu of the number of Valkyries Shares otherwise issuable upon the exercise thereof, the number of Lundin Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise and (ii) the exercise price of such Valkyries Option shall be converted to, and payable in, Swedish Krona based on the noon spot rate of exchange published by the Bank of Canada for Canadian dollars to Swedish Krona on the Effective Date.

As a result of the Arrangement, based on the number of Lundin Shares outstanding on June 20, 2006, existing Valkyries Shareholders will hold approximately 17.8% of the approximately 313,846,580 Lundin Shares to be outstanding upon completion of the Arrangement, assuming no exercise of options or warrants of Valkyries and Lundin Petroleum outstanding subsequent to June 20, 2006. After giving effect to the Arrangement, approximately 7,573,000 Lundin Shares will remain reserved for issuance upon exercise of Lundin Petroleum and Valkyries options (assuming that on the Effective Date the options of Lundin Petroleum and Valkyries outstanding on June 20, 2006, as further described below, have not been exercised or otherwise expired and no new convertible securities of Lundin Petroleum or Valkyries have been issued or granted).

As of May 31, 2006, Lundin Petroleum had convertible securities and options outstanding, or approved for issuance, entitling the holders thereof, upon exercise, to acquire a total of approximately 6,902,000 Lundin Shares. If all outstanding convertible securities and options of Lundin Petroleum were exercised and converted into Lundin Shares prior to the Effective Date, a total of 264,968,166 Lundin Shares would be outstanding and, following the Arrangement, if no Valkyries Options were exercised, Valkyries Shareholders would hold approximately 17.4% of the total outstanding Lundin Shares. In addition, Valkyries Options outstanding as of June 20, 2006 entitle the holders thereof, upon exercise, to acquire a total of 671,000 Valkyries Shares, which upon completion of the Arrangement will entitle the holders thereof, upon exercise, to acquire a total of approximately 671,000 Lundin Shares. If all outstanding Valkyries Options, and no options of Lundin Petroleum, were exercised following the Arrangement, there would be a total of 57,451,414 Lundin Shares outstanding on a fully diluted basis and Valkyries Shareholders would hold approximately 18.2% of the total outstanding Lundin Shares.

The following table sets forth information regarding the approximate number of Lundin Shares to be held by Valkyries Shareholders and Lundin Petroleum shareholders upon completion of the Arrangement (assuming that no Lundin Petroleum or Valkyries outstanding incentive warrants or options are exercised following June 20, 2006):

	Number of Lundin Shares	**Approximate % of Issued and Outstanding Lundin Shares**
Current Valkyries Shareholders	55,780,414	17.8%
Current Lundin Shareholders	258,066,166	82.2%
Total	**313,846,580**	**100%**

Procedure for Exchange of Valkyries Shares for Lundin Shares

Lundin Shares are not evidenced by certificates representing such securities. In Sweden, newly issued securities must be registered with the Swedish Company Office (“Bolagsverket”). Once the Lundin Shares are registered with the Bolagsverket, they are then evidenced by book-based entries in a computerized system managed by the Swedish Securities Centre (“VPC”), which maintains the securities register of the company. The VPC maintains a paperless share registration system and title to shares is evidenced only through registration in the book-based system of the VPC. Generally, registration with the Bolagsverket takes approximately four to five days and entry in the VPC register occurs approximately one to two days thereafter.

For further information or assistance, Valkyries Shareholders are encouraged to call their stock broker or the Valkyries’ Investor Relations Office at 604-689-7842 for assistance.

Registered Valkyries Shareholders are encouraged to read the enclosed Letter of Transmittal carefully and to contact their stock broker as soon as possible.

A Letter of Transmittal (printed on blue paper) is included in the copy of the materials accompanying the copies of this Circular that are delivered to Registered Valkyries Shareholders. The Letter of Transmittal is to be used to exchange certificates representing Valkyries Shares for Lundin Shares. The Letter of Transmittal should be completed and delivered to Computershare in accordance with the instructions contained in the Letter of Transmittal. Upon the return of a properly completed Letter of Transmittal, together with certificates representing Valkyries Shares (and such other documentation as required by Computershare), the appropriate number of Lundin Shares will, as soon as practicable, be issued and delivered without charge. No fractional Lundin Shares will be issued.

Registered Valkyries Shareholders should, as soon as possible, deliver to Computershare at the office of Computershare listed in the Letter of Transmittal the following:

(a) the certificate or certificates representing the Valkyries Shares that the Valkyries Shareholder wishes to have exchanged for Lundin Shares;

(b) a Letter of Transmittal in the accompanying form as required by the rules and instructions set out in the Letter of Transmittal; and

(c) any other documents specified in the instructions set out in the Letter of Transmittal.

Lundin Shares will be issued for Valkyries Shares and confirmation of such issuance will be delivered to Registered Valkyries Shareholders as soon as practicable following the Effective Date, but only if Computershare has actually received the above documents. The Effective Date is expected to occur on or about August 1, 2006, provided that all other regulatory approvals have been obtained. If on such date any required regulatory approval has not yet been obtained, the Effective Date will be the date immediately following the date the last of such approvals is obtained. Except as otherwise provided in the instructions to the Letter of Transmittal, an Eligible Institution must guarantee the signature on the Letter of Transmittal. If a Letter of Transmittal is signed by a person other than the registered owner(s) of the certificate(s) to which the Letter of Transmittal relates, and in certain other circumstances as set forth in the Letter of Transmittal, the deposited certificate(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney duly and properly completed by the registered owner(s), with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution.

Fractional Shares

No fractional Lundin Shares will be issued to Valkyries Shareholders upon the surrender of Valkyries Shares for exchange. Any fractional number of Lundin Shares will be rounded up (if the fractional interest is 0.5 or more) or down (if the fractional interest is less than 0.5).

Stock Exchange Listings and Reporting Issuer Status

The Valkyries Shares are listed and posted for trading on the TSX-V under the symbol "VPC". Lundin Shares are listed and posted for trading on the O-list of the Stockholm Stock Exchange under the symbol "LUPE".

Following the Arrangement, the Valkyries Shares will be de-listed from the TSX-V and an application will be made to the applicable Canadian Securities Regulatory Authorities for Valkyries to cease to be a reporting issuer in the Provinces of British Columbia and Alberta. Upon completion of the Arrangement, Lundin Petroleum will become a reporting issuer in the Provinces of British Columbia and Alberta. However, pursuant to Part 5 of National Instrument 71-102, Lundin Petroleum as a designated foreign issuer, is, in general terms, only required to comply with the foreign disclosure requirements of the foreign regulatory authority having jurisdiction.

Qualification and Resale of Lundin Shares

Canada

The distribution of Lundin Shares issuable pursuant to the Arrangement will be exempt from the prospectus and registration requirements of securities legislation in each province and territory of Canada. Further, the distribution of Lundin Shares issuable upon exercise of Valkyries Options will be exempt from the prospectus and registration requirements of securities legislation in each province and territory of Canada. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares pursuant to "control distributions", Lundin Shares issued pursuant to the Arrangement or upon exercise of Valkyries Options may be resold in each province and territory in Canada, subject to the following conditions:

1. Lundin Petroleum is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (which will be the case, as Lundin Petroleum will be deemed to have been a reporting issuer for the period of time that Valkyries had been a reporting issuer) ;

2. The trade is not a control distribution;

3. No unusual effort is made to prepare the market or to create a demand for the Lundin Shares that are the subject of the trade;

4. No extraordinary commission or consideration is paid to a person or company in respect of the trade; and

5. If the selling Lundin Shareholder is an insider or officer of Lundin Petroleum, the selling Lundin Shareholder has no reasonable grounds to believe that Lundin Petroleum is in default of securities legislation.

United States

The Lundin Shares to be issued pursuant to the Arrangement (including those to be issued upon any subsequent exercise of Valkyries Options) have not been and will not be registered under U.S. Securities Act and will instead be issued in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction expressly authorized by law to grant such approval, after a hearing regarding the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court was advised, prior to the hearing, that the Court's approval of the Arrangement will form the basis for an exemption from registration of the securities of Lundin Petroleum issued in connection with the Arrangement under Section 3(a)(10). The Court granted the Interim Order on June 20, 2006 and, subject to the approval of the Arrangement by Valkyries Shareholders, a final hearing on the Arrangement will be held on July 27, 2006 by the Court. See "The Combination — Court Approval and Completion of the Combination".

The Lundin Shares to be issued in connection with the Arrangement will be freely transferable under United States federal securities laws and will not bear any restrictive legend imposed as a result of the operation of the U.S. Securities Act, except with respect to Lundin Shares held by persons who are deemed to be "affiliates" (as such term is defined under the U.S. Securities Act) of Valkyries or Lundin Petroleum, prior to the Arrangement, or of Lundin Petroleum, following the Arrangement. Persons who may be deemed to be affiliates of a company generally include individuals or entities that control, are controlled by, or are under common control with, such company and generally include executive officers and directors of such company as well as principal shareholders of such company.

Lundin Shares acquired by persons who are deemed to be affiliates of Valkyries or Lundin Petroleum, prior to the Arrangement, and of Lundin Petroleum, following the Arrangement, may be resold by such persons only in transactions permitted by the applicable resale provisions of the U.S. Securities Act. Subject to certain limitations, such affiliates may immediately resell Lundin Shares outside the United States without registration under the U.S. Securities

Act pursuant to Regulation S. Lundin Shares held by such affiliates may also be resold in compliance with the resale provisions of Rule 145(d)(1), (2), or (3) under the U.S. Securities Act or as otherwise permitted under the U.S. Securities Act. Rule 145(d)(1) generally provides that such affiliates may not sell the Lundin Shares received pursuant to the Arrangement unless pursuant to an effective registration statement or in accordance with the volume, current public information and manner of sale limitations of Rule 144. These limitations generally require that any sales made by an affiliate in any three-month period not exceed the greater of 1% of the outstanding Lundin Shares or, if the Lundin Shares are listed on a United States securities exchange, the average weekly trading volume over the four calendar weeks preceding the placement of the sell order, and that sales be made in unsolicited, open market "brokers' transactions" at times when certain information specified by the Rule 144 is publicly available with respect to Lundin Petroleum. Rules 145(d)(2) and (3) generally provide that these limitations lapse for non-affiliates of Lundin Petroleum after a period of one or two years, depending upon whether information continues to be publicly available with respect to Lundin Petroleum.

After the Arrangement, the Valkyries Options exercisable for Lundin Shares, may be exercised only pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. As a result, the Valkyries Options may only be exercised by a holder who represents that at the time of exercise the holder is not then located in the United States, is not a U.S. person, as defined in Rule 902 of Regulation S under the U.S. Securities Act, and is not exercising the Valkyries Options for the account or benefit of a U.S. person or a person in the United States, or the holder provides a legal opinion or other evidence reasonably satisfactory to Lundin Petroleum to the effect that the exercise of the Valkyries Options does not require registration under the U.S. Securities Act or state securities laws.

In addition, any Lundin Shares issuable upon the exercise of the Valkyries Options in the United States or for the account or benefit of a U.S. person or a person in the United States will be "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act, and such Lundin Shares may be resold only pursuant to an exemption from the registration requirements of the U.S. Securities Act and state securities laws, after providing an opinion of counsel or other documentation satisfactory to Lundin Petroleum to such effect. Any Lundin Shares acquired upon the exercise of Valkyries Options, which are restricted securities, may resold outside the United States without registration under the U.S. Securities Act pursuant to Regulation S, subject to certain limitations.

The foregoing discussion is only a general overview of certain requirements of United States securities laws applicable to the Lundin Shares received upon completion of the Arrangement. **All holders of such securities are urged to consult with their own counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Sweden

After the Arrangement, there will be no trading restrictions imposed on the Lundin Shares issued to former Valkyries Shareholders, provided that Lundin Petroleum has prepared and filed a prospectus authorizing the Lundin Shares to be admitted for trading on the Stockholm Stock Exchange.

THE BUSINESS COMBINATION AGREEMENT

Lundin Petroleum, Valkyries and Lundin Subco entered into the Business Combination Agreement dated May 26, 2006 a copy of which has been filed and is available for viewing on SEDAR, and which has been incorporated by reference in this Circular. The following is a summary of the material terms of the Business Combination Agreement. This summary is qualified in its entirety by reference to the full text of the Business Combination Agreement.

General

The Business Combination Agreement is dated May 26, 2006 and is made among Valkyries, Lundin Petroleum and Lundin Subco. The Business Combination Agreement provides for the combination of the businesses of Valkyries and Lundin Petroleum by way of a plan of arrangement under the CBCA.

Effective Date

After obtaining the approval of Valkyries Shareholders and the issuance of the Final Order, and upon the other conditions in the Business Combination Agreement, including receipt of all regulatory approvals, being satisfied or waived, Valkyries intends to send the Articles of Arrangement to the Director for endorsement and filing. The Arrangement will become effective when the Director issues the Certificate.

Exchange Ratio

Under the Arrangement, each Valkyries Shareholder will be entitled to receive one (1) Lundin Share for each Valkyries Share on the terms set out in the Plan of Arrangement.

Treatment of Valkyries Options

The terms of the Business Combination Agreement confirm that each Valkyries Option will entitle the holder to receive upon the exercise thereof, in lieu of the number of Valkyries Shares otherwise issuable upon the exercise thereof, the number of Lundin Shares that the holder would have been entitled to receive as a result of the transactions contemplated by the Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise. The exercise price of such Valkyries Option shall be converted to, and payable in, Swedish Krona based on the noon spot rate of exchange published by the Bank of Canada for Canadian dollars to Swedish Krona on the Effective Date.

Based on the number of Valkyries Options outstanding on June 20, 2006, upon completion of the Arrangement, holders of Valkyries Options will be entitled to purchase an aggregate of 671,000 Lundin Shares at prices ranging from $2.80 to $14.78 per Lundin Share issued (but converted to, and payable in, Swedish Krona based on the noon spot rate of exchange published by the Bank of Canada for Canadian dollars to Swedish Krona on the Effective Date), with the latest expiry date being June 1, 2008.

Representations and Warranties

Lundin Petroleum, Lundin Subco and Valkyries have made certain representations and warranties in the Business Combination Agreement, which representations and warranties shall survive the execution and delivery of the Business Combination Agreement and shall expire and be terminated and extinguished on the Effective Date.

These representations and warranties, qualified where required by the Valkyries disclosure letter and the Lundin Petroleum disclosure letter, relate to among other things: (a) their respective corporate organization, existence and similar corporate matters; (b) their respective share capital; (c) the authorization, execution, delivery and enforceability of the Business Combination Agreement; (d) directors' approvals; (e) the identification of their respective material subsidiaries; (f) there being no default under, or any event, condition or occurrence which, after notice or lapse of time or both, would constitute a default under any contract, agreement or licence that would, individually or in the aggregate, have a Material Adverse Effect on Valkyries or Lundin Petroleum, as the case may be; (g) except as disclosed, since December 31, 2005, Valkyries and Lundin Petroleum have conducted their respective businesses in the ordinary and regular course of business consistent with past practice; (h) except as disclosed, that there are no material liabilities of the Valkyries Group or the Lundin Petroleum Group in respect of which any Valkyries Group Member or Lundin Petroleum Group Member, as applicable, may become liable on or after the consummation of the Arrangement; (i) each Valkyries Group Member and Lundin Petroleum Group Member is in compliance, in all material respects, with all applicable environmental laws; (j) that the principal offices, and substantially all of the assets and property of Valkyries and the Valkyries Group and of Lundin Petroleum and the Lundin Petroleum Group are located outside the United States and that each of Valkyries and Lundin Petroleum is a Foreign Private Issuer; (k) in respect of Valkyries, that Valkyries has provided Lundin Petroleum with all information relating to the business, assets, liabilities, properties, capitalization or financial condition of the Valkyries Group and each Valkyries Group Member, which information is true, accurate and complete in all material respects; (l) employment and labour matters; (m) the audited consolidated financial statements of Valkyries for the financial years ended December 31, 2005 and 2004, and the three month period ended March 31, 2006 having been prepared in accordance with Canadian generally accepted accounting principles consistently applied; (n) completeness and accuracy of financial and corporate books and records; (o) the absence of material litigation; (p) title to properties and condition of assets; (q) insurance matters; (r) environmental matters; (s) the filing of tax returns, the payment of taxes and other tax matters; (t) neither party owning or licensing any intellectual property material to its business; (u) pension and employee benefits; (v) reporting issuer and listing status; (w) the filing with securities regulatory authorities and stock exchanges of all forms, reports and other documents required to be filed, the compliance in all material respects of such documents with the requirements of applicable securities legislation and such documents not containing any misrepresentation at the time of their filing; (x) compliance with applicable laws; (y) there being no cease trade order and no investigation that may operate to prevent or restrict trading of their respective securities; (z) there being no option on assets; (aa) in respect of Valkyries, that Valkyries has made full disclosure; (bb) in respect of Valkyries, that no brokers have been engaged or retained in connection with the Arrangement; and (cc) in respect of Valkyries, its status as not a "non-Canadian" for tax purposes.

Covenants

Until the Effective Date or the date upon which the Business Combination Agreement is terminated, Valkyries is required to, and to cause each Valkyries Group Member to, conduct business only in the ordinary and usual course and use all reasonable efforts to preserve its business organization intact and its existing relations with customers, suppliers, employees and business associates and Valkyries shall not do, and shall cause each Valkyries Group Member not to do, any of the following without the consent of Lundin Petroleum, which consent shall not be unreasonably withheld:

(a) sell or pledge or agree to sell or pledge any capital stock owned by it in any of its subsidiaries, except pursuant to the Arrangement;

(b) amend its Articles or Certificate of Incorporation (or like charter documents) or By-laws except as contemplated by the Arrangement;

(c) subdivide, split, combine, consolidate, or reclassify any of its outstanding shares of capital stock;

(d) declare, set aside or pay any dividend or make any other distribution payable in cash, shares, securities or property with respect to any of its shares of capital stock other than consistent with past practice, and other than dividends or distributions declared, set aside, paid or payable by any Valkyries Group Member to Valkyries, except pursuant to the Arrangement;

(e) repurchase, redeem, or otherwise acquire, directly or indirectly, any of its capital stock or any securities convertible into or exchangeable or exercisable into any of its capital stock;

(f) incur, guarantee, assume or modify any additional indebtedness for borrowed money in an aggregate amount in excess of $250,000 other than in the ordinary course of business;

(g) enter into any material transaction not in the ordinary course of its business;

(h) issue, sell, pledge, dispose of or encumber, or authorize or propose the issuance, sale, pledge, disposition, or encumbrance of, any shares of its capital, or any securities convertible into or exchangeable or exercisable for, or options, puts, warrants, calls, commitments or rights of any kind to acquire, any of its shares of capital other than pursuant to this Agreement or currently outstanding securities directly or indirectly convertible into or exchangeable or exercisable for Valkyries Shares and pursuant to the exercise of options outstanding under Valkyries' stock option plan;

(i) transfer, lease, license, sell, mortgage, pledge, encumber, or dispose of any material property or assets other than in the ordinary and usual course of business consistent with past practice;

(j) make, whether by arrangement, consolidation or purchase, any acquisition of, or investment in, assets, shares, capital stock or other securities of any other person or entity other than its wholly-owned subsidiaries or in the ordinary and usual course of business consistent with past practice;

(k) except as may be required to satisfy contractual obligations existing as of the date hereof and the requirements of applicable Law, establish, adopt, enter into, make, amend in any respect, or make any elections under any collective bargaining agreement or employee benefit or similar plan or enter into any new or amend any existing employment, consulting or other agreement providing compensation or benefits to any executive employee or director, except for employment agreements with new employees (other than Lundin Petroleum corporate staff) entered into in the ordinary course of business which agreements do not provide for the payment of "golden parachutes" or other amounts in respect of severance which are triggered by the transactions set forth herein;

(l) except as may be required to satisfy contractual obligations or obligations under a Valkyries employee benefit or similar plan existing as of the date hereof and the requirements of applicable Law: (i) amend any such plan where such amendment would increase Valkyries' annual or aggregate liability or funding obligations in connection with such plan by more than five percent, (ii) terminate or merge any such plan(s), (iii) transfer assets from any such plan or any agreement with any officer, director or employee of Valkyries, (iv) extend membership, benefits or coverage under any such plan to any employee who is not currently eligible to receive such membership, benefits or coverage, (v) incorporate any "change in control" provision into any such plan, or modify any "change in control" provision presently contained in any such plan or any agreement with any officer, director or employee of Valkyries, or (vi) transfer any employee from Valkyries to any other Valkyries Group Member in circumstances where such transfer would increase the Valkyries Group Member's collective expenses in connection with the employment of such employee;

(m) implement any change in its accounting principles, practices, or methods, other than as may be required by generally accepted accounting principles;

(n) except as contemplated herein, alter (through arrangement, liquidation, reorganization, restructuring or in any other fashion) the corporate structure or ownership of any Valkyries Group Member;

(o) withdraw, permit or consent to the removal of any assets of any of the employee benefit or similar plans maintained by any Valkyries Group Member other than for the purpose of paying benefits in the ordinary course and payment of expenses in accordance with past practice and under the terms of such plan; or

(p) authorize or enter into any agreement or understanding of any type whatsoever, whether written or oral to take any of the actions referred to in Section 4.2 of the Business Combination Agreement.

In addition, Valkyries is required to, and to cause each Valkyries Group Member to, among other things:

(a) convene the Meeting as soon as practicable and use its best efforts to convene the Meeting no later than July 24, 2006 or such later date as may be mutually agreed upon with Lundin Petroleum, and solicit proxies to be voted at the Meeting in favour of the Arrangement; and

(b) ensure that all property, real and personal, owned or leased by Valkyries or any of its subsidiaries, continues to be insured substantially in the form described in the Business Combination Agreement.

Furthermore, Valkyries has covenanted that it will carry out the terms of the Interim Order and use all commercially reasonable efforts to obtain the approval of its shareholders.

Conditions to Closing

Mutual Conditions Precedent

The Business Combination Agreement provides that the obligation of each of Lundin Petroleum and Valkyries to complete the Arrangement is subject to the satisfaction, on or before the Effective Date, of the following conditions, each of which may be waived only with the consent in writing of Lundin Petroleum and Valkyries:

(a) the Valkyries Shareholders shall have approved the Valkyries Arrangement Resolution at the Meeting and, in particular, shall have approved the Arrangement in accordance with the Interim Order;

(b) the Interim Order and the Final Order shall have been granted in form and substance satisfactory to each of Lundin and Valkyries, acting reasonably and shall not have been set aside or modified in a manner unacceptable to Lundin or Valkyries, acting reasonably, on appeal or otherwise;

(c) the Articles of Arrangement shall be in form and substance satisfactory to the parties hereto acting reasonably;

(d) no temporary restraining order, preliminary injunction, permanent injunction or other order preventing the consummation of the Arrangement shall have been issued by any federal, state, or provincial court (whether domestic or foreign) having jurisdiction and remain in effect;

(e) the Lundin Shareholders shall have approved the issue of the Lundin Shares pursuant to the Arrangement at the Lundin Meeting;

(f) the Swedish Financial Supervisory Authority shall have approved the registration of a prospectus of Lundin relating to the admission of the Lundin Shares to be issued to Valkyries Shareholders to trade on the Stockholm Stock Exchange;

(g) on the Closing Date, no cease trade order or similar restraining order of the British Columbia Securities Commission, any other provincial securities administrator or the Swedish Financial Supervisory Authority relating to the Lundin Shares or the Valkyries Shares shall be in effect;

(h) there shall not be pending or threatened any suit, action or proceeding by any Governmental Entity, before any court or governmental authority, agency or tribunal, domestic or foreign, that has a significant likelihood of success, seeking to restrain or prohibit the consummation of the Arrangement or any of the other transactions contemplated by this Agreement or seeking to obtain from Lundin or Valkyries any damages that are material in relation to Lundin, Valkyries and their subsidiaries taken as a whole;

(i) the distribution of Lundin Shares pursuant to the Arrangement shall be exempt from the prospectus and registration requirements of applicable Canadian Securities Laws either by virtue of exemptive relief from the securities regulatory authorities each of the provinces of Canada or by virtue of applicable exemptions under Canadian Securities Laws;

(j) the Lundin Shares to be issued in connection with the Arrangement shall be exempt from registration requirements under the U.S. Securities Act, and the Lundin Shares to be distributed pursuant to the Arrangement will not be subject to resale restrictions under the U.S. Securities Act or the securities laws of Canada, except (a) as may be imposed by Rules 144 and 145 with respect to persons deemed "affiliates" (as defined under Rule 144 of the U.S. Securities Act) of Valkyries; (b) as disclosed in the Information Circular or (c) by reason of the existence of any controlling interest in Lundin, if any, pursuant to the securities laws of any applicable jurisdiction; and

(k) (A) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental entity and the expiry of any waiting periods, in connection with, or required to permit, the completion of the Arrangement, and (B) all third person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Lundin or Valkyries or materially impede the completion of the Arrangement, shall have been obtained or received on terms that are reasonably satisfactory to each party hereto.

Additional Conditions Precedent to the Obligations of Lundin Petroleum

The obligations of Lundin Petroleum to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Valkyries under the Business Combination Agreement, qualified as to materiality, being true and correct; (ii) there having been no Adverse Material Change in the Valkyries Group since the date of the Business Combination Agreement; (iii) Valkyries having complied in all material respects with its covenants in the Business Combination Agreement; (iv) Mintley Investments Limited shall have entered into an agreement with Valkyries and Lundin Petroleum, in form and substance acceptable to Lundin, to accept 1,000,000 Lundin Shares in lieu of the 1,000,000 Valkyries Shares issuable to Mintley Investments Limited, which Lundin Shares will be issued upon the Caspian Field sustaining gross production of 2,500 barrels per day for a period of 30 consecutive days; (v) the directors of each Valkyries Group Member shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by each Valkyries Group Member; (vi) Valkyries Shareholders holding not more than 10% of the outstanding Valkyries Shares shall have exercised their right of dissent in respect of the Arrangement Resolution; and (vii) the directors of Valkyries shall not have withdrawn or modified in a manner adverse to Lundin Petroleum, their approval or recommendation to Valkyries Shareholders of the transactions contemplated hereby.

Additional Conditions Precedent to the Obligations of Valkyries

The obligations of Valkyries to complete the Arrangement are subject to the satisfaction of certain additional conditions in its favour, including, among others, (i) the representations and warranties of Lundin Petroleum and Lundin Subco under the Business Combination Agreement being true and correct in all material effects; (ii) there having been no Adverse Material Change in the Lundin Petroleum Group since the date of the Business Combination Agreement; (iii) Lundin Petroleum having complied in all material respects with its covenants in the Business Combination Agreement; (iv) the Lundin Shares to be issued pursuant to the Arrangement shall have been approved for listing on the Stockholm Stock Exchange on the Effective Date or as soon as practicable thereafter; and the first trade in the Lundin Shares distributed pursuant to the Arrangement shall be exempt from the registration and prospectus requirements of applicable Canadian Securities Laws either by virtue of exemptive relief from the securities regulatory authorities each of the provinces of Canada or by virtue of applicable exemptions under Canadian Securities Laws.

Non-Solicitation and Valkyries Superior Proposal

Pursuant to the Business Combination Agreement, Valkyries has agreed that it will not, and it will ensure that all Valkyries Group Members and their respective directors do not, directly or indirectly, through any officer, director, employee, representative, advisor or agent of Valkyries, or otherwise, solicit, initiate, or engage in discussions or negotiations with any Person, encourage submission of any inquiries, proposals, or offers by, or take any other action intended or designed to facilitate the efforts of any person, other than Lundin Petroleum, relating to (a) the possible acquisition of, or business combination with, any Valkyries Group Member (whether by way of amalgamation, arrangement, consolidation, take-over bid, purchase of shares, purchase of assets, or otherwise); (b) the possible acquisition of any material portion of their shares of capital stock, other equity interests or assets; (c) any take-over bid, or exchange offer, secondary purchase or similar transaction made by any Person or entity involving the acquisition or lock-up of 10% or more of the outstanding Valkyries Shares; or (d) any other transaction, the consummation of which would reasonably be expected to prevent or materially impede, interfere with or delay the consummation of the Arrangement. Notwithstanding the foregoing, nothing will prevent or restrict the Board of Directors from, prior to the approval of the Arrangement by Valkyries Shareholders, considering or negotiating any unsolicited *bona fide* Valkyries Competing Proposal that would be a Valkyries Superior Proposal or from approving or recommending to Valkyries Shareholders, or entering into any agreement in respect of, a Valkyries Superior Proposal in accordance with the terms of the Business Combination Agreement. Valkyries must promptly notify Lundin Petroleum of the receipt by any director or officer of Valkyries of any Valkyries Competing Proposal, any amendment to the foregoing, or any request for non-public information relating to Valkyries or the Valkyries Subsidiary.

Neither Valkyries nor the directors thereof shall accept, approve or recommend or enter into any agreement in respect of an Valkyries Competing Proposal on the basis that it would constitute a Valkyries Superior Proposal, unless (i) an independent committee of the board of directors of Valkyries determines in good faith after consultation with outside counsel that failure to do so would be inconsistent with their fiduciary duties under applicable laws; (ii) four business days have elapsed from the date on which Lundin Petroleum received notice of the determination of the Board of Directors to accept, approve, recommend or enter into any agreement in respect of such Valkyries Superior Proposal, and Lundin Petroleum has not within such four business day period agreed to at least match the value per Valkyries Share of such Valkyries Superior Proposal.

Amendment and Waiver

The Business Combination Agreement, including the Plan of Arrangement, may be amended by written agreement of the parties at any time before or after the Meeting without, subject to applicable law, further notice to or authorization on the part of the Valkyries Shareholders and any such amendment may, without limitation, (i) change the time for the performance of any of the obligations or acts of any of the parties to the Business Combination Agreement; (ii) waive any inaccuracies in or modify any representation or warranty contained in the Business Combination Agreement or in any document delivered pursuant to the Business Combination Agreement; (iii) waive compliance with or modify any of the covenants in the Business Combination Agreement and waive or modify the performance of any of the obligations of any of the parties hereto; and (iv) waive compliance with or modify any condition under the Business Combination Agreement.

Termination and Termination Fees

The Business Combination Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Arrangement Resolution or any other matters presented in connection with the Arrangement at the Meeting without the payment of any termination or similar fee:

(a) by mutual written consent of Lundin Petroleum and Valkyries;

(b) by Lundin Petroleum or Valkyries if there has been a breach of any of the representations, warranties, covenants and agreements on the part of the other set forth in this Business Combination Agreement, which breach has or is likely to result in the failure of the conditions precedent set forth in the Business Combination Agreement to be satisfied and in each case has not been cured within 20 Business Days following receipt by the breaching party of notice of such breach from the non-breaching party;

(c) by Lundin Petroleum in the event of a failure of any of the conditions precedent to the obligations of Lundin Petroleum, provided that such conditions have not been waived by Lundin Petroleum, by Valkyries in the event of a failure of any of the conditions precedent to the obligations of Valkyries, provided that such conditions have not been waived by Valkyries, and by either Lundin or Valkyries in the event of a failure of any of the mutual conditions precedent of Lundin Petroleum and Valkyries, provided that such conditions have not been waived by Lundin Petroleum and Valkyries;

(d) by either Lundin Petroleum or Valkyries if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Arrangement shall have become final and non-appealable;

(e) by either Lundin Petroleum or Valkyries if the Valkyries Arrangement Resolution is not approved at the Meeting; or

(f) by either Lundin or Valkyries if the Closing shall not have occurred by the Termination Date, provided, however, that, if the closing has not been completed by such date because the Meeting has not been held because notice of the Meeting has not been given to the Valkyries Shareholders, then Valkyries shall not be entitled to terminate this Agreement and if the closing has not been completed by such date because the Lundin Petroleum Meeting has not been held because notice of Lundin Petroleum Meeting has not been given to the Lundin Shareholders, then Lundin Petroleum shall not be entitled to terminate this Agreement; provided, further, that if on said date notice of the Meeting or the Lundin Petroleum Meeting shall have been given to the Valkyries Shareholders or the Lundin Shareholders, as the case may be, but the Meeting or the Lundin Petroleum Meeting, as the case may be, shall not have been held, the Termination Date shall be the tenth Business Day following the date on which the Meeting or the Lundin Petroleum Meeting, as the case may be, has been held; provided, further, that the right to terminate the Business Combination Agreement shall not be available to any Party whose failure to fulfill any of its obligations under the Business Combination Agreement has been the cause of or resulted in the failure of the closing to occur on or prior to the aforesaid date.

If Lundin Petroleum terminates the Business Combination Agreement in connection with (i) Valkyries or the Board of Directors of Valkyries, or any committee thereof, having withdrawn or modified in a manner adverse to Lundin Petroleum its approval of the Arrangement Agreement or its recommendation to vote in favour of the Valkyries Arrangement Resolution, or approves or recommends a Valkyries Superior Proposal, or resolves to do any of the foregoing; (ii) the breach, by any Valkyries Group Member, of the covenant not to solicit a Valkyries Superior Proposal; (iii) any Valkyries Group Member having entered into a transaction to effect a Valkyries Superior Proposal; or (iv) the failure of the Board of Directors of Valkyries, within four business days of a Valkyries Superior Proposal, and after being requested by Lundin Petroleum in writing, to reaffirm its approval or recommendation of the Arrangement and, if requested, to make a public announcement to that effect, then Valkyries shall pay Lundin Petroleum an amount in cash equal to U.S.$2,000,000.

If Valkyries terminates the Business Combination Agreement because the issue of Lundin Shares pursuant to the Arrangement is not approved at the Lundin Petroleum Meeting, then Lundin Petroleum shall pay to Valkyries an amount in cash equal to U.S.$2,000,000.

In addition, in the event that Valkyries enters into an agreement to implement a Valkyries Superior Proposal, Lundin Petroleum may require that Valkyries hold the Meeting, and place the Arrangement Resolution before the Valkyries Shareholders for approval if this Circular has been sent to the Valkyries Shareholders and the four day period following written notice to Lundin Petroleum of such Valkyries Superior Proposal has not expired.

Expenses

The Business Combination Agreement provides that each of Valkyries and Lundin Petroleum shall pay its own expenses incurred in connection with the Arrangement.

RISK FACTORS

Valkyries Shareholders should carefully consider the following risk factors in evaluating whether to approve the Arrangement. These risk factors should be considered in conjunction with the other information included in this Circular.

Risk Factors

Failure to complete the Arrangement could negatively affect Valkyries' share price, future business and operations

Risks to which Valkyries is subject relating to the Arrangement not being completed include:

(a) the price of the Valkyries Shares may decline to the extent that the relevant current market price reflects a market assumption that the Arrangement will be completed;

(b) certain costs related to the Arrangement, such as legal, accounting and certain financial advisor fees incurred by Valkyries, must be paid by Valkyries even if the Arrangement is not completed. In addition, if the Arrangement is not completed, Valkyries may be required to pay Lundin Petroleum the Termination Fee. The Termination Fee could adversely affect Valkyries' financial condition;

(c) if the Arrangement is terminated and the Board of Directors decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the price to be paid by Lundin Petroleum pursuant to the Arrangement;

(d) Valkyries will be reliant on the capital markets and on debt and equity financings to fund future operations, development and acquisitions and there is no assurance that it will be able to raise capital as required; and

(e) Valkyries employees may experience uncertainty about their future roles with Valkyries until Valkyries' strategies, in the absence of the Combination, are announced and executed. This may adversely affect Valkyries' ability to attract or to retain key management and personnel.

Risks Associated with the Fixed Exchange Ratio

Pursuant to the provisions of the Plan of Arrangement, each Valkyries Share will be exchanged for one (1) Lundin Share. The Exchange Ratio is fixed and it will not increase or decrease due to fluctuations in the market price of either the Lundin Shares or the Valkyries Shares. The market value of the consideration that Valkyries Shareholders will receive in the Arrangement will depend on the market price of the Lundin Shares on the Effective Date. If the market price of the Lundin Shares increases or decreases, the market value of the Lundin Shares that Valkyries Shareholders will receive will correspondingly increase or decrease. Because the date that the Arrangement is completed will be later than the date of the Meeting, the price of the Lundin Shares on the Effective Date may be higher or lower than the price on the date of the Meeting. In addition, the number of Lundin Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of Valkyries Shares. Many of the factors that affect the market price of the Lundin Shares and the Valkyries Shares are beyond the control of Lundin Petroleum and Valkyries, respectively. These factors include fluctuations in commodity prices, most importantly oil and gas, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

Uncertainties Associated with the Arrangement

The Arrangement will involve the integration of companies that previously operated independently. An important factor in the success of the Arrangement will be the ability of the management of the combined entity in managing Valkyries and, if appropriate, integrating all or part of the operations, systems, technologies and personnel of the two companies following the completion of the transaction. The Arrangement and/or the integration of the two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees, customers or suppliers. There can be no assurance that the Arrangement and business integration will be successful or that the combination will not adversely affect the business, financial condition or operating results of the combined entity. In addition, the combined entity may incur charges related to the Arrangement and related to integrating the two companies.

Uncertainties Associated with the Transmittal of Shares

Because Lundin Shares trade on the Stockholm Stock Exchange and are not eligible for participation in the book based system maintained by the Canadian Depositary for Securities Limited ("CDS"), the process involved in issuing, transmitting and, ultimately, the sale of Lundin Shares by a former Valkyries Shareholder may not be instantaneous and former Valkyries Shareholders may encounter delays which will impact on the ability of a Valkyries Shareholder to sell his Lundin Shares immediately following the Effective Date. Valkyries Shareholders are advised to consult their stock brokers with respect to this transaction. See "Comparison of Canadian and Swedish Book-Based Systems" and "Exchange of Valkyries Shares for Lundin Shares – Procedure for the Exchange of Valkyries Share Certificates".

Risk Factors Relating to Lundin Petroleum

Please refer to Exhibit B — "Risk Factors" for a discussion of risk factors relating to the business of Lundin Petroleum and an investment in Lundin Shares.

COMPARISON OF SHAREHOLDER RIGHTS

In the event that the Arrangement is completed, Valkyries Shareholders will receive Lundin Shares in exchange for their Valkyries Shares. Lundin Petroleum is a corporation organized under the Swedish Companies Act. Valkyries is a corporation organized under the CBCA. While the rights and privileges of shareholders of a CBCA corporation are, in many instances, comparable to those of shareholders of a Swedish corporation, there are certain differences. These differences arise from differences between Canadian and Swedish law, between the CBCA and the Swedish Companies Act and between the Valkyries articles and by-laws and the Lundin Petroleum articles of association. The following summary of differences between Canadian and Swedish law is of a general nature only and is not exhaustive of all potentially relevant differences between Canadian and Swedish law. Therefore, Shareholders should consult their own legal advisors with respect to such differences in laws. For a description of the respective rights of shareholders of Valkyries and Lundin Petroleum, see, respectively, "Exhibit A - Valkyries Petroleum Corp. — Description of Share Capital" and "Exhibit B – Lundin Petroleum AB — Description of Share Capital".

Voting at Shareholder Meetings

Canadian Law

Under the CBCA, a shareholder is not required to be registered in the register of shareholders of the corporation in order to vote at a shareholders meeting. In addition to voting in person, shareholders of a corporation are entitled to vote through their registered nominees by submitting a proxy to the registered nominee with voting instructions. Such registered nominees are then required to vote according to the instructions noted on the proxy.

Swedish Law

Under Swedish law, in order for a shareholder to vote at a shareholders meeting, for a listed corporation, the shareholder is required to be registered in the register of shareholders of the corporation five business days prior to the date of the meeting. Further, pursuant to the articles of association of Lundin Petroleum, the shareholder must give notice of its intention to attend the meeting, in person or by proxy, not later than a date (being not earlier than five business days before the meeting) specified in the notice convening the meeting.

Vote Required for Extraordinary Transactions

Canadian Law

Under the CBCA, certain extraordinary corporate actions, such as certain amalgamations, continuances and sales, leases or exchanges of all or substantially all of the property of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by special resolution. A special resolution is a resolution passed at a meeting by not less than two-thirds of the votes cast by the shareholders entitled to vote on the resolution. In certain cases, a special resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a class or series of shares.

Swedish Law

Under the Swedish Companies Act, resolutions are normally passed by a simple majority of the votes cast, however, special voting requirements also attach to certain extraordinary corporate actions. Resolutions amending articles, approving mergers or disapplying shareholders' preferential rights in connection with an issue require a majority of at least two-thirds of the votes cast and two-thirds of the shares represented at the meeting. However, if amending the articles results in limiting shareholder votes or a resolution amends shareholders' rights in a winding-up or requires the company to retain a larger net profit than required by the Swedish Companies Act, the shareholder approval must normally represent nine-tenths of all shares represented at the meeting in addition to two-thirds of the votes cast. Further, any resolutions amending the articles to reduce shareholders' right to profits or assets, restricting transferability of shares or altering the legal relationship between shares normally require the unanimous approval of the shareholders present at the meeting and representing at least nine-tenths of all shares issued.

Amendment to Governing Documents

Canadian Law

Under the CBCA, any amendment to the articles generally requires approval by special resolution, which is a resolution passed by a majority of not less than two-thirds of the votes cast by shareholders entitled to vote on the resolution. The CBCA provides that unless the articles, by-laws or a unanimous shareholder agreement otherwise provide, the directors may, by resolution, make, amend or repeal any by-laws that regulate the business or affairs of a corporation. Where the directors make, amend or repeal a by-law, they are required under the CBCA to submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders, and the shareholders may confirm, reject or amend the by-law, amendment or repeal by an ordinary resolution, which is a resolution passed by a majority of the votes cast by shareholders entitled to vote on the resolution.

Swedish Law

Under the Swedish Companies Act, any amendment to the articles generally requires a resolution passed by two-thirds of the votes cast and two-thirds of all shares represented at a shareholders' meeting. As noted above, any resolution to amend the articles which reduces a shareholders' rights to profit or assets, restricts the transferability of shares or alters the legal relationship between different shareholders normally requires the unanimous approval of the shareholders present at a meeting who represent at least nine-tenths of all issued shares. In addition, any resolution amending the articles for the purpose of limiting the number of shares which a shareholder may vote at a general meeting, requiring the retention of a larger amount of the net profit than required by the Swedish Companies Act or amending the shareholders' rights in a liquidation or dissolution normally requires the approval of the shareholders representing two-thirds of the votes cast and nine-tenths of the shares represented at the meeting.

Dissenters' Rights

Canadian Law

The CBCA provides that shareholders of a Canadian corporation entitled to vote on certain matters are entitled to exercise dissent rights and to be paid the fair value of their shares in connection therewith. The CBCA does not distinguish for this purpose between listed and unlisted shares. Such matters include: (a) any amalgamation with another corporation (other than with certain affiliated corporations); (b) an amendment to the corporation's articles to add, change or remove any provisions restricting the issue, transfer or ownership of shares; (c) an amendment to the corporation's articles to add, change or remove any restriction upon the business or businesses that the corporation may carry on; (d) a continuance under the laws of another jurisdiction; (e) a sale, lease or exchange of all or substantially all the property of the corporation other than in the ordinary course of business; (f) a court order permitting a shareholder to dissent in connection with an application to the court for an order approving an arrangement proposed by the corporation; and (g) certain amendments to the articles of a corporation which require a separate class or series vote, provided that a shareholder is not entitled to dissent if an amendment to the articles is effected by a court order approving a reorganization or by a court order made in connection with an action for an oppression remedy.

Swedish Law

Under the Swedish Companies Act, when a shareholder (or a parent company, together with one or more subsidiaries) owns more than 90 percent of all the share capital in a corporation, such shareholder is entitled to purchase the remaining shares of the corporation. In addition, any person whose shares are subject to such right of purchase may require the 90 percent owner to purchase the shares. Unless the parties agree on the price to be paid for the shares, an arbitration tribunal will determine a reasonable price. Where the compulsory acquisition was preceded by a public offer to acquire all shares not already held by the shareholder, and such offer was accepted by holders of more than 90% of the shares to which the offer relates, the price will usually be the same as the price paid in the public offer.

Oppression Remedy

Canadian Law

The CBCA provides an oppression remedy that enables the court to make any order, both interim and final, to rectify the matters complained of where it is satisfied upon application by a complainant (as defined below) that: (i) any act or omission of the corporation or an affiliate effects a result; (ii) the business or affairs of the corporation or an affiliate are or have been carried on or conducted in a manner; or (iii) the powers of the directors of the corporation or an affiliate are or have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interest of any security holder, creditor, director or officer of the corporation. A complainant includes: (a) a present or former registered holder or beneficial owner of securities of a corporation or any of its affiliates; (b) a present or former officer or director of a corporation or any of its affiliates; and (c) any other person who, in the discretion of a court, is a proper person to make such application.

Swedish Law

The Swedish Companies Act provides that the board of directors or other representatives of the corporation may not enter into legal transactions or undertake other measures, and the shareholders of a corporation at a general meeting may not adopt any resolutions, which are likely to give an undue advantage to a shareholder or a third party to the detriment of the corporation or other shareholders. In addition, the Swedish Companies Act provides that a representative of the corporation shall not obey instructions given by the general meeting of shareholders or by other company organs where the instructions are contrary to the Swedish Companies Act, the applicable Act on Annual Reports or the articles of association and therefore invalid.

Derivative Action

Canadian Law

Under the CBCA, a complainant may apply to a court for leave to bring an action in the name of and on behalf of a corporation or any subsidiary, or to intervene in an existing action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. Under the CBCA, no action may be brought and no intervention in an action may be made unless the court is satisfied that (a) the complainant has given reasonable notice to the directors of the corporation or its subsidiary of the complainant's intention to apply to the court if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action; (b) the complainant is acting in good faith; and (c) it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued. Under the CBCA, the court in a derivative action may at any time make any order it thinks fit including: (a) an order authorizing the complainant or any other person to control the conduct of the action; (b) an order giving directions for the conduct of the action; (c) an order directing that any amount adjudged payable by a defendant in the action shall be paid, in whole or in part, directly to former and present securityholders of the corporation or its subsidiary instead of the corporation or its subsidiary; and (d) an order requiring the corporation or its subsidiary to pay reasonable legal fees incurred by the complainant in connection with the action.

Swedish Law

Under the Swedish Companies Act, an action for damages is available in certain circumstances against a founder, director, managing director or shareholder of the corporation and such an action may be instituted where at the general meeting of shareholders the majority, or a minority comprising the owners of at least one-tenth of all shares, has supported the proposal that such an action be instituted. The action for damages in favor of the corporation may be conducted by owners of at least one-tenth of all shares. Where a shareholder withdraws from the action after it has been instituted, the others may still proceed with the action. The party who instituted the action shall be liable for the costs of the proceedings but is entitled to reimbursement from the corporation to the extent that the costs are covered by the amount falling to the corporation through the action. In addition, where the action has been brought by a shareholder on behalf of the corporation it may not be settled without such shareholders' consent.

Shareholder Consent in Lieu of Meeting

Canadian Law

Under the CBCA, shareholder action without a meeting may only be taken by written resolution signed by all shareholders who would be entitled to vote thereon at a meeting. Special meetings of shareholders may be called by the board of directors or, in certain circumstances, the directors may be requisitioned by holders of at least 5% of the issued shares of a corporation that carry the right to vote at the meeting sought to be held, or, on the application of a director, a shareholder entitled to vote at the meeting or the Director, the court may order a meeting to be held.

Swedish Law

Under the Swedish Companies Act, special meetings of shareholders are held whenever the board of directors deems it appropriate or when shareholders owning one-tenth of all issued and outstanding shares of a corporation request the corporation to do so. The Swedish Companies Act provides that shareholders, either personally or by a representative pursuant to a written, dated power of attorney, may act only by a vote at a duly convened meeting of shareholders, and regarding only matters on the agenda for which such meeting has been convened.

Director Qualifications

Canadian Law

Under the CBCA, an offering corporation must have not fewer than three directors, at least two of whom are not officers or employees of the corporation or its affiliates and at least 25% of the directors generally must be resident Canadians. Notwithstanding the above, not more than one-third of the directors of a holding corporation need be resident Canadians if the holding corporation earns in Canada, directly or through its subsidiaries, less than 5% of the gross revenues of the holding corporation and all of its subsidiary bodies corporate together as shown in: (a) the most recent consolidated financial statements of the holding corporation; or (b) the most recent financial statements of the holding corporation and its subsidiary bodies corporate as at the end of the last completed financial year of the holding corporation.

Swedish Law

Under the Swedish Companies Act, a public corporation shall have a board of directors consisting of at least three directors. The board of directors are to be elected by the general meeting of shareholders, unless the articles of association provide that one or more directors shall be appointed in another way. The Articles of Association of Lundin Petroleum provide that the board of directors of Lundin Petroleum shall consist of not fewer than three and not more than ten directors with not more than three deputy directors. Under Swedish law the managing director and at least half of the board members must be resident in a European Economic Area country unless the Swedish government or an authority appointed by the government in a particular case grants an exception. Lundin Petroleum currently has nine directors and two deputy managing directors. The directors and deputy directors are elected at the annual meeting of Lundin Petroleum shareholders for a term expiring at the end of the next annual meeting.

Fiduciary Duties of Directors

Canadian Law

Directors of corporations governed by the CBCA have fiduciary obligations to the corporation. Under the CBCA, the duty of loyalty requires directors of a Canada corporation to:

(a) act honestly and in good faith with a view to the best interests of the Corporation; and

(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Swedish Law

Under the Swedish Companies Act, members of the board of directors are under an obligation to act in the best interest of the company and its shareholders. The board of directors is not under any obligation to approve any proposed business combination or any other corporate action, unless the board of directors determines in good faith that such action is in the best interest of the company and its shareholders. In making such determination, the board members are authorized to consider both the short-term and long-term interests of the company as well as other constituencies and other relevant factors.

The Swedish Companies Act provides that a board member may be liable to compensate a corporation for any loss incurred as a result of a willful act or negligence on behalf of such board member in the performance of his duties. Liability also applies when damage is caused to a shareholder or a third party if such damage is a result of a violation of the Swedish Companies Act, the applicable Act on Annual Reports or the articles of association of the company.

Indemnification of Officers and Directors

Canadian Law

Under the CBCA, a corporation may indemnify a director or officer, a former director or officer or a person who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity (an "Indemnifiable Person"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal, administrative, investigative or other proceeding in which he or she is involved because of that association with the corporation or other entity, if (a) he or she acted honestly and in good faith with a view to the best interests of such corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. An Indemnifiable Person is entitled to such indemnity from the corporation if he or she was substantially successful on the merits in his or her defence of the action or proceeding and fulfilled the conditions set out in (a) and (b) above. A corporation may, with the approval of a court, also indemnify an Indemnifiable Person in respect of an action by or on behalf of the corporation or body corporate to procure a judgment in its favour, to which such person is made a party by reason of being or having been a director or an officer of the corporation or body corporate, if he or she fulfils the conditions set out in (a) and (b) above. The Valkyries by-laws provide for indemnification of directors and officers to the fullest extent authorized by the CBCA.

Swedish Law

The Swedish Companies Act does not contain specific provision admitting that the articles of association provide for indemnification of directors, officers or other persons. It is not uncommon, however, for listed Swedish companies to enter into specific insurance protection arrangements for its directors and officers. Lundin Petroleum has such arrangements with its directors and officers.

Pre-Emptive Rights

Canadian Law

Under the CBCA, if the articles of a corporation so provide, no shares of a class are to be issued unless the shares have first been offered to the shareholders holding shares of that class, and those shareholders have a pre-emptive right to acquire the offered shares in proportion to their shareholdings of that class, at such price and on such terms as those shares are to be offered to others. However, despite what is provided for in the articles, no pre-emptive rights exist in respect of shares issued for consideration other than money, as a share dividend or pursuant to the exercise of conversion privileges, options or rights previously granted by the corporation.

Swedish Law

Under Swedish law, shareholders must approve the issuance of new shares and existing shareholders have preferential rights to subscribe for a number of shares in cash issuances in proportion to their shareholdings, unless the resolution for issuance provides otherwise. A resolution whose terms deviate from this principle is normally valid if shareholders in favor of the resolution represent at least two-thirds of the votes cast and shares represented at the meeting, or with respect to an issue in kind, a majority of the votes cast and shares represented at the meeting.

Dividends

Canadian Law

Under the CBCA, a corporation is not entitled to declare or pay a dividend if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the corporation’s assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

Swedish Law

Under the Swedish Companies Act, only shareholders at a general meeting may authorize the payment of dividends, and such payment may not exceed the amount recommended by the board of directors (except, under limited circumstances) and dividends may only be paid out of funds available for dividends. Under the Swedish Companies Act, no dividends may be paid in respect of a fiscal period for which audited financial statements have not been adopted at the annual meeting of shareholders.

Removal of Directors

Canadian Law

Under the CBCA, the shareholders of a corporation may remove any director or directors from office by an ordinary resolution which is passed by a majority of the votes cast by the shareholders entitled to vote on the resolution. However, a director may not be removed if the votes cast against his removal would be sufficient to elect him and such votes could be voted cumulatively at an election at which the same total number of votes were cast and the number of directors required by the articles were then being elected.

Swedish Law

Under Swedish law, directors may be removed from office by a majority of shareholders at any time at a meeting of shareholders, and vacancies on the board of directors, except when filled by a deputy director, may be filled only by shareholder resolution.

COMPARISON OF CANADIAN AND SWEDISH BOOK – BASED SYSTEMS

Canada

In Canada, securities are evidenced by certificates representing such securities and through a notation on the securities register of a company of the registered holder of the certificate. Share certificates are generally issued in registered form with the name of the registered owner of the securities imprinted on the certificate. To simplify the process of trading in securities, the CDS was created to provide for a single nominee registered security holder. Eligible securities are registered in the name of CDS and the ownership of the securities is shown as an entry on the books of CDS. For the transfer of securities, CDS records an entry in its books and transfers in the ownership of securities. This system, known as the "book-based system", is defined as a system for the central handling of securities or equivalent book-based entries under which all securities of a class or series deposited within the system are treated as fungible and may be transferred or pledged by a bookkeeping entry without physical delivery. CDS also performs a clearing function by notifying brokerages of new payment obligations following trades of securities within the CDS book-based system.

CDS is regulated by the Ontario Securities Commission and securities are eligible for participation in the CDS book-based system provided certain criteria are fulfilled. One of the criteria for eligibility is that there must be a Canadian transfer agent for securities and certificates representing such securities must be available through the Canadian transfer agent. Lundin Shares are not eligible for participation in the CDS book-based system. As such, trading in Lundin Shares will be governed by the book-based system in Sweden.

Sweden

Unlike the Canadian system, securities of listed companies in Sweden are not evidenced by certificates representing such securities. In Sweden, newly issued securities must be registered with the Swedish Company Office ("Bolagsverket"). Once the securities are registered with the Bolagsverket, they are then evidenced by book-based entries in a computerized system managed by the Swedish Securities Centre ("VPC"), which maintains the securities register of the company. The VPC maintains a paperless share registration system and title to shares is evidenced only through registration I the book-based system of the VPC. Generally, registration with the Bolagsverket takes approximately four to five days and entry in the VPC register occurs approximately one to two days thereafter.

In accordance with Swedish law and practice and the regulations of the VPC:

(a) Only one person is normally registered as the holder of the share. Joint holders are not usually recorded in the VPC register. Shareholdings may be entered in the register in the name of the beneficial owner or in the name of a person designated as nominee for the beneficial owner. In the later case, note is made in the register to the effect that the nominee is holding the share(s) in such capacity.

(b) There is also a separate register maintained by the VPC for the recording of persons who have other interests, such as security interests, in respect of shares listed in the VPC register.

(c) If the registered holder is a nominee, dividends, shares or other rights distributed to shareholders are transferred to the nominee for the account of the beneficial owner. Dividends are remitted in a single payment to the nominee for the who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues.

(d) Specific authority to act as a nominee must be given by the Swedish authorities.

(e) A Swedish nominee is required to file a report with the VPC with regard to any holding on behalf of a single beneficial owner in excess of 500 shares in any one company. A list containing such information must be open to public inspection. Such list must reveal the name of the beneficial owner but need not reveal the name of the nominee in whose name the shares have been registered. For practical reasons, it has been impossible to impose such requirements with respect to shares registered in the name of a non-Swedish nominee. The beneficial owner would however need to reveal his name if he wishes to vote at a general meeting of stockholders, since a beneficial owner must re-register nominee held shares in his own name no later than ten days prior to the general meeting.

(f) The rights attaching to shares that are eligible for dividend, rights issues or bonus issues accrue to those persons whose names are recorded in the register of shareholders on a particular "record" date, and the dividends are sent to the address of the person registered with the VPC, or, at the direction of that person, to a specified account. The relevant record date must in most circumstances be specified in the resolution declaring a dividend or resolving upon a capital increase or any similar matter in which shareholders have preferential rights.

The Stockholm Stock Exchange

The Stockholm Stock Exchange is an authorised securities exchange in Sweden and the principal market on which shares, bonds, derivatives and other securities are traded in Sweden. There are two different lists for trading shares on the Stockholm Stock Exchange, and all transactions are executed through the Stockholm Stock Exchange's fully electronic trading system, the Stockholm Automated Exchange System ("SAXESS"). The two lists of the Stockholm Stock Exchange are: (i) the A-list, which is for trading in shares in larger companies and accounts for approximately 90 percent of the trading volume on the Stockholm Stock Exchange; and (ii) the O-list, which mainly quotes the shares of companies which lack the requisite operating history to be traded on the A-list. In order to make it easier for investors to identify the most interesting companies on the O-list, there is a segment called Attract40 where the companies with the most liquid shares on the O-list are included. The selection is based on trading statistics during the most recent half-year period and the fundamental parameter is the turnover rate in the company's shares, which reflects the market's interest in the company. Lundin Petroleum's shares are currently included in the Attract40 list.

Both the A-list and the O-list are expected to be substituted for a common Nordic List on 2 October 2006. The Nordic List will harmonise the listing requirements for the exchanges in Stockholm, Helsinki and Copenhagen. By creating a common list and presentation model, the visibility and liquidity of Nordic shares are expected to improve and the competitiveness of the Nordic market enhanced. The companies on the Nordic List are being presented in a common way, divided into segments - first by market capitalisation and then by industry sector following the international Global Industry Classification Standard (GICS). According to the pro forma list at March 31, 2006, Lundin Petroleum would be included in the new Nordic List under "Large Cap" and "Energy".

The Trading System

Trading on the Stockholm Stock Exchange is conducted on behalf of clients by banks and brokers. While banks and brokers are permitted to act as principals in trading both on and off the Stockholm Stock Exchange, they generally engage in transactions as agents. There are no market maker or specialist systems for equity securities on the Stockholm Stock Exchange for the cash market.

Trading in equities on the Stockholm Stock Exchange begins each morning at 9:00 a.m. CET at an opening price determined in an opening call starting at 8:45 a.m. CET. Trading is conducted via a computerised order matching system, based on orders entered by Stockholm Stock Exchange members, and continues at prices based on market demand until 5:30 p.m. CET with a closing call starting at 5:20 p.m. CET. Buy and sell orders are registered on the system in round lots, typically of 100 shares, and odd lots are matched separately at the last price for round lots.

The Stockholm Stock Exchange is a fully electronic marketplace. Trading on SAXESS comprises all Swedish stocks traded on the Stockholm Stock Exchange. Member firms of the Stockholm Stock Exchange are able to operate from a remote location via advanced data communications. The brokers' representatives are able to trade securities via workstations that have been developed by the Stockholm Stock Exchange or via their own electronic data processing systems that are linked to SAXESS.

In addition to official trading on the Stockholm Stock Exchange, there is also trading off the Stockholm Stock Exchange during and after official trading hours. All trades of 20 round lots or less on the Stockholm Stock Exchange through banks or brokers must be made through SAXESS. Trades in excess of 20 round lots can be effected manually outside SAXESS and subsequently reported to SAXESS, provided the transaction price lies within the spread then recorded on SAXESS. Trades in excess of 250 round lots may, however, be effected off the Stockholm Stock Exchange without regard to this spread. Trades after Stockholm Stock Exchange trading hours must normally be effected at a transaction price that lies within the spread reported by SAXESS at the time of the closing. If there are no orders in SAXESS at that time, the trade may be effected at a price that otherwise reflects the market situation at that time. If the market situation changes after the closing of SAXESS, trades may be effected outside the spread, as long as the transaction price reflects the prevailing market situation at the time of the trade. Trading on the Stockholm Stock Exchange tends to involve a higher percentage of retail clients while trading off the Stockholm Stock Exchange, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitrating between the Swedish market and foreign market, and foreign buyers and sellers purchasing shares from, or selling shares to, Swedish institutions. All trades off the Stockholm Stock Exchange must be reported to the Stockholm Stock Exchange within five minutes, although trades after official trading hours must be reported no later than 15 minutes prior to the opening on the next trading day.

The Stockholm Stock Exchange is an authorised stock exchange in accordance with the Swedish Stock Exchange and Clearing Operations Act 1992 (the "Swedish Stock Exchange Act") and is subject to regulation by the Swedish Financial Supervisory Authority (the "SFSA"). The Swedish Stock Exchange Act provides for the regulation and supervision of the Swedish securities market and market participants, and the SFSA implements this regulation and conducts this supervision.

The objective of the regulatory system governing trading on and off the Stockholm Stock Exchange is to achieve transparency and equality of treatment. All trades on the Stockholm Stock Exchange are made through SAXESS. The Stockholm Stock Exchange records information as to the banks and brokers involved, the issuer, the number of shares and the price and the time of the transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported on the Stockholm Stock Exchange is publicly available.

The Swedish Market Abuse Penal Act 2005 (the "Swedish Market Abuse Penal Act") provides for sanctions against insider trading. The insider trading rules are enforced by the SFSA and the Market Supervision Unit of the Stockholm Stock Exchange. Criminal offences are enforced in court. The Market Supervision Unit reviews trading data for indications of unusual market activity or trading behaviour.

The Market Supervision Unit also continuously examines information disseminated by listed companies. Accordingly, it reviews information such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When the Market Supervision Unit becomes aware of non-public price sensitive information, it monitors trading in the relevant shares to ensure that the information is made public if unusual trading activity develops.

The Swedish Market Abuse Penal Act contains provisions prohibiting market manipulation. Under this act, it is unlawful to enter into an agreement for the transfer of securities on the securities market if such agreement provides that the securities will be resold at a fixed minimum price or otherwise limits the transferee's right to freely dispose of the purchased securities, unless such agreement is publicly disclosed. In addition, market manipulation may, under certain circumstances, also constitute a violation of other provisions of the Swedish Market Abuse Penal Act or constitute fraud under Swedish law. Furthermore, trading data is recorded in respect of transactions of listed securities and such data is subject to supervisory review by the SFSA. The SFSA may cause the operating licence of a bank or broker to be revoked if the bank or broker has engaged in improper conduct including market manipulation.

Disclosure of Transactions and Ownership

Pursuant to rules concerning the disclosure of acquisitions and transfers of shares issued by the Swedish Industry and Commerce Stock Exchange Committee (*Näringslivets Börskommitté*), any seller or purchaser of shares of a Swedish company listed on the Stockholm Stock Exchange, as well as convertible debt instruments, warrants, options and futures with such shares as underlying securities, must report its transactions and holdings to the Swedish company concerned and to the Stockholm Stock Exchange if, as a result of such acquisition or disposition, the seller or purchaser holds voting rights or ordinary shares equal to, in excess of or less than all percentages evenly divisible by five, up to and including 90 percent, of all votes or shares, including shares and votes that may result from the exercise of warrants or the conversion of convertible debt instruments. These changes in ownership should also be reported to an established news agency and to a nationally published newspaper in Sweden not later than 9:00 a.m. CET on the next trading day. In addition, according to the Swedish Financial Instruments Trading Act 1991, a natural person or legal entity which acquires or disposes of shareholdings in a Swedish company that has its shares listed on the Stockholm Stock Exchange and, as a result of such acquisition or disposition, holds voting rights equal to, in excess of or less than one of the thresholds of 10 percent, 20 percent, 33⅓ percent, 50 percent or 66⅔ percent, is required to notify the company and the Stockholm Stock Exchange in writing within seven calendar days of the acquisition or disposal. In addition, according to the Act on Disclosure of Certain Holding of Financial Instruments 2000, certain individuals who own shares representing 10 percent or more of the share capital or the voting rights in a publicly traded company are required to report such ownership and any changes in such ownership to the SFSA, which keeps a public register based on the information contained in such reports.

CERTAIN TAX CONSIDERATIONS TO VALKYRIES SHAREHOLDERS

Certain Canadian Federal Income Tax Considerations

In the opinion of Thorsteinssons LLP, Canadian tax counsel to Valkyries in respect of the Arrangement, the following summary fairly presents the principal Canadian federal income tax considerations relating to the Arrangement generally applicable to Valkyries Shareholders who dispose of their Valkyries Shares pursuant to the Arrangement, and to Valkyries Optionholders (as defined below) with respect to the Arrangement, and to the exercise of dissent rights as described herein. Except where expressly noted, this summary is only applicable to those Valkyries Shareholders and Valkyries Optionholders who deal at arm's length with and are not affiliated with Valkyries and Lundin Petroleum and to Valkyries Shareholders to whom the Valkyries Shares and Lundin Shares are capital property at all relevant times for the purposes of the Tax Act.

The Valkyries Shares and the Lundin Shares will be considered to be capital property to a holder thereof provided they are not held in the course of carrying on a business of buying and selling securities and such securities are not acquired in a transaction considered to be an adventure in the nature of trade. A Canadian resident holder of Valkyries Shares may in certain circumstances make an irrevocable election under subsection 39(4) of the Tax Act to have his or her Valkyries Shares and every other "Canadian security" (as defined in the Tax Act) owned by such holder in the taxation year of election and in all subsequent taxation years deemed to be capital property.

This summary is not applicable to a person or entity: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); or (iii) with respect to whom Lundin Petroleum is or will be a "foreign affiliate" within the meaning of the Tax Act.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act, the regulations thereunder and counsel's understanding of the current published administrative policies and assessment practices of the Canada Revenue Agency ("CRA"). This summary also takes into account all proposed amendments to the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) before the date of the Arrangement ("Tax Proposals"). There can he no assurance that any such Tax Proposals will be implemented in their current form or at all. If any Tax Proposals are not enacted as presently proposed or other relevant amendments to the Tax Act or Regulations thereunder come into force, the tax consequences may not be as described below in all cases. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not otherwise take into account or anticipate changes in the law, whether by judicial, governmental or legislative action or decision, or changes in the administrative policies or assessment practices of the CRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT INTENDED TO BE, AND SHOULD NOT BE CONSTRUED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR SHAREHOLDER OR OPTIONHOLDER. ACCORDINGLY, SHAREHOLDERS AND OPTIONHOLDERS ARE ENCOURAGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF DISPOSING OF THEIR VALKYRIES SHARES PURSUANT TO THE ARRANGEMENT, EXERCISING THEIR VALKYRIES OPTIONS, ACQUIRING, HOLDING AND DISPOSING OF LUNDIN PETROLEUM SHARES, OR EXERCISING DISSENT RIGHTS AS DESCRIBED HEREIN HAVING REGARD TO THEIR PARTICULAR CIRCUMSTANCES.

Relevant Currency

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Lundin Shares, including dividends, adjusted cost base and proceeds of disposition, must be converted into Canadian dollars using the Canadian/Swedish Krona exchange rate prevailing at the time such amounts arise.

Shareholders Resident in Canada

The following portion of this summary is applicable to a Valkyries Shareholder who, for the purposes of the Tax Act, is or is deemed to be a Canadian resident at all relevant times.

Exchange of Valkyries Shares for Lundin Shares

A Valkyries Shareholder who exchanges Valkyries Shares for Lundin Shares will be considered to have disposed of the Valkyries Shares for proceeds of disposition equal to the fair market value of the Lundin Shares acquired by such Valkyries Shareholder on the exchange. The Valkyries Shareholder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of such Valkyries Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Valkyries Shareholder of such Valkyries Shares. See "Taxation of Capital Gains or Capital Losses" below.

The cost to a Valkyries Shareholder of Lundin Shares acquired on the exchange will be equal to the fair market value thereof at the time of acquisition and at any time will be averaged with the adjusted cost base of any other Lundin Shares held by a Valkyries Shareholder as capital property at that time for the purposes of determining the holder's adjusted cost base of such shares.

Dissent

A Valkyries Shareholder who dissents in respect of the Arrangement ("Dissenting Shareholder") will be entitled to receive payment from Valkyries equal to the fair value of such holder's Valkyries Shares plus the amount of interest, if any, awarded by a court.

The receipt by a Dissenting Shareholder of a cash payment from Valkyries equal to the fair value of the holder's Valkyries Shares will generally be treated as a deemed dividend to such Dissenting Shareholder to the extent that such payment exceeds the paid-up capital of such shares, and the deemed dividend will reduce the proceeds of disposition for purposes of computing a capital gain (or a capital loss) on the disposition of such Valkyries Shares. The balance of the value paid (i.e., the amount equal to the paid-up capital of the subject shares) will be treated as proceeds of disposition for capital gains purposes. Consequently, to the extent such proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such Dissenting Shareholders' Shares, such Valkyries Shareholder will be regarded as having realized a capital gain (or capital loss) equal to the amount of such difference. The tax treatment of capital gains and capital losses (including the potential reduction of a capital loss because of the receipt of a deemed dividend) is discussed under the heading, "Taxation of Capital Gains and Capital

Losses". Valkyries has advised that Dissenting Shareholders will be notified following the Effective Date by press release of the estimated paid-up capital for the purposes of the Tax Act of the Valkyries Shares as of the Effective Date. The income tax treatment accorded to any deemed dividend received by a Dissenting Shareholder will be that normally accorded a taxable dividend received by a Canadian resident corporation or individual, as the case may be. If the Dissenting Shareholder is a corporation resident in Canada, the full amount of the dissent payment may be treated as proceeds of disposition under subsection 55(2) of the Tax Act.

Interest awarded by a court to a Dissenting Shareholder will be included in the Dissenting Shareholder's income for a particular taxation year to the extent the amount is received or receivable in that year, depending upon the method regularly followed by a Dissenting Shareholder in computing income. Where the Dissenting Shareholder is a corporation, partnership or, subject to certain exceptions, a trust, the Dissenting Shareholder must include interest in income for a taxation year to the extent the interest accrues to it before the end of the taxation year, or becomes receivable or is received before the end of the year (to the extent not included in income for a preceding taxation year). A Dissenting Shareholder that is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which may include such interest.

Dividends on Lundin Shares

Dividends received on Lundin Shares will be included in a shareholder's income for the purposes of the Tax Act. Because Lundin Petroleum is not a Canadian corporation, such dividends received by an individual shareholder will not be subject to the gross-up and dividend tax credit rules in the Tax Act and a shareholder that is a corporation will not be entitled to deduct the amount of such dividends in computing its taxable income. A shareholder that is a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which may include such dividends. Subject to the detailed rules in the Tax Act, a shareholder may be entitled to a foreign tax credit or deduction for any Swedish non-resident withholding tax paid on dividends received on Lundin Shares.

Disposition of Lundin Shares

A disposition of Lundin Shares by a shareholder will result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition exceed (or are less than) the shareholder's adjusted cost base of such Lundin Shares. See "Taxation of Capital Gains or Capital Losses" below.

Taxation of Capital Gains or Capital Losses

A taxpayer will be required to include one-half of the amount of any capital gain (a "taxable capital gain") in income, and will generally he required to deduct one-half of the amount of any capital loss (an ''allowable capital loss") against taxable capital gains realized by the taxpayer in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

A taxpayer that is a "Canadian-controlled private corporation," as defined in the Tax Act, may be liable to pay an additional refundable tax of 6⅔% on its "aggregate investment income" for the year which will include an amount in respect of taxable capital gains.

If the holder of shares is a corporation, the amount of any capital loss arising from a disposition or deemed disposition of such shares may be reduced by the amount of any dividends or deemed dividends, including deemed dividends arising to a Dissenting Shareholder, which have been previously received on such shares and which were deductible by the corporate shareholder in computing its taxable income to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where the corporation is a member of a partnership or beneficiary of a trust that owns shares or where the trust or partnership of which a corporation is beneficiary or a member is a member of a partnership or beneficiary of a trust that owns shares. Shareholders to whom these rules may be relevant should consult their own tax advisors.

Alternative Minimum Tax

Individuals and certain trusts that realize a capital gain or a taxable dividend on the disposition of the Valkyries Shares or Lundin Shares may realize an increase in their liability for alternative minimum tax under the Tax Act.

Lundin Shares Eligibility for Investments by Canadian Deferred Plans

The Lundin Shares will be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans (collectively, ''Deferred Plans''), as defined in the Tax Act, provided the shares are listed on a "prescribed stock exchange" (which currently includes the Stockholm Stock Exchange) at the relevant time.

Foreign Property Information Reporting

A holder of Lundin Shares who is a "specified Canadian entity" for a taxation year or a fiscal period and whose total cost amount of "specified foreign property," including such Lundin Shares, at any time in the year or fiscal period exceeds Cdn$100,000 will be required to file an information return for the year or period disclosing prescribed information.

Subject to certain exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Holders are encouraged to consult their tax advisors as to whether they must comply with these rules.

Foreign Investment Entity Status

On July 18, 2005, the Minister of Finance (Canada) released revised draft legislation relating to the income tax treatment of investments by Canadian residents in non-resident entities that constitute "foreign investment entities" ("FIEs") applicable for taxation years commencing after 2002 (the "FIE Tax Proposals"). The FIE Tax Proposals, as currently drafted, would apply to require a taxpayer that holds a "participating interest" (that is not an "exempt interest") in a non-resident entity that is a FIE at the entity's taxation year-end to take into account in computing the taxpayer's income for the taxpayer's taxation year that includes such taxation year-end: (i) an amount based on a prescribed rate of return on the "designated cost" of such participating interest held by a taxpayer at the end of each month ending in the holder's taxation year at which time the participating interest is held by the taxpayer; (ii) in certain limited circumstances, any gains and losses accrued on such participating interest for the year; or (iii) in certain limited circumstances, a taxpayer's proportionate share of the FIE's income (or loss) for the year calculated using Canadian tax rules. For the purposes of the FIE Tax Proposals, Lundin Shares will constitute participating interests in Lundin Petroleum.

Lundin Petroleum will not be an FIE at the end of its taxation year provided that, at that time, the "carrying value" of all of Lundin Petroleum's "investment property" is not greater than one-half of the "carrying value" of all its property. The determination of whether or not Lundin Petroleum is an FIE must be made on an annual basis at the end of each taxation year-end of Lundin Petroleum.

Even if Lundin Petroleum were a FIE at the end of one of its taxation years, Lundin Shares may be an exempt interest provided that, throughout the period that such shares are held by a holder during such taxation year of Lundin Petroleum: (i) Lundin Petroleum is resident in Sweden for the purposes of the Tax Act; (ii) the Lundin Shares are listed on a "prescribed stock exchange" (including the Stockholm Stock Exchange); and (iii) the Lundin Shares constitute an ''arm's length interest'' (as defined for the purposes of the FIE Tax Proposals). It is expected that the Lundin Shares will be "arm's length interests" of a particular shareholder thereof for the purposes of the FIE Tax Proposals provided that such shareholder (together with entities and individuals with whom the holder does not deal at arm's length) does not hold, in the aggregate, more than 10% of the Lundin Shares based on the fair market value of such securities. In addition, Lundin Shares will only constitute an exempt interest at the end of Lundin Petroleum's taxation year if, at that time, it is reasonable to conclude that the shareholder has no ''tax avoidance motive'' in respect of such Lundin Shares. For this purpose, the shareholder will be regarded as having a tax avoidance motive only if it is reasonable to conclude that the main reasons for acquiring or holding such shares of common stock of Lundin Petroleum include directly or indirectly benefiting principally from income, profits, gains or increases in value in respect of investment property and from the deferral or reduction of tax that would have been payable on such income, profits or gains. Shareholders are encouraged to consult their own tax advisors regarding the determination of whether or not they have such a tax avoidance motive. The determination of whether Lundin Shares constitute an exempt interest must be made on an annual basis at the end of each taxation year of Lundin Petroleum.

Economic Statement of October 18, 2000

In the Economic Statement released on October 18, 2000 (the "Economic Statement"), the Minister of Finance (Canada) announced a proposal to formulate and introduce a rule to permit shares of a Canadian corporation held by a Canadian resident to be exchanged for shares of a foreign corporation on a tax-deferred basis. This statement included no details of the circumstances in which such tax-deferred share-for-share exchanges could occur but rather indicated that these rules would be developed in consultation with the private sector. The Economic Statement indicated that any such rules would not be effective before the public release of draft legislation including such rules. The Canadian Federal Budget of February 18, 2003, reiterated the statements made in the Economic Statement and indicated that draft legislative proposals would be released in the near future for public review and comment.

The Canadian Federal Budget of March 23, 2004 (the "2004 Budget") indicated that it is intended that detailed proposals will be released for public comment within months after the release of the 2004 Budget. The 2004 Budget also indicated that the proposals are expected to be in the form of draft legislation and there has been no indication as to an effective date for the proposals.

It is not known whether the draft legislation containing the proposed amendments described above will be released in time to affect the proposed exchange of Valkyries Shares for Lundin Shares. In any case, until such rules are developed and released, it is not possible to state whether those rules would apply to a Valkyries Shareholder who exchanges Valkyries Shares for Lundin Shares. Valkyries Shareholders are encouraged to consult their own tax advisors once the draft legislation is released, if at all, to determine how the draft legislation might apply to the holder's particular circumstances.

Shareholders Not Resident in Canada

The following portion of the summary is applicable to holders of Valkyries Shares who, for purposes of the Tax Act or any applicable income tax treaty or convention, have not been and will not be resident or deemed to be resident in Canada at any time while they have held Valkyries Shares or Lundin Shares and who do not use or hold or are not deemed to use or hold such Valkyries Shares and/or Lundin Shares in carrying on a business in Canada (a "Non-Resident Shareholder''). Special rules, which are not discussed in this summary, may apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Exchange of Valkyries Shares for Lundin Shares, Disposition of Lundin Shares

A Non-Resident Shareholder will not be subject to income tax under the Tax Act on the disposition of Valkyries Shares or a disposition of Lundin Shares unless the Valkyries Shares or Lundin Shares, as the case may be, constitute "taxable Canadian property" of the Shareholder for purposes of the Tax Act and the Shareholder is not entitled to relief under an applicable income tax treaty or convention.

Generally, Valkyries Shares or Lundin Shares, as the case may be, will not be taxable Canadian property at a particular time provided that: (i) such shares are listed on a "prescribed stock exchange" (which currently includes Tiers One and Two of the TSX Venture Exchange and the Stockholm Stock Exchange**);** and (ii) the Shareholder, persons with whom such Shareholder does not deal at arm's length, or the Shareholder together with such persons has not owned *25%* or more of the issued shares of any class or series of shares in the capital of Valkyries or Lundin Petroleum, as the case may be, at any time during the 60 month period immediately preceding the particular time.

Dissent

A Dissenting Shareholder who is not resident in Canada will be entitled to receive payment from Valkyries equal to the fair value of such holder's Valkyries Shares plus the amount of interest, if any, awarded by a court.

The receipt by a Dissenting Shareholder of a cash payment from Valkyries equal to the fair value of the holder's Valkyries Shares will generally be treated as a deemed dividend to such Dissenting Shareholder to the extent that such payment exceeds the paid-up capital of such shares, and the deemed dividend will reduce the proceeds of disposition for purposes of computing a capital gain (or a capital loss) on the disposition of such shares. The balance of the value paid (i.e., the amount equal to the paid-up capital of the subject shares) will be treated as proceeds of disposition for capital gains purposes. Consequently, to the extent such proceeds of disposition exceed (or are exceeded by) the adjusted cost base of such Dissenting Shareholders' Shares, such Shareholder will be regarded as having realized a capital gain (or capital loss) equal to the amount of such difference. The tax treatment of capital gains and capital losses (including the potential reduction of a capital loss because of the receipt of a deemed dividend) is discussed under the heading, "Taxation of Capital Gains and Capital Losses". Valkyries has advised that Dissenting Shareholders will be notified following the Effective Date by press release of the estimated paid-up capital for the purposes of the Tax Act of the Valkyries Shares as of the Effective Date. The deemed dividend will be subject to Canadian non-resident withholding tax at the rate of 25% of the gross amount of such dividend. This rate may be reduced under any applicable tax treaty or convention.

A Dissenting Shareholder generally will not be subject to income tax under the Tax Act on the disposition of Valkyries Shares in respect of any capital gain resulting from such disposition unless the Valkyries Shares constitute "taxable Canadian Property" (see "Exchange of Valkyries Shares for Lundin Shares", above).

Interest awarded by a court to a Dissenting Shareholder who is not resident in Canada will be subject to Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable tax treaty or convention.

Optionholders

The following portion of the summary is applicable to Valkyries Optionholders who are individuals and who, at all relevant times and for purposes of the Tax Act, deal at arm's length with, and are not affiliated with, Valkyries and Lundin Petroleum and who acquired their Valkyries Options by virtue of their employment with Valkyries or a related corporation ("Valkyries Optionholders").

Pursuant to the Arrangement, Valkyries Optionholders will be entitled to receive, upon the subsequent exercise of a Valkyries Option in accordance with its terms, and shall be required to accept in lieu of the number of Valkyries Shares otherwise issuable upon such exercise, the number of Lundin Shares that such holder would have been entitled to receive as a result of the Arrangement if, immediately prior to the Effective Time, such holder had been a registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise of his or her Valkyries Options. Moreover, the exercise price of the Valkyries Options will be converted from Canadian dollars to Swedish Kronas at the noon exchange rate as reported by the Bank of Canada on the Effective Date.

A Valkyries Optionholder will not recognize any income or gain as a result of the Arrangement, provided that the amount by which the total value of the optioned Lundin Shares immediately after the change exceeds the exercise price after the change does not exceed the amount by which the total value of the optioned Valkyries Shares immediately before the change exceeds the exercise price immediately before the change.

U.S. Federal Income Tax Consequences

The following is a summary of the anticipated material U.S. federal income tax consequences to U.S. Holders (as defined below) arising from and relating to the Arrangement.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder as a result of the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences of the Arrangement to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. U.S. Holders should consult their own tax advisors regarding the U.S. federal income, U.S. state and local, and foreign tax consequences of the Arrangement.

Notice Pursuant to IRS Circular 230: Anything contained in this summary concerning any U.S. federal tax issue is not intended or written to be used, and it cannot be used by a U.S. Holder, for the purpose of avoiding U.S. federal tax penalties under the Code (as defined below). This summary was written to support the promotion or marketing of the transactions or matters addressed by this Circular (including the Arrangement). Each U.S. Holder should seek U.S. federal tax advice, based on such U.S. Holder's particular circumstances, from an independent tax advisor.

No Legal Opinion or IRS Ruling

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service ("IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the Arrangement to U.S. Holders. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS published administrative positions of the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Holders

For purposes of this summary, a "U.S. Holder" is a beneficial owner of Valkyries Shares that for U.S. federal income tax purposes is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S., any state in the U.S., or the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

A "non-U.S. Holder" is a beneficial owner of Valkyries Shares other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the Arrangement to non-U.S. Holders. Accordingly, non-U.S. Holders should consult their tax advisors regarding the U.S. federal income, U.S. state and local, and foreign tax consequences (including the potential application and operation of any income tax treaties) of the Arrangement.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own Valkyries Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired Valkyries Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold Valkyries Shares other than as a capital asset within the meaning of section 1221 of the Code; or (h) U.S. Holders that own (directly, indirectly, or constructively), or that have owned (directly, indirectly, or constructively) at any time in the five years preceding the Effective Date, 10% or more of the total combined voting power of the outstanding voting shares of Valkyries. In addition, this summary does not discuss the application of the "alternative minimum tax" rules under the Code. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Valkyries Shares, the U.S. federal income tax consequences of the Arrangement to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

Tax Consequences in Other Jurisdictions Not Addressed

This summary does not address the U.S. state or local tax consequences, or the tax consequences in jurisdictions other than the U.S., of the Arrangement to U.S. Holders. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local and foreign tax consequences of the Arrangement.

Transactions Not Addressed

This summary does not address the U.S. federal income tax consequences to U.S. Holders of transactions entered into prior to, concurrently with, or subsequent to the Arrangement (regardless of whether any such transaction is undertaken in connection with the Arrangement), including, but not limited to, the following transactions: (a) any exercise of any stock option, warrant, or other right to acquire Valkyries Shares; (b) any conversion or assumption of any stock option, warrant, or other right to acquire Valkyries Shares into a stock option, warrant, or other right to acquire Lundin Shares; (c) any conversion or disposition of any note, debenture, or other debt instrument of Valkyries; or (d) any conversion of one class of shares of Valkyries into a different class of shares of Valkyries.

U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement as a Tax-Deferred Reorganization

The Arrangement will be effected under applicable provisions of Canadian corporate law, which are technically different from analogous provisions of U.S. corporate law. Whether the Arrangement will qualify as a tax-deferred reorganization under section 368(a) of the Code (a "Reorganization") will depend on the resolution of numerous factual issues, some of which may not be known until the Effective Time, and the application of complex U.S. federal income tax laws. As of the date of this Circular, Lundin and Valkyries anticipate that they each will treat the Arrangement as a Reorganization.

There can be no assurance, however, that the IRS will not challenge the status of the Arrangement as a Reorganization or that the U.S. courts will uphold the status of the Arrangement as a Reorganization in the event of an IRS challenge. The requirements that must be satisfied in order for the Arrangement to qualify as a Reorganization are complex, and each U.S. Holder should consult its own tax advisor regarding these requirements.

As discussed above, there can be no assurance that the Arrangement will qualify as a Reorganization. Assuming, however, that the Arrangement qualifies as a Reorganization, subject to the "passive foreign investment company" rules and the Treasury Regulations under section 367(a) of the Code discussed below, the following U.S. federal income tax consequences would result to U.S. Holders:

(a) no gain or loss would be recognized by a U.S. Holder on the exchange of such Valkyries Shares for Lundin Shares pursuant to the Arrangement;

(b) the aggregate tax basis of a U.S. Holder in the Lundin Shares acquired in exchange for Valkyries Shares pursuant to the Arrangement would be equal to such U.S. Holder's aggregate tax basis in the Valkyries Shares exchanged;

(c) the holding period of a U.S. Holder for the Lundin Shares acquired in exchange for Valkyries Shares pursuant to the Arrangement would include such U.S. Holder's holding period for the Valkyries Shares exchanged; and

(d) certain U.S. Holders that exchange Valkyries Shares for Lundin Shares pursuant to the Arrangement would be required to report certain information to the IRS on their U.S. federal income tax returns for the taxable year in which the Arrangement occurs and to retain certain records related to the Arrangement.

The Treasury Regulations under section 367(a) of the Code generally require a U.S. Holder that owns (applying certain ownership attribution rules under section 318 of the Code), immediately after the Effective Time, Lundin Shares representing five percent (5%) or more of the total voting power or the total value of all of the outstanding stock of Lundin (a "5% Shareholder") to enter into a gain recognition agreement (a "GRA") in order to preserve Reorganization treatment with respect to the Arrangement. Generally, a GRA would require a 5% Shareholder to recognize the gain realized but not recognized pursuant to the Arrangement if, before the close of the fifth full taxable year following the close of the taxable year of the Arrangement, (a) Lundin Subco were to dispose (other than in certain tax-deferred transfers) of the Valkyries Shares or (b) Valkyries were to dispose (other than in certain tax-deferred transfers) of "substantially all" of its assets. A 5% Shareholder would be required to report such gain on an amended U.S. federal income tax return for the taxable year of the Arrangement, unless such 5% Shareholder elects in its GRA to recognize such gain in the taxable year that such gain under the GRA is triggered. In addition to the tax payable with respect to such gain, the 5% Shareholder would be required to pay interest on such tax as if such tax were payable for the taxable year of the Arrangement. A 5% Shareholder who files a GRA will also be required to file a waiver of the period of limitation on the assessment of tax regarding such gain and an annual certification statement for the term of the GRA. U.S. Holders should consult their own tax advisors regarding the Treasury Regulations under section 367(a) of the Code, including the requirement for entering into a GRA in order to preserve Reorganization treatment with respect to the Arrangement and the operation of a GRA.

The Arrangement as a Taxable Transaction

As discussed above, there can be no assurance that the Arrangement will qualify as a Reorganization. Accordingly, the Arrangement may be treated as a taxable transaction for U.S. federal income tax purposes. Assuming that the Arrangement does not qualify as a Reorganization, subject to the "passive foreign investment company" rules discussed below, the following U.S. federal income tax consequences would result to U.S. Holders:

(a) a U.S. Holder would recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value of Lundin Shares received by such U.S. Holder in the Arrangement and (ii) the tax basis of such U.S. Holder in the Valkyries Shares exchanged in the Arrangement;

(b) the tax basis of a U.S. Holder in the Lundin Shares acquired in exchange for Valkyries Shares pursuant to the Arrangement would be equal to the fair market value of the Lundin Shares on the date of receipt; and

(c) the holding period of a U.S. Holder for the Lundin Shares acquired in exchange for Valkyries Shares pursuant to the Arrangement would begin on the day after the date of receipt.

Subject to the "passive foreign investment company" rules discussed below, the gain or loss described in clause (a) immediately above generally would be capital gain or loss, which would be long-term capital gain or loss if the Valkyries Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

Dissenting U.S. Holders

A U.S. Holder that exercises the right to dissent from the Arrangement and is paid cash for all of such U.S. Holder's Valkyries Shares generally would recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for the Valkyries Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts would be taxed as ordinary income) and (b) the tax basis of such U.S. Holder in the Valkyries Shares surrendered.

Subject to the "passive foreign investment company" rules discussed below, such gain or loss generally would be capital gain or loss, which would be long-term capital gain or loss if the Valkyries Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

Potential Application of the PFIC Rules to the Arrangement

Qualification of Lundin and Valkyries as PFICs

A foreign corporation generally will be a "passive foreign investment company" under section 1297 of the Code (a "PFIC") if, for a taxable year, (a) 75% or more of the gross income of the foreign corporation for such taxable year is passive income or (b) 50% or more of the assets held by the foreign corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. For transactions entered into after December 31, 2004, active business gains arising from the sale of commodities generally are excluded from "passive income" if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

For purposes of the PFIC income test and asset test described above, if a foreign corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another foreign corporation, the foreign corporation will be treated as if it (a) held a proportionate share of the assets of such other foreign corporation and (b) received directly a proportionate share of the income of such other foreign corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a foreign corporation from a "related person" (as defined in section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Valkyries believes that it may have been a PFIC with respect to one or more prior taxable years. Based on currently available information, Valkyries expects that it will not be a PFIC for the current taxable year. Based on currently available information, Lundin does not expect that it will be a PFIC for the taxable year that includes the day after the Effective Date. Whether Lundin will be a PFIC for the taxable year that includes the day after the Effective Date depends on the assets and income of Lundin over the course of such taxable year and, as a result, cannot be predicted with certainty as of the date of this Circular. The determination of whether Valkyries was, or whether Valkyries or Lundin will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Accordingly, there can be no assurance that the IRS will not challenge the determination made by Valkyries or Lundin concerning their respective PFIC status.

In the event that Valkyries currently is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for the Valkyries Shares, the effect of the PFIC rules on the U.S. federal income tax consequences of the Arrangement to such U.S. Holder will depend on whether such U.S. Holder has made a timely and effective election to treat Valkyries as a "qualified electing fund" or "QEF" under section 1295 of the Code (a "QEF Election"). In order to have made a timely and effective QEF Election with respect to Valkyries, a U.S. Holder must have made such QEF Election for the tax year that is the first year in such U.S. Holder's holding period for the Valkyries Shares during which Valkyries qualified as a PFIC. In this summary, a U.S. Holder that has made a timely and effective QEF Election is referred to as an "QEF Electing Shareholder" and a U.S. Holder that has not made a timely and effective QEF Election is referred to as a "Non-QEF Electing Shareholder."

If a U.S. Holder has not made a timely and effective QEF Election, such U.S. Holder may qualify as a QEF Electing Shareholder by filing, on a timely filed U.S. federal income tax return (including extensions), a QEF Election and a "deemed sale election" to recognize, under the rules of section 1291 of the Code, any gain that such U.S. Holder would otherwise recognize if such U.S. Holder sold the Valkyries Shares on the qualification date. The "qualification date" is the first day of Valkyries' tax year in which Valkyries qualified as a QEF with respect to such U.S. Holder. The deemed sale election may be made only if such U.S. Holder held Valkyries Shares on the qualification date.

U.S. Holders should be aware that an attempted QEF Election will not be effective if Valkyries has not satisfied record keeping requirements that apply to a QEF, or has not supplied U.S. Holders with information that such U.S. Holders require to report under the QEF rules, with respect to each taxable year in which Valkyries was a PFIC. Each U.S. Holder should consult its own tax advisor regarding whether a QEF Election may be made with respect to Valkyries.

The effect of the PFIC rules on the U.S. federal income tax consequences of the Arrangement to a U.S. Holder may also depend on whether such U.S. Holder has made a mark-to-market election under section 1296 of the Code (a "Mark-to-Market Election") with respect to the Valkyries Shares. A U.S. Holder may make a Mark-to-Market Election only if the Valkyries Shares are marketable stock. The Valkyries Shares generally will be "marketable stock" if the Valkyries Shares are regularly traded on a qualified exchange or other market. For this purpose, a "qualified exchange or other market" includes (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to and perfect the mechanism of a free, open, fair, and orderly market, and protect investors (and the laws of the country in which the foreign exchange is located and the rules of the foreign exchange ensure that such requirements are actually enforced) (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If the Valkyries Shares are traded on such a qualified exchange or other market, the Valkyries Shares generally will be "regularly traded" for any calendar year during which the Valkyries Shares are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor regarding whether a Mark-to-Market Election may be made with respect to the Valkyries Shares.

The PFIC rules are complex, and each U.S. Holder should consult its own financial tax advisor regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the Arrangement.

Effect of PFIC Rules on the Arrangement as a Reorganization

In the event that Valkyries currently is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for the Valkyries Shares certain proposed Treasury Regulations under section 1291(f) of the Code (the "Proposed PFIC Regulations") may cause a U.S. Holders to recognize gain (but not loss) on the exchange of Valkyries Shares for Lundin Shares pursuant to the Arrangement (even though the Arrangement otherwise qualifies as a Reorganization). The effect of the Proposed PFIC Regulations on the exchange by a U.S. Holder of Valkyries Shares for Lundin Shares pursuant to the Arrangement will depend on whether such U.S. Holder is a QEF Electing Shareholder or a Non-QEF Electing Shareholder.

Non-QEF Electing Shareholders

Under the Proposed PFIC Regulations, a Non-QEF Electing Shareholder is not required to recognize gain upon a Reorganization if such Non-QEF Electing Shareholder exchanges stock in a PFIC for stock of the same or another foreign corporation that qualifies as a PFIC for its taxable year that includes the day after the exchange. However, under the Proposed PFIC Regulations, a Non-QEF Electing Shareholder will recognize gain (but not loss) upon a Reorganization if such Non-QEF Electing Shareholder exchanges stock in a PFIC for stock of another foreign corporation that does not qualify as a PFIC for its taxable year that includes the day after the exchange.

As discussed above, based on currently available information, Lundin does not expect that it will be a PFIC for the taxable year that includes the day after the Effective Date.

If Lundin does not qualify as a PFIC for its taxable year that includes the day after the Effective Date, under the Proposed PFIC Regulations, a Non-QEF Electing Shareholder generally would recognize gain (but not loss) on the Arrangement (even though the Arrangement otherwise qualifies as a Reorganization). The amount of such gain recognized by a Non-QEF Electing Shareholder would be equal to the difference, if any, between (a) the fair market value of the Lundin Shares received by such U.S. Holder pursuant to the Arrangement and (b) the tax basis of such U.S. Holder in the Valkyries Shares exchanged pursuant to the Arrangement. Such gain recognized by a Non-QEF Electing Shareholder generally would (a) be allocated pro rata over such Non-QEF Electing Shareholder's holding period for the Valkyries Shares, (b) be subject to U.S. federal income tax at the highest rate applicable to ordinary income in each such year, and (c) result in an interest charge on any U.S. federal income tax liability for each prior year, calculated as if such tax had been due with respect to such prior year.

If Lundin does qualify as a PFIC for its taxable year that includes the day after the Effective Date, assuming that the Arrangement qualifies as a Reorganization, the Proposed PFIC Regulations generally would not cause a Non-QEF Electing Shareholder to recognize gain on the exchange of Valkyries Shares for Lundin Shares pursuant to the Arrangement.

QEF Electing Shareholders

Under the Proposed PFIC Regulations, a QEF Electing Shareholder is not required to recognize gain upon a Reorganization. Accordingly, assuming that the Arrangement qualifies as a Reorganization, the Proposed PFIC Regulations generally would not cause a QEF Electing Shareholder to recognize gain on the exchange of Valkyries Shares for Lundin Shares pursuant to the Arrangement.

Mark-to-Market Electing Shareholders

The Proposed PFIC Regulations do not address whether a Non-QEF Electing Shareholder that has made a Mark-to-Market Election would be required to recognize gain (but not loss) on the exchange of Valkyries Shares for Lundin Shares pursuant to the Arrangement (even though the Arrangement otherwise qualifies as a Reorganization). Each U.S. Holder that has made a Mark-to-Market Election should consult its own tax advisor regarding how such Mark-to-Market Election may affect the U.S. federal income tax consequences of the Arrangement in the event that the Arrangement qualifies as a Reorganization.

PFIC Information Reporting

The Proposed PFIC Regulations require a Non-QEF Electing Shareholder to report certain information to the IRS on Form 8621 together with such Non-QEF Electing Shareholder's U.S. federal income tax return for the taxable year in which the Arrangement occurs. Each U.S. Holder should consult its own tax advisor regarding its information reporting responsibilities under the Proposed PFIC Regulations in connection with the Arrangement.

Status of Proposed PFIC Regulations

The Proposed PFIC Regulations are currently drafted to be effective for transactions occurring on or after April 11, 1992. If the Proposed PFIC Regulations are adopted in their current form, the U.S. federal income tax consequences to a U.S. Holder should be as described above. However, because the Proposed PFIC Regulations have not been adopted in final form, the Proposed PFIC regulations are not currently effective and there can be no assurance that the Proposed PFIC regulations will be finally adopted in their current form or with the effective date proposed. The IRS has announced that, in the absence of final Treasury Regulations, taxpayers may apply reasonable interpretations of the provisions of the Code applicable to PFICs and that the rules set forth in the Proposed PFIC Regulations are a reasonable interpretation of those Code provisions.

<u>Effect of PFIC Rules on the Arrangement as a Taxable Transaction</u>

In the event that Valkyries currently is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for the Valkyries Shares and the Arrangement is treated as a taxable transaction for U.S. federal income tax purposes, the PFIC rules will apply to gain, if any, recognized by a U.S. Holder on the exchange of Valkyries Shares for Lundin Shares pursuant to the Arrangement. In addition, in the event that Valkyries currently is a PFIC or was a PFIC at any time during a U.S. Holder's holding period for the Valkyries Shares, the PFIC rules will apply to gain, if any, recognized by a U.S. Holder that exercises the right to dissent from the Arrangement and is paid cash for all of such U.S. Holder's Valkyries Shares.

Non-QEF Electing Shareholders

Under the PFIC rules, gain recognized in the Arrangement by a Non-QEF Electing Shareholder generally would (a) be allocated pro rata over such Non-QEF Electing Shareholder's holding period for the Valkyries Shares, (b) be subject to U.S. federal income tax at the highest rate applicable to ordinary income in each such year, and (c) result in an interest charge on any U.S. federal income tax liability for each prior year, calculated as if such tax had been due with respect to such prior year.

QEF Electing Shareholders

Gain or loss recognized in the Arrangement by a QEF Electing Shareholder generally would be treated as capital gain or loss.

Mark-to-Market Electing Shareholders

Gain or loss recognized in the Arrangement by a U.S. Holder that has made a Mark-to-Market Election generally would be treated as ordinary income or loss (limited, in the case of losses, to the excess, if any, of (a) the amount included in ordinary income for prior taxable years because of such Mark-to-Market Election over (b) the amount allowed as a deduction in computing adjusted gross income for prior taxable years because of such Mark-to-Market Election).

Information Reporting; Backup Withholding Tax

The exchange of Valkyries Shares for Lundin Shares, or the receipt of cash in exchange for Valkyries Shares, pursuant to the Arrangement may be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

Certain Swedish Income Tax Consequences

The following summary of certain tax issues that may follow from the share for share exchange under the Plan of Arrangement is based on current Swedish tax legislation and is only intended as general information for shareholders who are resident (or domiciled) in Sweden for tax purposes, unless otherwise stated. The summary does not deal comprehensively with all tax consequences that may occur in this context. Amongst the provisions not covered are the rules applying in cases where shares are held as current assets in a business operation or held by a partnership. Particular tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, mutual funds and persons not resident in Sweden. Each shareholder is recommended to consult a tax adviser for information with respect to any tax consequences that may arise as a result of the Plan of Arrangement, including the applicability and effect of foreign income tax legislation, provisions contained in tax treaties and other rules that may be applicable.

The wording of the Swedish rules on roll-over relief and tax deferral, referred to below, does not actually apply the share exchange in question. Instead, the Swedish rules on roll-over relief and tax deferral apply when an individual or a legal entity disposes of shares in the company sold in exchange for shares in the acquiring company. However, the Swedish Board for Advance Ruling has in an advance ruling confirmed that the rules applied to a case similar to the share exchange in question. Furthermore, the Swedish Tax Authority has, in an informal letter dated 19 December 2005, confirmed that the rules applied to another similar case.

Based on the above the Swedish rules on roll-over relief and tax deferral may apply to the share for share exchange in question, but another interpretation of the rules cannot be ruled out.

Divesting Shares in Valkyries

For an individual shareholder who is resident in Sweden, no immediate tax consequences may occur on exchange of shares in Valkyries for shares in Lundin Petroleum. For some legal entities, capital gains on shares that are held for business purposes are tax-exempt (see below the section Legal entities). For a legal entity that is subject to tax on capital gains upon shares, there may be an optional deferral of taxation upon the exchange of shares in Valkyries for shares in Lundin Petroleum.

Disposal of Shares – General

Individuals

Individuals and estates of deceased Swedish individuals who sell their shares are subject to capital gains tax. The current tax rate is 30 percent of the gain. The capital gain is calculated as the difference between the sales proceeds, after deduction for sales expenses, and the acquisition cost of the shares for tax purposes. When the consideration consists of shares, the revenue is normally valued as the fair market value of the shares received at the time of disposal. Regarding roll-over relief, please refer to the "Exchange of shares" section below.

The acquisition cost is determined according to the so-called average method. This means that the costs for all shares of the same type and class are added together and determined collectively, with respect to changes to the holding. Alternatively, the so-called standard rule (according to which the acquisition cost is equal to 20 percent of the net sales price) may be applied on the disposal of listed shares.

Capital losses on listed shares are fully deductible against capital gains on shares during the same fiscal year. The loss may also be offset against capital gains on other listed securities that are taxed in the same manner as shares, except for listed shares in mutual funds containing only Swedish receivables (so-called Swedish interest funds). As from 1 January 2006 (with minor changes as from 1 July 2006) new rules regarding deductibility of capital gains pertaining to shares and securities taxed in the same manner as shares apply. Capital losses on listed shares and listed securities taxed in the same manner as shares (except for shares in Swedish interest funds), are fully deductible against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities. However, capital losses on unlisted shares in Swedish limited liability companies and foreign legal entities are deductible only by five sixths. If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. Any excess amount is deductible by 70 percent according to the main rule or by five sixths of 70 percent if the capital loss relates to non-listed shares.

If there is a deficit in the taxable income category that includes income from capital, a reduction of the tax on income from employment and from business, as well as the real property tax, is allowed. The tax reduction allowed amounts to 30 percent of any deficit not exceeding SEK 100,000 and 21 percent of any deficit in excess of SEK 100,000. Deficits cannot be carried forward to a subsequent fiscal year.

Legal Entities

Limited liability companies and other legal entities, other than estates of deceased Swedish individuals, are taxed on all income as income from business activities at a flat rate of 28 percent. With respect to the calculation of a capital gain or loss and the acquisition cost, see under the sub-heading "Individuals" above. A capital loss on shares incurred by a corporate shareholder, may be offset only against taxable gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may also, under certain circumstances, be deductible against capital gains on such securities within the same group of companies, provided the requirements for group contributions are met. Capital losses on shares or other such securities that have not been deducted from capital gains within a certain year, may be carried forward and offset against similar capital gains in future years without any limitation in time.

For limited liability companies and co-operative associations, capital gains on shares that are held for business purposes are tax-exempt and capital losses on such shares are non-deductible. Listed shares are considered to be held for business purposes provided that the holding represents at least 10 percent of the voting rights or if it can be established that the shares are held for business reasons, but only if they have been held not less than one year from the day they first became considered as held for business purposes. On the other hand, losses on shares that do not fulfil this holding requirement are deductible, subject to the above restrictions. When determining the holding period for shares of the same type and class that have been acquired at different dates, shares acquired on a later date are considered to have been sold prior to shares acquired earlier according to a 'last-in-first-out' principle. When applying the so-called average method, shares that have been held for one year or more and participations that have not, are not considered to be of the same type and class.

Exchange of Shares

Individuals

If an individual who is resident in Sweden disposes of shares in exchange for shares, no immediate tax consequences will occur (see above with respect to the uncertainty in this case). This applies regardless of whether the sale has resulted in a gain or a loss. The acquisition cost for the shares received is considered to be the same as the acquisition cost for the shares sold (roll-over relief). The taxation is postponed and will be triggered when the shares received are sold. If the provisions on roll-over relief apply, there is normally no need for the individual to report the disposal in the tax return. Roll-over relief is conditional upon the acquiring company holding more than 50 percent of the voting power in the acquired company at the end of the calendar year in which the acquisition takes place (see the above with respect to the difference between this case and the regular share for share transactions which the Swedish rules apply for). In the event of exceptional reasons, it is sufficient that the holding requirement is fulfilled at some point during that year.

Roll-over relief is available only to individuals who are resident in Sweden. The postponed taxation is crystallised when this requirement is no longer fulfilled. It has not been resolved whether this rule is in conflict with EC law to the extent individuals moving to another Member State are affected by it.

Legal Entities

A legal entity that sells shares in exchange for shares may obtain a deferral of taxation upon request (see above with respect to the uncertainty in this case). A capital loss must however be deducted immediately on disposal. Please refer to the section "Disposal of shares – general, Legal entities" above. The deferred tax amount will become taxable no later than when the shares received are sold. Shareholders requesting a deferral of taxation must account for the capital gain in their tax assessment.

A pre-requisite for a deferral is that the acquiring company holds more than 50 percent of the voting power in the acquired company at the end of the calendar year in which the acquisition takes place (see the above with respect to the difference between this case and the regular share for share transactions which the Swedish rules apply for). In the event of exceptional reasons, it is sufficient that the holding requirement is fulfilled at some point during that year.

Holding Lundin Petroleum Shares by Swedish Residents

Cash Dividends

Dividends on shares are taxed at a rate of 30 percent as income from capital for individuals and at a rate of 28 percent for legal entities as ordinary income from business activities. Special rules apply to certain corporate entities. Limited liability companies and co-operative associations may receive dividends free of tax on shares held for business purposes. For a definition of shares held for business purposes, please refer to the "Disposal of shares, Legal entities" section above. However, dividends on listed shares held for business purposes are only tax exempt if the shares are not disposed of within one year from the day they first became considered as held for business purposes. It is not a requirement that the shares have been held continuously for one year at the date of distribution, but if the holding period requirement is not subsequently fulfilled, the dividend will be subject to tax in a different fiscal year from the year the dividend was received (a so-called claw-back provision).

Net Wealth Taxation

The shares in Lundin Petroleum are listed on the O-list of the Stockholm Stock Exchange and will be exempt from wealth taxation under the present rules.

Disposal of Shares

For a Swedish resident, the tax consequences of disposing of Lundin Petroleum Shares are the same as those described in the "Disposal of shares – General" section above.

Tax Considerations for Shareholders Residing Outside of Sweden

Generally, shareholders who are not resident or domiciled in Sweden for tax purposes will not be liable to Swedish tax on the disposal of Swedish shares. According to a special tax rule, individuals who are fiscally resident outside of Sweden may be liable to Swedish tax on the disposal of Swedish shares if they have been resident in Sweden or permanently lived here during the calendar year of the sale or at any time during the 10 calendar years immediately preceding the year of the sale. The application of this rule is, however, in many cases limited by double tax treaties between Sweden and other states.

Foreign legal entities are normally not liable to tax on capital gains on Swedish shares, if the gains are not attributable to a so-called permanent establishment in Sweden. However, the rules concerning tax-exempt capital gains on shares held for business purposes are also applicable to foreign equivalent of Swedish limited liability companies and economic associations, which are domiciled within the EEA (the European Economic Area, which comprises the member states of the EU, as well as Iceland, Liechtenstein and Norway). A further condition is that the taxation of the foreign company must be similar to the taxation applying to Swedish limited liability companies or, alternatively, the foreign company needs to be covered by a double tax treaty that Sweden has entered into with the relevant state and be resident in that country according to the treaty.

For shareholders who are not resident in Sweden and who receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is payable. Dividends from Lundin Petroleum are subject to Swedish withholding tax at a flat rate of 30 percent. The tax rate is, however, generally reduced under double tax treaties with other states. Under both the Canada – Sweden tax treaty and the US – Sweden tax treaty, the withholding tax rate is generally reduced to 15%. However, corporate shareholders obtain a more favourable treatment under the treaties provided that the holding requirements under the treaties are fulfilled. In Sweden, VPC, or - for nominee-registered shares - the nominee, normally deducts withholding tax. If the distributing company has not engaged VPC or another organisation to distribute the dividend, the distributing company deducts withholding tax.

Corporate shareholders fiscally resident within the EU are normally not subject to Swedish withholding tax if their holding in the distributing company represents at least 20 percent of the share capital. Moreover, Swedish withholding tax is not payable on dividends on shares held for business purposes paid to a foreign company, provided that the foreign company is deemed to correspond to a Swedish company that can receive tax-exempt dividends for tax purposes and the dividend under equivalent circumstances had been tax-exempt for a Swedish company. A further condition is that the taxation of the foreign company must be similar to the taxation applying to Swedish limited liability companies or, alternatively, the foreign company needs to be covered by a double tax treaty that Sweden has entered into with the relevant state and be resident in that country according to the treaty. In this context, non-listed shares and listed shares representing at least 10 percent of the shareholding are deemed to be held for business purposes. Listed shares must have been held continuously for at least one year on the day of the distribution.

INTEREST OF CERTAIN PERSONS IN MATERIAL TRANSACTIONS AND MATTERS TO BE ACTED UPON

Except as noted below, or otherwise disclosed in this Circular, no director or executive officer of Valkyries, nor any associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise: (a) in matters to be acted upon at the Meeting; or (b) in any transaction during the three years before the date of this Circular or in a proposed transaction which has materially affected or would materially affect Valkyries.

In addition, Lukas Lundin is a director of Valkyries, and is Chairman of the Valkyries board of directors and is also a director of Lundin Petroleum. William A. Rand is a director of both Valkyries and Lundin Petroleum. Ashley Heppenstall is a director of Valkyries and is President, Chief Executive Officer and a director of Lundin Petroleum. See "General Proxy Information – Interest of Certain Persons in the Arrangement" and "General Proxy Information – Related Party Transaction".

ADDITIONAL INFORMATION AND OTHER DOCUMENTS

Financial information relating to Valkyries is provided in Valkyries' comparative financial statements and management's discussion and analysis for its most recently completed financial year. Valkyries will provide a copy of its audited financial statements for 2005, interim financial statements for 2006 and management's discussion and analysis thereon to any person upon request delivered to its office at Suite 2101 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Attention: Secretary. These documents and additional information about Valkyries are available on the SEDAR website at www.sedar.com.

LEGAL MATTERS

Legal matters in connection with the Arrangement will be passed upon on behalf of Valkyries by McCullough O'Connor Irwin LLP and on behalf of the Special Committee by Blake Cassels and Graydon LLP. As at June 20, 2006, the partners and associates of each of McCullough O'Connor Irwin LLP and Blake Cassels and Graydon LLP owned beneficially, directly or indirectly, in the aggregate less than 1% of the outstanding Valkyries Shares.

SPECIAL BUSINESS TO BE CONSIDERED BY VALKYRIES SHAREHOLDERS

In order for the Arrangement to be effected, the Valkyries Shareholders will be asked to consider and, if deemed advisable, to approve the Arrangement Resolution at the Meeting. The Arrangement Resolution (the text of which appears as Exhibit E to this Circular) must be approved by an affirmative vote of not less than two-thirds of the votes cast in respect thereof by Valkyries Shareholders at the Meeting and a simple majority of the votes cast by Disinterested Valkyries Shareholders at the Meeting.

In the absence of a specification made in the form of proxy to the contrary, the persons named in the form of proxy intend to vote IN FAVOUR OF the Arrangement Resolution.

DIRECTORS' APPROVAL

The contents and sending of the Notice of Meeting and this Circular have been approved and authorized by the Valkyries Board. Lundin Petroleum has provided to Valkyries the information contained in this Circular relating to Lundin Petroleum and has authorized Valkyries to include such information in this Circular.

VALKYRIES PETROLEUM CORP.

(signed) Keith Hill

Keith Hill
President and Chief Executive Officer

AUDITORS' CONSENT

VALKYRIES PETROLEUM CORP.

We have read the management proxy circular of Valkyries Petroleum Corp. ("Valkyries") dated June 20, 2006 relating to the proposed arrangement under which Lundin Petroleum AB will acquire all of the issued and outstanding securities of Valkyries. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned circular of our reports to shareholders of Valkyries on the balance sheets of Valkyries as at December 31, 2005 and the statements of operation and deficit and cash flows for the year ended December 31, 2005. Our report is dated April 26, 2006 with respect to the financial statements for the year ended December 31, 2005.

(signed) PricewaterhouseCoopers LLP
Chartered Accounts

Calgary, Alberta

June 20, 2006

CONSENT OF
DELOITTE & TOUCHE LLP

We have read the Management Proxy Circular of Valkyries Petroleum Corp. (the "Company") dated June 20, 2006 relating to the proposed arrangement involving Lundin Petroleum AB and 6565654 B.C. Ltd. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned circular of our report to shareholders of the Company on the balance sheets of the Company as at December 31, 2004 and the statements of operation and deficit and cash flows for the year then ended. Our report is dated April 22, 2006

(signed) Deloitte & Touche LLP
Chartered Accounts

Vancouver, British Columbia

June 22, 2006

AUDITORS' CONSENT

LUNDIN PETROLEUM AB (publ)

We consent to the inclusion in the Management Proxy Circular of Valkyries Petroleum Corp. ("Valkyries") dated June 20, 2006 relating to the proposed arrangement under which Lundin Petroleum AB will acquire all of the issued and outstanding securities of Valkyries of our auditors' report dated April 7, 2006 to the annual meeting of the shareholders of Lundin Petroleum AB (publ) on the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Lundin Petroleum AB for the year 2005.

(signed) Carl-Eric Bohlin
Authorized Public Accountant
PricewaterhouseCoopers AB

(signed) Klas Brand
Authorized Public Accountant
PricewaterhouseCoopers AB

Stockholm Sweden

June 20, 2006

Exhibit A

VALKYRIES PETROLEUM CORP.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in certain provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Valkyries' head office at Suite 2101, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 (telephone: 604-689-7842) or by accessing the disclosure documents available through the Internet on the SEDAR website at www.sedar.com. Financial information respecting Valkyries is provided in Valkyries' financial statements and management's discussion and analysis.

The following documents have previously been filed on SEDAR at www.sedar.com and are, where cited or referred to, incorporated by reference herein:

(a) the Business Combination Agreement between Valkyries, Lundin Petroleum and Lundin Subco, in respect of the Arrangement, dated May 26, 2006 and filed May 31, 2006;

(b) interim financial statements of Valkyries as at March 31, 2006 and 2005 and the consolidated statement of loss and deficit for the three month period ended March 31, 2006 and 2005 together with the notes thereto and management's discussion and analysis in respect thereof;

(c) audited comparative consolidated financial statements of Valkyries as at December 31, 2005 and 2004 and the consolidated statement of loss and deficit for the twelve-month period ended December 31, 2005 and 2004 together with the auditors' report thereon and the notes thereto and management's discussion and analysis in respect thereof;

(d) the management information circular prepared in respect of the Corporation's June 7, 2006 annual and special meeting of shareholders, filed May 5, 2006;

(e) report of DeGolyer and MacNaughton (Dallas) entitled "Study as of December 31, 2005 on the Prospective Resources attributable to Valkyries Petroleum Corporation in the Lagansky Block, Caspian Sea, Russia", filed June 20, 2006;

(f) Annual Report of Valkyries Petroleum Corp. as at December 31, 2005 filed May 1, 2006;

(g) Form 51-101F1, F2 and F3 (Oil and Gas Annual Disclosure Filings) for Valkyries Petroleum Corp. filed May 1, 2006;

(h) material change report filed June 5, 2006 relating to the acquisition of Valkyries by Lundin Petroleum;

(i) material change report filed June 5, 2006 relating to the pending acquisition, by Valkyries, of an interest in the North Irael Field in the Komi Republic in the Russian Federation; and

(j) material change report in respect of the completion of the acquisition, by Valkyries, of a 50% interest in Closed Joint Stock Company Oilgaztet, filed February 21, 2006.

Any material change reports (excluding confidential reports), comparative interim financial statements and comparative annual financial statements, together with the auditors' reports thereon, and information circulars filed by Valkyries with the securities commissions or similar authorities in certain of the provinces of Canada subsequent to the date of this Circular and prior to the Meeting shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

VALKYRIES PETROLEUM CORP.

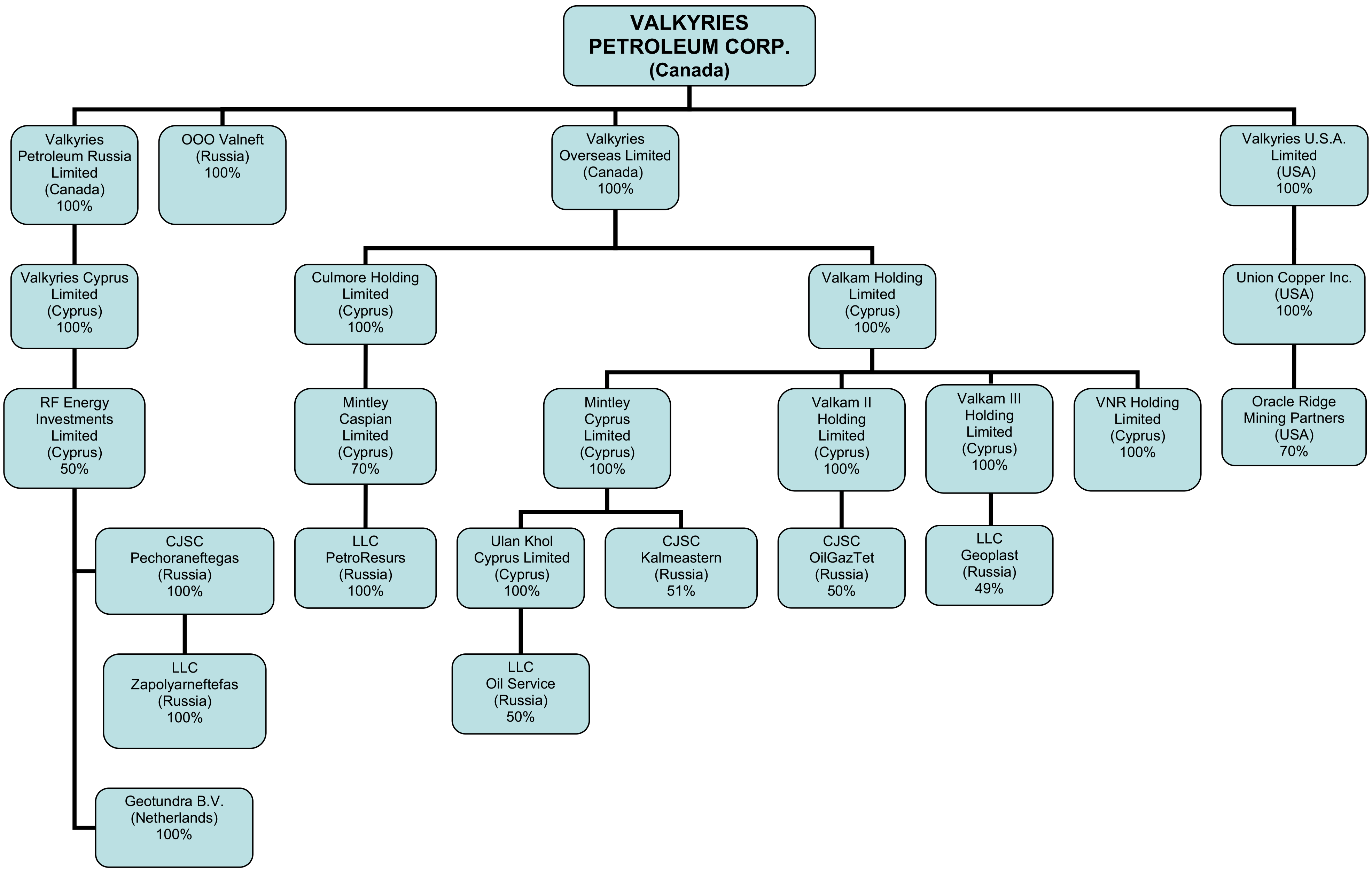
Name, Incorporation and Address

Valkyries Petroleum Corp. ("Valkyries" or the "Corporation") was incorporated under the former *Company Act* (British Columbia) on August 27, 1979 under the name "Lunco Resources Ltd.". On December 7, 1979, the Corporation changed its name to "Atlantic Ventures Ltd.". On February 27, 1981, the Corporation changed its name to "South Atlantic Ventures Ltd.". On December 16, 1985, the Corporation's authorized share capital was increased from 10,000,000 common shares to 25,000,000 common shares, without par value. On June 14, 1993, the Corporation changed its name from South Atlantic Ventures Ltd. to "Southern Copper Corp." and the authorized share capital of the Corporation was further increased from 25,000,000 common shares to 100,000,000 common shares, without par value. On October 25, 1994, the Corporation was continued under the *Canada Business Corporations Act* and its authorized share capital was increased to an unlimited number of common shares. The Corporation changed its name from "Southern Copper Corp." to "Santa Catalina Mining Corp." on November 1, 1994, pursuant to a Plan of Arrangement under section 192 of the *Canada Business Corporations Act*. In connection with a one-for-fifteen share consolidation that took effect on April 25, 2002, the Corporation changed its name to "Valkyries Petroleum Corp." on April 24, 2002. The share consolidation and name change were approved by shareholders of the Corporation on January 23, 2002.

The Corporation's head office and administrative office is located at 2101 - 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8 and its registered office is located at 1100 – 888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4. The Corporation is a reporting issuer under the *Securities Act* (British Columbia) and the *Securities Act* (Alberta) and the common shares of the Corporation are listed on the TSX Venture Exchange under the symbol "VPC". The Corporation is a "Tier 2" company under the policies of the TSX Venture Exchange.

Principal Subsidiaries and Intercorporate Relationships

The following chart illustrates the principal subsidiaries of Valkyries as at May 31, 2006, together with the jurisdiction of incorporation of each company. Unless otherwise indicated, the percentage of voting securities beneficially owned or over which control or direction is exercised by Valkyries is 100%.


VALKYRIES PETROLEUM CORP. (Canada)
Valkyries Petroleum Russia Limited (Canada) 100%
OOO Valneft (Russia) 100%
Valkyries Overseas Limited (Canada) 100%
Valkyries U.S.A. Limited (USA) 100%
Valkyries Cyprus Limited (Cyprus) 100%
Culmore Holding Limited (Cyprus) 100%
Valkam Holding Limited (Cyprus) 100%
Union Copper Inc. (USA) 100%
RF Energy Investments Limited (Cyprus) 50%
Mintley Caspian Limited (Cyprus) 70%
Mintley Cyprus Limited (Cyprus) 100%
Valkam II Holding Limited (Cyprus) 100%
Valkam III Holding Limited (Cyprus) 100%
VNR Holding Limited (Cyprus) 100%
Oracle Ridge Mining Partners (USA) 70%
CJSC Pechoraneftegas (Russia) 100%
LLC PetroResurs (Russia) 100%
Ulan Khol Cyprus Limited (Cyprus) 100%
CJSC Kalmeastern (Russia) 51%
CJSC OilGazTet (Russia) 50%
LLC Geoplast (Russia) 49%
LLC Zapolyarneftefas (Russia) 100%
LLC Oil Service (Russia) 50%
Geotundra B.V. (Netherlands) 100%

GENERAL DEVELOPMENT OF THE BUSINESS OF VALKYRIES

Overview

Valkyries is a publicly held oil and gas corporation focused exclusively on the acquisition, exploration and development of oil and gas properties located in Russia. Valkyries' head office is located in Vancouver, Canada.

Recent Developments

United States

In November 2002, the Corporation entered into an agreement to acquire an interest in oil and gas leases and lease options collectively known as Queen City Project, located in the Queen City gas trend in Duval and Jim Hogg counties, South Texas, from Alta Resources, L.L.C.

Effective February 1, 2003, the Corporation made a strategic investment to acquire a 33 1/3 interest in Rincon Energy Partners, L.L.C. ("Rincon"), a U.S. based oil and gas prospect generation company specializing in Gulf Coast and California oil and gas exploration. Rincon is managed by Rincon Energy, L.L.C..

During August, 2005 the Corporation was the high bidder in an auction for an oil and gas lease in the Mustang Island Area, located on the Outer Continental Shelf in the Gulf of Mexico Region. An initial deposit of US$242,143 was paid to secure the bid and in January, 2006 on execution of the lease, an additional US$1,004,571.20 was paid, representing the balance of the bid amount and the first years' lease amount.

The strategic decision was reached during 2005 for Valkyries to focus exclusively on Russian oil and gas projects. Accordingly, on December 22, 2005 Valkyries announced that it had signed a letter of intent with Newmex Minerals Inc. ("Newmex") to sell all of its U.S. oil and gas properties. The disposition closed on January 24, 2006. Valkyries received proceeds of US$4.6 million plus adjustments for the net cash flow related to the United States oil and gas assets from September 1, 2005 (adjustment date) until the closing date. Under the terms of the agreement, additional contingent consideration may be due to Valkyries and will be calculated on the second anniversary date of the sale transaction based on a formula of US$1 per oil equivalent of additional net proved oil and gas reserves on three agreed upon exploration prospects. The properties sold to Newmex comprise all of Valkyries' U.S. oil and gas assets, including: leasehold and royalty interests in California, Texas and Louisiana (including production from oil and gas wells in the South Texas Queen City trend), the rights to an offshore OCS block (Mustang Island Area, East Addition, Area Number TX3A, Block 736), and the strategic working interest investment in Rincon.

Valkyries, through its wholly owned subsidiary, Union Copper Inc., holds a 70% partnership interest in Oracle Ridge Mining Partners ("Oracle Ridge"). Oracle Ridge had rights to an underground copper mine near Tucson, Arizona, which was shut down in February 1996. Reclamation of the mine was completed during the three months ended March 31, 2004 and Oracle Ridge is in the process of applying for a certificate to release the reclamation bonds from the State of Arizona. Oracle Ridge sold the real estate associated with the mine and no further work is envisioned on this project.

Russia

On August 20, 2004 Valkyries acquired 50% of the issued and outstanding common shares of Samson/Vitol (Cyprus) Limited ("SVC"), a Cyprus company which owns a 100% interest in ZAO Pechoraneftegas ("PNG") in the Komi Republic of Russia. SVC's name was changed to RF Energy Investments Limited ("RFE") with effect from September 8, 2004. RFE is operated as a joint-venture with Arawak Energy Corporation, which owns the remaining 50% interest in RFE. The total acquisition cost, net of cash acquired, consisting of cash consideration and related acquisition costs, was $55.3 million. The primary assets of PNG are comprised of the Sotchemyu-Talyu producing fields and the Kadzherom exploration license. Further information regarding these fields may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website at www.sedar.com. Valkyries entered into a US$30 million credit facility from BNP Paribas to provide a portion of the funding for this acquisition.

On September 1, 2005, PNG entered into a US$51.0 million borrowing base facility agreement with BNP Paribas. The loan bears interest at a rate of LIBOR plus 4.4% per annum and is repayable by September 1, 2010, with the first scheduled repayment due on July 1, 2006. The funds borrowed by PNG have been remitted to PNG's shareholders (50% Valkyries and 50% Arawak Energy Corp.). The Corporation's portion of the funds received were partially used to repay the US$24 million outstanding balance on an existing US$30 million borrowing base revolving loan facility, referred to above, which was established in 2004 to fund a portion of the PNG acquisition.

On May 19, 2005, Valkyries successfully completed the acquisition of 100% of the shares of Mintley Cyprus Limited ("Mintley Cyprus"). Mintley Cyprus holds a 51% interest in CJSC Kalmeastern ("Kalmeastern"), whose principal asset is a 100% interest in the Caspian Field. The Caspian Field is located on the flanks of the Caspian Sea in the semi-autonomous Republic of Kalmykia and is in close proximity to established oil export routes. Valkyries acts as operator on this project. Further information regarding this field may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website www.sedar.com. In consideration for this acquisition, Valkyries paid the vendor US$1.0 million and issued 4 million Valkyries Shares, valued at $13.9 million. An additional 1 million Valkyries Shares are due to be issued to the vendor upon the Caspian Field sustaining a gross production rate of 2,500 bbl/d, for a period of 30 consecutive days.

On July 22, 2005, Valkyries acquired 70% of the shares of Mintley (Caspian) Limited ("Mintley Caspian"). Mintley Caspian's wholly-owned Russian subsidiary, LLC PetroResurs ("PetroResurs"), holds the Lagansky Block exploration license. The Lagansky Block is located offshore in the Russian sector of the Caspian Sea and is directly adjacent to the onshore Caspian Field project operated by Valkyries. In consideration for this acquisition, Valkyries paid the vendor, US$28.5 million. An additional US$12.5 million will be due to the vendor in the event of a commercial discovery on the Lagansky Block and a further US$10 million bonus will be due to the vendor upon the award of a development license for any resulting discovery. Funding for this acquisition was provided by Ferrier Lullin Cie SA bank, which provided a nine month US$50 million bridge loan to Valkyries. As of December 31, 2005, the outstanding amount under this loan was reduced to zero. Proceeds of a private placement, which closed during the third quarter of 2005, were used to repay the amount initially drawn under the bridge loan. Lorito Holdings Ltd. ("Lorito"), an investment company wholly owned by a trust whose settler is Mr. Adolf H. Lundin, the former Chairman of Valkyries, provided a guarantee to the bank. As consideration for providing the loan guarantee, Lorito earned a 15% bonus, paid with 2,160,714 Valkyries Shares.

During December 2005, Valkyries completed the US$1.8 million acquisition of a 50% interest in the Ulan Khol rail terminal. Acquiring this interest in the rail terminal provides Valkyries with a vital ownership interest in a key component of Kalmeastern's oil transportation infrastructure. All oil produced by Kalmeastern is transported to the Ulan Khol rail terminal where it is loaded on rail cars for eventual delivery to the Russian pipeline system.

On January 31, 2006, Valkyries completed the acquisition of a 50% interest in Closed Joint Stock Company Oilgaztet ("OGT"). OGT holds the exploration and production license for the Ashirovskoye Field located in the Orenburg region of Russia. Valkyries acts as operator on this project. In consideration for this acquisition, Valkyries paid the vendors US$9 million and has agreed to arrange financing for OGT to carry out the exploration and development program required under the Ashirovskoye exploration and production license. An additional US$1 million will be due to the vendors following the first calendar year in which production from the Ashirovskoye Field exceeds 100,000 metric tons. If additional fields are discovered in the Ashirovskoye license area, in commercial quantities, Valkyries will be obliged to pay additional consideration of US$1 per each metric ton of additional recoverable proven reserves on the new fields. Valkyries issued 120,000 Valkyries Shares to IMD Inc. Oil Ventures as a finder's fee related to this acquisition.

On May 8, 2006, the Corporation announced that it had signed a binding agreement to purchase a 50% interest in the North Irael Field in the Komi Republic. Under the terms of the agreement, RFE, which is owned 50% by the Corporation and 50% by partner Arawak Energy Corp., will acquire all of the shares of LLC NK Recher-Komi ("Recher") for US$18 million. The transaction is subject to all requisite regulatory approvals. Closing of the transaction is expected to occur before the end of June, 2006.

In addition to the debt financings described above, Valkyries has relied upon private placements to provide funding for ongoing working capital needs, acquisitions, and exploration and development activities. Since January 1, 2003 the following private placements have been completed:

- In March 2003, the Corporation completed a private placement of 3,000,000 units at a price of $1.00 per unit raising gross proceeds of $3,000,000. Each unit was comprised of one Valkyries Share and one-half of a share purchase warrant, with each whole warrant exercisable into one Valkyries Share over a period of two years at a price of $1.10 per share for the first year and $1.20 per share for the second year.

- In August 2003, the Corporation completed a private placement of 2,300,000 units at a price of $0.70 per unit raising gross proceeds of $1,610,000. Each unit was comprised of one Valkyries Share and one share purchase warrant, exercisable into one Valkyries Share over a period of two years at a price of $1.00 in the first year and $1.20 in the second year.

- In May 2004, the Corporation completed a private placement of 1,000,000 units of the Corporation at a price of $2.50 per unit for gross proceeds of $2,500,000. Each unit was comprised of one Valkyries Share and one-half of one share purchase warrant, with each whole warrant exercisable into one Valkyries Share at a price of $2.50 over a period of one year.

- In September 2004, the Corporation completed a private placement of 6,700,000 Valkyries Shares at a price of $2.50 per share, raising gross proceeds of $16,750,000.

- In February 2005, the Corporation completed a non-brokered private placement of 6 million Valkyries Shares at a price of $3.00 per share raising gross proceeds of $18 million.

- In September 2005, the Corporation completed a non-brokered private placement of 11 million Valkyries Shares at a price of $6.00 per share for gross proceeds of $66 million. Net proceeds of the private placement were used to partially repay the outstanding amount of a US$50 million bridge loan obtained by the Corporation to provide funds for the US$28.5 million purchase price of the Lagansky Block in July 2005, as well as for general corporate purposes.

- In February 2006, the Corporation closed a private placement consisting of 2.5 million Valkyries Shares at a price of $11.50 per share for gross proceeds of 28.75 million.

PROPERTY DESCRIPTION

Sotchemyu-Talyu Field (Valkyries interest: 50%)

The primary assets of PNG include the Sotchemyu-Talyu producing fields and the Kadzherom exploration license. An independent, third party, reserve report dated March 8, 2006 and entitled "Estimated Future Reserves and Income Attributable to Certain Leasehold Interests in the Sotchemyu Field – Constant Price Parameters and Ryder Scott Price and Cost Parameters as of December 31, 2005" (the "Sotchemyu Field Report") has been prepared by Ryder Scott Company Petroleum Consultants. The Sotchemyu Field Report outlines a possible development plan involving 36 new production wells through to 2008 and indicates, as at December 31, 2005, proven reserves of 19.3 million barrels of oil (9.65 million barrels net to Valkyries) and an additional 7.0 million barrels of probable reserves (3.5 million barrels net to Valkyries). During 2005, eight development wells were successfully drilled in the East Sotchemyu-Talyu portion of the field, resulting in 2005 year end production rate of 6,695 bbl/d (3,348 bbl/d net to Valkyries), an increase of 26% over December 2004 production rates. 2005 marked the first year that horizontal/high angle wells were drilled in the field. The pace of horizontal drilling is expected to increase in 2006. PNG mobilized a third drilling rig during the fourth quarter of 2005 and a fourth rig has been mobilized during the first quarter of 2006. As a result of a 90 square kilometer 3D seismic survey, acquired during 2005, PNG is operating with a revised geologic model to highlight targets for the infill drilling program. Further information regarding these fields may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website www.sedar.com.

Caspian Field (Valkyries interest: 51%)

The Caspian field was discovered in 1960 and had a total of 38 wells drilled between 1961 and 1964 and 7 additional wells drilled between 1987 and 1994. Reservoirs are in Aptian carbonates and Jurassic Bayos sands. Oil production is currently being transported by rail and sold into both the Russian domestic market and on the export market.

Since acquiring its ownership interest in the Caspian Field during 2005, Valkyries has successfully completed drilling its first two horizontal wells in the field and both have been placed on production. A third well is presently being drilled. Several of the existing wells have also seen improvement due to the ongoing workover program and the total field production as at the date of this Circular is over 1,100 bopd, compared to the 435 bopd prior to Valkyries involvement in the field.

An independent, third-party, reserve report dated April 24, 2006 and entitled “Appraisal Report as of December 31, 2005 on Certain Properties owned by Valkyries Petroleum Corp. – Corporate Summaries” (the “Caspian Field Report”), has been completed on the Caspian Field by DeGolyer and MacNaughton Canada Limited. The Caspian Field Report discloses that, as at December 31, 2005, Caspian field proven reserves net to the Corporation were 3.2 million barrels, proven plus probable were 9.4 million barrels, and proven plus probable plus possible were 20.8 million barrels. Further information regarding this field may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website www.sedar.com.

Lagansky Block (Valkyries interest: 70%)

The Lagansky Block exploration license was granted in August of 2004 and has a five year primary exploration term. The minimum work program for the 5-year period calls for the acquisition of 1,400 kilometers of 2D seismic data, 300 square kilometers of 3D seismic data and the drilling of 4 exploration wells. Fiscal terms are standard Russian terms which include a 24% corporate income tax, a petroleum production tax and a duty on exports. During 2005, 368km of 2D seismic were acquired. Results of this program are being integrated into the existing seismic interpretation and have highlighted several locations suitable for drilling. The Corporation intends to commence drilling the first exploration well on the Lagansky block during the second half of 2006. A barge-mounted drilling platform is being constructed to drill the Morskoye prospect. The Morskoye prospect is situated at approximately 2 meters depth in the Caspian Sea. The Morskoye prospect is on trend with the Vladimir Filanovsky field, recently announced (January 2006) as a new discovery by Lukoil.

The Lagansky Block is 2,000 square kilometers (494,000 acres) in size and is located in the Central Caspian Basin. Several of the largest oil and gas fields in the world are currently being evaluated and developed in this basin. A technical report entitled “Study as of December 31, 2005 on the Prospective Resources attributable to Valkyries Petroleum Corporation in the Lagansky Block, Caspian Sea, Russia” (the “Lagansky Field Report”), dated May 12, 2006 has been prepared by DeGolyer and MacNaughton (Dallas) and is available on the SEDAR website www.sedar.com.

Ashirovskoye Field (Valkyries interest: 50%)

Valkyires acquired its interest in the Ashirovskoye Field during the first quarter of 2006. The Ashirovskoye Field exploration and production license was granted to OGT in 2000 and has a 25 year term. The remaining exploration activity that is required to be completed under the exploration terms of the license includes 38 kilometers of 2D seismic and the drilling of two exploratory wells. It is anticipated these exploratory works will be undertaken during 2006.

During March 2006 the first new development well was placed on production testing. Two intervals were selected for testing and have produced oil. Oil production rates in excess of 900 bopd have been recorded during a short term test. Long term rates of oil productivity are yet to be established. The Corporation is currently in the process of constructing an early production system to allow for the continued production and marketing of the oil produced from this well. The Ashirovskoye Field is located in close proximity to existing oil transportation infrastructure. A second well is currently being drilled in the eastern section of the field.

An independent, third-party, reserve report dated November 29, 2005 and entitled "Appraisal Report as of June 30, 2005 for Certain Assets of Valkyries Petroleum Corp. in Russia - Updated" (the "Ashirovskoye Report") has been completed on the Ashirovskoye Field by DeGolyer and MacNaughton Canada Limited. The Ashirovskoye Report was prepared in accordance with National Instrument 51-101 and estimates proven reserves of 2.3 million barrels of oil (1.1 million barrels net to Valkyries) and an additional 11.4 million barrels of probable reserves (5.7 million barrels net to Valkyries) and a further 46 million barrels of possible reserves (23 million barrels net to Valkyries). The Ashirovskoye Report, utilizing constant price parameters, establishes a net present value of the Corporation's interest in OGT's proven reserves of US$8.6 million (proven plus probable: US$36.7 million, proven plus probable plus possible: US$151.3 million) using a 10% discount rate. See "Appraisal Reports and Reserve and Resource Estimates – Ashirovskoye Field".

North Irael Field (Valkyries interest: 50% (closing acquisition pending))

On May 8, 2006, the Corporation announced that it had signed a binding agreement to purchase a 50% interest in the North Irael Field in the Komi Republic in the Russian Federation. Each of the Corporation and its partner, Arawak Energy Corp. will acquire a 50% interest in LLC NK Recher-Komi ("Recher"). The total purchase price is US$18 million (Valkyries share: US$9 million). Recher holds a 100% interest in the North Irael Field. See "Appraisal Reports and Reserve and Resource Estimates – North Irael Field".

The North Irael Field is located on trend and approximately 10 kilometres from the Sotchemyu-Talyu fields owned 100% by RF Energy's wholly owned subsidiary PNG. The North Irael Field is currently producing approximately 400 bopd from the same Devonian reef horizon that is productive at Sotchemyu-Talyu. There are 6 wells in the North Irael Field that have tested oil and gas with 4 of these wells currently on natural flow production. The depth of the reservoir is 1,800 to 1,900 meters and the oil quality is 29.7 degrees API. The production license for the block, which comprises 76 square kilometers, was awarded in 2000 and expires in January of 2021.

The short term plan for the field is to workover wells and install lift on all 6 wells which the Corporation believes will increase production to over 1200 bopd. The oil will be transported initially by truck over the short 35 kilometer route to PNG's existing processing facilities and sold through the pipeline system. The Corporation believes that the Recher operation can be incorporated into PNG's existing Komi operation at minimal incremental cost. Additional development is also planned for the second half of 2006.

APPRAISAL REPORTS AND RESERVE AND RESOURCE ESTIMATES

Sotchemyu-Talyu Field

Information regarding the Sotchemyu-Talyu Field may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website at www.sedar.com.

Caspian Field

Information regarding the Caspian field may be found in Valkyries 2005 annual oil and gas disclosures available on the SEDAR website at www.sedar.com.

The Lagansky Block

The Lagansky Field Report is available on the SEDAR website at www.sedar.com.

Ashirovskoye Field

The following is a summary of more detailed disclosure contained in the Ashirovskoye Report. The Ashirovskoye Report was prepared using reserves definitions consistent with those of National Instrument 51-101.

Geology

The Ashirovskoye field is located in the Matveevsky and Asekeevsky regions (Orenburg Oblast) in the southwestern portion of the Volga-Ural basin of Russia approximately 125 miles northwest of the city of Orenburg and 135 miles east of Samara. The Ashirovskoye field was discovered in 1949.

Deep exploration drilling was performed in the Carboniferous and Devonian deposits from 1957 to 1961, as a result of the air/magnetic and seismic (reflection and CDP methods) surveys. Twelve deep wells were drilled with oil being discovered in the Carboniferous and Devonian horizons.

The Volga-Ural Basin is located in south-central Russia on the northern margin of the Pre-Caspian. The Volga-Ural hydrocarbon basin covers an area of over 800,000 square kilometres. It stretches from Volgograd in the southwest over a distance of greater than 1500 kilometres to beyond Kirov and Perm in the northeast and has a maximum width of over 700 kilometres. A small oilfield was discovered in the basin in the late 1920’s and this was followed by larger finds in the thirties. However, large scale development of the oil and gas potential of the area did not come until during and after the Second World War. To date there have been over 1000 oil and gas fields found within the Volga-Ural Basin.

Estimation of Reserves

The estimated company gross and net proved, probable and possible reserves for the Constant Price Case and the Forecast Price Case, as of June 30, 2005, for the Ashirovskoye field are summarized as follows:

SUMMARY OF OIL RESERVES - ASHIROVSKOYE FIELD
as of June 30, 2005

	Constant Price Case		Forecast Price Case	
	Reserves		Reserves	
	Light and Medium Crude Oil		Light and Medium Crude Oil	
Reserves Category	**Gross (bbls)**	**Net (bbbls)**	**Gross (bbls)**	**Net (bbbls)**
Proved Developed Producing				
Ashirovskoye Field	0	0	0	0
Proved Developed Non-Producing				
Ashirovskoye Field	685,108	685,108	667,800	667,800
Proved Undeveloped				
Ashirovskoye Field	456,979	456,979	450,939	450,939
Total Proved				
Ashirovskoye Field	1,142,087	1,142,087	1,118,739	1,118,739
Total Probable				
Ashirovskoye Field	5,712,258	5,712,258	5,538,693	5,538,693
Total Proved Plus Probable				
Ashirovskoye Field	6,854,345	6,854,345	6,657,432	6,657,432
Total Possible				
Ashirovskoye Field	23,062,267	23,062,267	22,169,646	22,169,646
Total Proved Plus Probable Plus Possible				
Ashirovskoye Field	29,916,612	29,916,612	28,827,078	28,827,078

Proved, probable and possible reserves have been estimated only for known accumulations and do not include any exploration potential. Gross reserves represent Valkyries working interest (operating or non-operating) share before deducting royalties. Net reserves represent Valkyries working interest (operating or non-operating) share after deduction of royalty obligations.

Future Net Revenue

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of June 30, 2005
CONSTANT PRICES AND COSTS

	Net Present Values of Future Net Revenue									
	Before Deducting Income Taxes Discounted At:					After Deducting Income Taxes Discounted At:				
Reserves Category	**0% (M$US)**	**5% (M$US)**	**10% (M$US)**	**15% (M$US)**	**20% (M$US)**	**0% (M$US)**	**5% (M$US)**	**10% (M$US)**	**15% (M$US)**	**20% (M$US)**
Proved Developed Producing										
Ashirovskoye Field	0	0	0	0	0	0	0	0	0	0
Proved Developed Non-Producing										
Ashirovskoye Field	10,825	7,421	5,359	4,025	3,112	8,193	5,623	4,052	3,032	2,334
Proved Undeveloped										
Ashirovskoye Field	7,028	4,682	3,286	2,389	1,779	5,347	3,536	2,457	1,763	1,290
Total Proved										
Ashirovskoye Field	17,853	12,103	8,645	6,414	4,891	13,540	9,159	6,509	4,795	3,624
Total Probable										
Ashirovskoye Field	76,421	44,769	28,063	18,368	12,323	58,044	33,772	20,882	13,396	8,737
Total Proved Plus Probable										
Ashirovskoye Field	94,274	56,872	36,708	24,782	17,214	71,584	42,931	27,391	18,191	12,361
Total Possible										
Ashirovskoye Field	278,035	176,531	114,577	75,377	49,739	211,465	132,740	84,556	54,117	34,283
Total Proved Plus Probable Plus Possible										
Ashirovskoye Field	372,309	233,403	151,285	100,159	66,953	283,049	175,671	111,947	72,308	46,644

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of June 30, 2005
FORECAST PRICES AND COSTS

	Net Present Values of Future Net Revenue									
	Before Deducting Income Taxes Discounted At:					After Deducting Income Taxes Discounted At:				
Reserves Category	**0% (M$US)**	**5% (M$US)**	**10% (M$US)**	**15% (M$US)**	**20% (M$US)**	**0% (M$US)**	**5% (M$US)**	**10% (M$US)**	**15% (M$US)**	**20% (M$US)**
Proved Developed Producing										
Ashirovskoye Field	0	0	0	0	0	0	0	0	0	0
Proved Developed Non-Producing										
Ashirovskoye Field	7,833	5,473	3,989	3,013	2,340	5,885	4,132	3,007	2,262	1,746
Proved Undeveloped										
Ashirovskoye Field	5,114	3,393	2,362	1,700	1,251	3,892	2,556	1,755	1,238	888
Total Proved										
Ashirovskoye Field	12,947	8,866	6,351	4,713	3,591	9,777	6,688	4,762	3,500	2,634
Total Probable										
Ashirovskoye Field	51,726	28,838	17,121	10,510	6,500	39,447	21,675	12,550	7,402	4,287
Total Proved Plus Probable										
Ashirovskoye Field	64,673	37,704	23,472	15,223	10,091	49,224	28,363	17,312	10,902	6,921
Total Possible										
Ashirovskoye Field	157,759	97,919	59,647	35,556	20,098	119,159	72,823	42,678	23,710	11,607
Total Proved Plus Probable Plus Possible										
Ashirovskoye Field	222,432	135,623	83,119	50,779	30,189	168,383	101,186	59,990	34,612	18,528

North Irael Field

Geology

The Domanik-Paleozoic oil-prone total petroleum system covers most of the Timan-Pechora Basin Province of northwestern Arctic Russia. It contains nearly 20 BBOE ultimate recoverable reserves (66% oil). West of the province is the early Precambrian Eastern European craton margin. The province itself was the site of periodic Paleozoic tectonic events, culminating with the Hercynian Uralian orogeny along its eastern border. The stratigraphic record is dominated by Paleozoic platform and shelf-edge carbonates succeeded by Upper Permian to Triassic molasse siliciclastics that are locally present in depressions. Upper Devonian (Frasnian), deep marine shale and limestone source rocks – with typically 5 wt % total organic carbon – by middle Mesozoic time had generated hydrocarbons that migrated into reservoirs ranging in age from Ordovician to Triassic but most focused in Devonian and Permian rocks. Carboniferous structural inversions of old aulacogen borders, and Hercynian (Permian) to Early Cimmerian (Late Triassic to Early Jurassic) orogenic compression not only impacted depositional patterns, but also created and subsequently modified numerous structural traps within the province

The Timan-Pechora Basin Province overlies the Arctic Circle, extending across 61-72 north latitude and 44-66 east longitude. To the east, outside the province boundary, is a sinuous fold belt including the Ural Mountains, the Pay-Khoy Ridge, Vaygach Island and the Novaya Zemlya archipelago. To the west is the NW-SE trending Timan-Kanin Ridge, which intersects the Ural Mountains at the southern end of the province. The northern offshore province boundary is the South Barents transitional fault zone, separating the excluded South Barents basin of the Barents Sea from the included Pechora block within the Pechora Sea. Onshore geologic features are known to extend offshore. Onshore area (70%) of this province is 315,100 sq km (121,629 sq mi) and includes the drainage basins of the Pechora, Usa, and Izhma Rivers. Offshore (30%) are 131,700 sq km (50,836 sq mi), of which approximately 5,400 sq km (2,084 sq mi) comprise islands.

The following is a summary of more detailed disclosure contained in the North Ireal Field Report provided by Ryder Scott Company, Petroleum Consultants, addressed to Valkyries and dated May 12, 2006.

Estimation of Reserves

SUMMARY OF OIL RESERVES - NORTH IRAEL FIELD
as of December 31, 2005

	Constant Price Case		Forecast Price Case	
	Reserves		Reserves	
	Light and Medium Crude Oil		Light and Medium Crude Oil	
Reserves Category	**Gross (bbls)**	**Net (bbbls)**	**Gross (bbls)**	**Net (bbbls)**
Proved Developed Producing				
North Irael field	285,551	285,551	283,798	283,798
Proved Developed Non-Producing				
North Irael field	82,365	82,365	82,242	82,242
Proved Undeveloped				
North Irael field	398,368	398,368	374,505	374,505
Total Proved				
North Irael field	766,284	766,284	740,545	740,545
Total Probable				
North Irael field	1,648,420	1,648,420	1,653,270	1,653,270
Total Proved Plus Probable				
North Irael field	2,414,704	2,414,704	2,393,815	2,393,815

Gross reserves represent Valkyries working interest (operating or non-operating) share before deducting royalties. Net reserves represent Valkyries working interest (operating or non-operating) share after deduction of royalty obligations.

Future Net Revenue

Ryder Scott prepared an estimate of reserves, future production and income attributable to Valkyries' future ownership of certain leasehold interests currently owned by LLC NC Recher-Komi (Recher) as of December 31, 2005. Valkyries has entered into a binding purchase agreement for acquisition of a 50% interest in Recher with closing anticipated to take place before the end of June 2006. The subject properties are located in the North Irael Field, Komi Republic, Russia, in close vicinity to Valkyries' 50% owned interest in PNG. Income data were estimated using both constant price and cost parameters and the Ryder Scott forecast price and cost scenario in effect at December 31, 2005.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
CONSTANT PRICES AND COSTS

	Net Present Values of Future Net Revenue									
	Before Deducting Income Taxes Discounted At:					After Deducting Income Taxes Discounted At:				
Reserves Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Developed Producing										
North Irael Field	3,385	3,088	2,824	2,589	2,380	3,351	2,986	2,682	2,424	2,204
Proved Developed Non-Producing										
North Irael Field	833	746	670	604	546	631	563	503	452	408
Proved Undeveloped										
North Irael Field	3,604	2,986	2,474	2,049	1,693	2,718	2,200	1,778	1,433	1,148
Total Proved										
North Irael Field	7,822	6,820	5,968	5,242	4,619	6,700	5,749	4,963	4,309	3,760
Total Probable										
North Irael Field	19,425	15,396	12,298	9,889	7,999	14,763	11,571	9,137	7,260	5,799
Total Proved Plus Probable										
North Irael Field	27,247	22,216	18,266	15,131	12,618	21,463	17,320	14,100	11,569	9,559

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of December 31, 2005
FORECAST PRICES AND COSTS

	Net Present Values of Future Net Revenue									
	Before Deducting Income Taxes Discounted At:					After Deducting Income Taxes Discounted At:				
Reserves Category	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)	0% (M$US)	5% (M$US)	10% (M$US)	15% (M$US)	20% (M$US)
Proved Developed Producing										
North Irael Field	3,064	2,815	2,591	2,389	2,207	3,107	2,780	2,505	2,271	2,071
Proved Developed Non-Producing										
North Irael Field	724	656	595	541	494	549	494	446	404	367
Proved Undeveloped										
North Irael Field	2,770	2,322	1,942	1,620	1,345	2,084	1,691	1,368	1,099	875
Total Proved										
North Irael Field	6,558	5,793	5,128	4,550	4,046	5,740	4,965	4,319	3,774	3,313
Total Probable										
North Irael Field	14,561	11,653	9,374	7,573	6,141	11,066	8,697	6,868	5,445	4,330
Total Proved Plus Probable										
North Irael Field	21,119	17,446	14,502	12,123	10,187	16,806	13,662	11,187	9,219	7,643

CORPORATE INFORMATION

Directors and Officers

The following table sets out the name of the current directors and officers of Valkyries, their municipality of residence, all positions and offices with the Corporation and any significant affiliate now held by him, if any, his principal occupation or employment, the period or periods of service as a director of the Corporation and the approximate number of shares of the Corporation beneficially owned by him directly or indirectly or over which he exercises control or direction:

Name and Province/ State and Country of Residence and Position with Corporation	**Period of Service as a Director/Officer**	**Number of Common Shares/ Percentage of Issued Capital**[(1)]	**Principal Occupation of the Director During the Past Five Years**
Keith C. Hill [(3)] British Columbia, Canada *President and C.E.O. and Director*	May 3, 2002 to present	137,167 / 0.25%	President of the Corporation; Chairman, Pearl Exploration and Production Corp., formerly General Manager for Lundin Malaysia and Lundin Sudan and geologist, Shell Oil and Occidental Petroleum
Lukas H. Lundin British Columbia, Canada *Chairman and Director*	April 23, 1990 to present	88,367 / 0.16%	Chairman of the Corporation. Chairman: International Uranium Corporation, Tanganyika Oil Company Ltd., Lundin Mining Corporation, Red Back Mining Inc., Tenke Mining Corp. and Atacama Minerals Corp. Director and/or senior officer of a number of publicly traded resource based companies including North Atlantic Natural Resources AB and Vostok Nafta Investments Ltd.
William A. Rand [(2)] British Columbia, Canada *Director*	November 27, 1980 to present	20,441 / 0.04%	Director of Rand Edgar Investment Corporation, an investment company located in Vancouver, BC since 1991; Chairman and director, Dome Ventures Corporation
Brian D. Edgar [(2) (3)] British Columbia, Canada *Director*	April 23, 1990 to present	10,000 / 0.02%	Director of Rand Edgar Investment Corporation, an investment company located in Vancouver, BC since 1991; President and CEO, Dome Ventures Corporation; previously, President of Sisu Enterprises Co. Inc., a subsidiary of Dome Ventures Corporation
Pierre Besuchet Geneva, Switzerland *Director*	April 23, 1990 to April 21, 1991; June 6, 1994 to present	92,440 / 0.17%	Private money manager and administrator of companies.
C. Ashley Heppenstall [(2) (3)] Geneva, Switzerland *Director*	June 13, 2003 to present	50,000 / 0.09%	President and Chief Executive Officer, Lundin Petroleum AB; Previously, Finance Director, Lundin Petroleum AB.

Name and Province/ State and Country of Residence and Position with Corporation	Period of Service as a Director/Officer	Number of Common Shares/ Percentage of Issued Capital(1)	Principal Occupation of the Director During the Past Five Years
Ian Gibbs British Columbia, Canada *Chief Financial Officer*	September 23, 2004 to present	Nil	Chief Financial Officer of the Corporation since September 2004; formerly Country Controller and Business Systems Manager for First International Oil Corporation, a private U.S. oil and gas exploration and production company, since 2000.
Dianne Szigety British Columbia, Canada *Corporate Secretary*	September 1, 2005 to present	Nil	Corporate Secretary of the Corporation since September 2005; formerly President of PubilCo Services Ltd., since October 1994.

(1) Based upon the 55,780,414 Valkyries Shares issued and outstanding as of the date of this Circular

(2) Member of the Audit Committee

(3) Member of the Reserves Committee

Each of the above nominees was elected to his present term of office by a vote of shareholders of the Corporation at a meeting, the notice of which was accompanied by a management proxy circular. The information as to shares beneficially owned, directly or indirectly, or over which the above nominees exercise control or direction, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually.

Except as otherwise described above, each nominee has held the same or a similar principal occupation indicated or a predecessor thereof for the past five years.

Conflicts of Interest

Certain directors of Valkyries are also directors of officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting oil and gas properties. Such associations may give rise to real or apparent conflicts of interest from time to time. The directors of Valkyries are required by law to act honestly and in good faith with a view to the best interest of Valkyries and to disclose any interest which they may have in any project or opportunity of Valkyries. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. In determining whether or not Valkyries will participate in any project or opportunity, the Valkyries Board will primarily consider the degree of risk to which Valkyries may be exposed and its financial position at that time.

Dividends

Valkyries has not paid any dividends since incorporation and it has no plans to pay dividends for the foreseeable future. The Valkyries Board will determine if and when dividends should be declared and paid in the future based on Valkyries' financial position at the relevant time. All of the Valkyries Shares are entitled to an equal share of any dividends declared and paid.

Capital Structure

Valkyries Shares

The Corporation is authorized to issue an unlimited number of common shares. The holders of common shares of the Corporation are entitled to receive notice of, and to one vote per share at, every meeting of shareholders of the Corporation, to receive such dividends as the Board of Directors declares and to share equally in the assets of the Corporation remaining upon the liquidation, dissolution or winding up of the Corporation after the creditors of the Corporation have been satisfied.

Valkyries Stock Option Plan

The Corporation's Stock Option Plan (the "Plan") provides for the aggregate issuance of 3,500,000 Valkyries Shares upon the exercise of options granted pursuant to the Plan. The Plan provides that the Board of Directors of the Corporation may grant Options, subject to the terms of the Plan, to directors, officers and employees of and to persons and corporations who provide management or consulting services to the Corporation and its subsidiaries. The number of Valkyries Shares reserved under the Plan is based on 10% of the issued and outstanding share capital of the Corporation.

Valkyries Options

The following table sets out details of Valkyries stock options outstanding as at June 20, 2006:

Holders	**No. of Shares**	**Exercise Price**	**Market Price at Date of Grant**	**Expiry Date**
Officers of Valkyries	10,000	$2.90	$2.90	February 7, 2007
	150,000	$3.80	$3.80	May 26, 2007
	25,000	$6.45	$6.45	September 1, 2007
	25,000	$7.00	$7.00	September 23, 2007
Employees of Valkyries				
	20,000	$2.80	$2.80	January 12, 2007
	20,000	$3.75	$3.75	May 3, 2007
	74,500	$7.00	$7.00	September 23, 2007
	12,500	$6.48	$6.48	December 24, 2007
	75,000	$7.50	$7.50	January 16, 2008
	12,500	$11.85	$11.85	February 15, 2008
	112,500	$11.80	$11.80	March 9, 2008
	100,000	$14.25	$14.25	May 1, 2008
	34,000	$14.78	$14.78	June 1, 2008
Total Options	**671,000**			

Prior Sales

During the 12 months preceding June 20, 2006, Valkyries issued 11,000,000 Valkyries Shares at a price of $6.00 per share and 2,500,000 Valkyries Shares at a price of $11.50 per share, pursuant to private placements. No share purchase warrants have been issued during the preceding 12 months and none are outstanding as at June 20, 2006.

Valkyries stock options were exercised as follows:

Stock Options	Exercise Price
687,000	$2.80
45,000	$2.85
35,000	$2.90
20,000	$3.75
10,000	$6.45
4,000	$7.00
20,000	$5.79
821,000	

Auditors, Transfer Agent and Registrar

The auditors of Valkyries are PricewaterhouseCoopers LLP. The transfer agent and registrar for the Valkyries Shares is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

Material Contracts

The following are the material contracts of the Valkyries Group, entered into during the two years preceding the date of this Circular that are still in effect, other than contracts entered into in the ordinary course of business, or contracts previously disclosed in this Circular:

1. Share Sale Agreement made July 20, 2005, between Culmore Holding Ltd. and Mintley Kalmykia Limited in relation to the acquisition of 70% of Mintley (Caspian) Limited.

2. Share Purchase Agreement made February 22, 2005, between Mintley Investments Ltd., Valkyries Petroleum Kazakhstan Ltd. (now Valkyries Overseas Ltd) and Valkyries Petroleum Corp. in relation to the acquisition of 100% of Mintley Cyprus Limited.

3. Share Purchase Agreement made April 29, 2004, between Vitol Russia B.V. and Valkyries Petroleum Corp. in relation to the acquisition of 50% of Samson/Vitol (Cyprus) Limited.

4. Shareholders' Agreement made August 20, 2004, between Vitol Russia B.V., Valkyries Cyprus Limited and Samson/Vitol (Cyprus) Limited.

5. Share Purchase and Sale Agreement made November 7, 2005, in relation to the acquisition of 50% of Closed Joint Stock Company Oilgaztet.

6. Sale and Purchase Agreement made December 23, 2005, between Mintley Cyprus Limited and Oscar Enterprises Inc. in relation to the acquisition of 100% of Ulan Khol Cyprus Limited.

7. Purchase Agreement made May 5, 2006, between Guillain Holding S.A. and RF Energy Investments Ltd. in relation to the acquisition of 100% of LLC NK Recher-Komi.

8. Letter Agreement made December 22, 2005, between Valkyries Petroleum Corp. and Newmex Minerals Ltd. in relation to the disposition of Valkyries Petroleum U.S. based assets held by Valkyries U.S.A. Limited.

9. USD$51,000,000 borrowing base facility agreement made September 1, 2005, between, inter alia, Pechoraneftegas ZAO as Borrower, BNP Paribas S.A. as Mandated Lead Arranger, Agent, Security Agent, Offshore Account Bank and Technical Bank, BNP Paribas ZAO as Passport Bank and Domestic Account Bank and the banks and financial institutions named therein as Original Lenders.

10. Intercreditor deed made September 1, 2005, between, inter alia, Pechoraneftegas ZAO, as borrower, RF Energy Investments Limited, Arawak Energy Cyprus Limited and Valkyries Cyprus Limited as Obligors and Intra Group Creditors, BNP Paribas S.A. as Agent, Security Agent, Offshore Account Bank and Technical Bank, BNP Paribas ZAO as Passport Bank and Offshore Account Bank and the banks and financial institutions named therein as Original Lenders.

11. Guarantee and Indemnity made September 1, 2005, between Valkyries Petroleum Corp. as Guarantor and BNP Paribas S.A. as Security Agent.

12. Master Accounts Agreement made September 1, 2005, between Pechoraneftegas ZEO as Borrower, RF Energy Investments Limited as Unlimited Guarantor, BNP Paribas S.A. as Agent, Security Agent and Offshore Account Bank and BNP Paribas S.A. as Domestic Account Bank and Passport Bank.

13. Share Pledge and Charge made September 1, 2005, between Valkyries Cyprus Limited as Pledgor and BNP Paribas S.A. as Pledgee in relation to the shares of RF Energy Investments Limited.

Other Material Facts

There are no other material facts relating to Valkyries affairs that have not been disclosed in the Circular or in this Exhibit A, including the documents incorporated by reference.

EXPERTS

The Corporation's reserves data have been evaluated by Larry P. Connor of Ryder Scott Company, L.P. and by Colin P. Outtrim of DeGoyler and McNaughton Canada Limited. Each of Messrs. Connor and Outtrim are independent qualified reserves auditors, as such term is defined in National Instrument 51-101, are independent of Valkyries within the meaning of National Instrument 51-101 and do not have an interest in any securities or other property of Valkyries.

STOCK EXCHANGE LISTINGS AND INFORMATION

Valkyries Shares

The outstanding Valkyries Shares are listed on the TSX Venture Exchange under the trading symbol "VFC". The Valkyries Shares will be delisted from such exchange following the Effective Date. The following table summarizes the market price and volumes of trading of the Valkyries Shares on the TSX Venture Exchange for each of the periods indicated:

	Price Range		
	High	Low	Volume
2004			
First Quarter	$2.60	$1.38	1,552,130
Second Quarter	$3.15	$2.30	7,647,906
Third Quarter	$3.40	$2.25	4,149,786
Fourth Quarter	$3.68	$2.70	2,237,981
2005			
First Quarter	$3.90	$2.41	3,557,136
Second Quarter	$4.74	$2.82	4,187,193
Third Quarter	$7.60	$4.03	8,273,176
Fourth Quarter	$7.70	$4.95	8,835,738

	Price Range		
	High	Low	Volume
2006			
January	$13.50	$6.52	10,387,851
February	$14.25	$11.28	5,833,435
March	$16.40	$11.00	2,997,053
April	$16.48	$13.70	3,187,725
May	$15.80	$11.16	4,475,956
June (to June 20, 2006)	$15.00	$9.30	2,448,359

The closing price of the Valkyries Shares on the TSX Venture Exchange on May 26, 2006, the last trading day prior to the announcement by Valkyries of the Combination Agreement with Lundin Petroleum, was $12.51 per Valkyries Share, and on the Record Date was $11.90 per Valkyries Share. The average closing price of the Valkyries Share on the TSX Venture Exchange during the thirty trading days ending on May 26, 2006, was approximately $13.85 per Valkyries Share.

RISK FACTORS

The operations of Valkyries are speculative, largely as a result of the nature of its business, which is focussed on the acquisition, exploration and development of oil and gas properties in Russia. Accordingly, an investment in, and holding of, Valkyries Shares involves a number of risks including, but not limited to, the following:

Fluctuations in Crude Oil or Natural Gas Prices and Exchange Rates

The price of oil and natural gas acquired or discovered by Valkyries is affected by factors beyond its control and are prone to changes in the price of oil and gas on the international and Russian domestic market. Such prices are unstable and subject to fluctuation. A decline in prices could result in a reduction in net production revenue and could negatively impact on the economics of producing from certain wells, which in turn could cause a reduction in the Corporation's oil and gas acquisition and development programs. A substantial decline in prices could also require the Corporation to write down certain of its assets.

Foreign Currency Fluctuations

Valkyries' operations in Russia make it subject to foreign currency fluctuations and such fluctuations may materially affect Valkyries' financial position and results. The Russian currency (ruble) is not freely convertible outside of the Russian Federation.

Russian Political Environment

There can be no assurance that industries deemed of national or strategic importance to Russia such as oil exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter Russian laws regulating the oil industry could have a material adverse effect on Valkyries. There can be no assurance that the assets of Valkyries or the Valkyries Group will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

Possible political or economic instability in the Russian Federation may result in the impairment or loss of oil and gas rights, and may adversely affect the Corporation and its ability to carry on business in Russia. Taxes and other fiscal measures and customs and other import regulations are particularly susceptible to revision in reaction to political changes and the pressure on the Russian Government to generate revenue or to conserve hard currency.

Russian Legal Environment

The current legal environment is characterized by inconsistent legislation. A level of uncertainty in application exists due to frequent policy shifts and lack of administrative experience. Additionally, regulations are often interpreted in an unpredictable manner. There can be no assurance that laws, orders, rules, regulations and other Russian legislation currently relating to Valkyries' investments in the Russian Federation will not be altered, in whole or in part, or that a Russian court or other authority will not interpret existing Russian legislation, whether retroactively or otherwise, in such a way that would have an adverse impact on Valkyries.

Risks and Hazards

Oil and natural gas exploration, development and production is subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Uncertainties in Estimating the Volume of Reserves

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and cash flows to be derived therefrom, including many factors beyond Valkyries' control. The reserve and associated cash flow information relating to Valkyries set forth in this Circular represents estimates only. In general, estimates of economically recoverable oil and natural gas 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, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary 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 and natural gas reserves attributable to any particular group of properties, 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.

Environmental Regulation

Extensive national, state, and local environmental laws and regulations in Russia impact nearly all of the operations of Valkyries. These laws and regulations set various standards regulating certain aspects of health and safety, and environmental quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

Development and Construction Risks

Valkyries' ability to meet production, timing, and cost estimates for properties cannot be assured. Technical considerations, delays in obtaining governmental approvals and permits, inability to obtain financing or other factors could cause delays in developing properties. Such delays could materially adversely affect the financial performance of Valkyries.

Risk Associated with Securing Capital

Valkyries' development plans will require substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future which will not be satisfied by revenues from current operations. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to it. Valkyries' inability to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Reliance on Key Employees

Valkyries' operations depend, in large measure, on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on it. Valkyries does not have key person insurance in effect for management. The contributions of these individuals to its immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Valkyries will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Exhibit B

Lundin Petroleum AB

The information contained in this Exhibit B has been prepared by management of Lundin Petroleum AB ("Lundin Petroleum") and contains information in respect of the business and affairs of Lundin Petroleum. Information provided by Lundin Petroleum is the sole responsibility of Lundin Petroleum and Valkyries Petroleum Corp. ("Valkyries") does not assume any responsibility for the accuracy or completeness of such information. Unless otherwise stated, all sums of money which are referred to herein are expressed in Swedish Krona ("SEK").

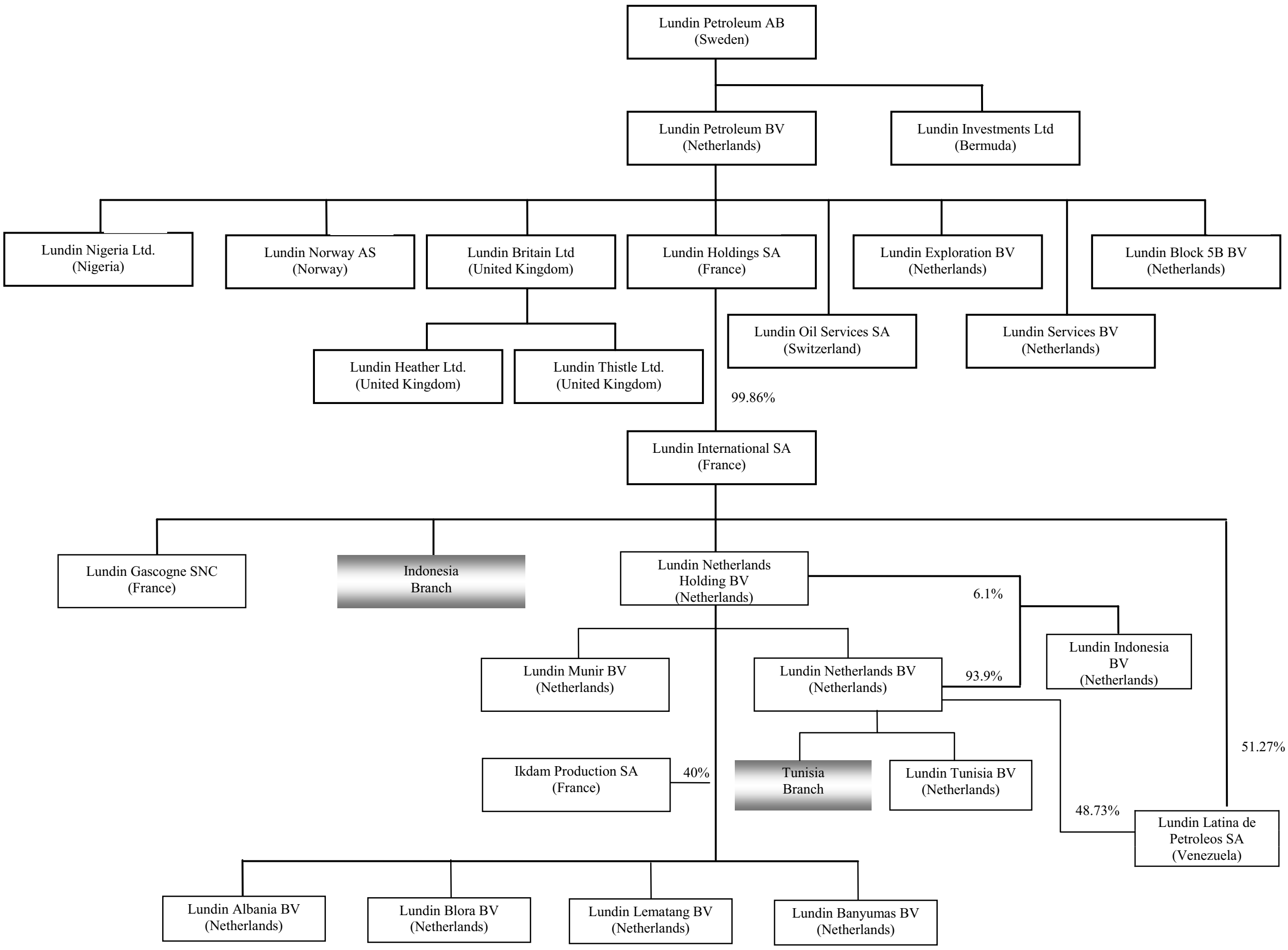
LUNDIN PETROLEUM AB

Name, Incorporation and Address

Lundin Petroleum AB was incorporated under the laws of Sweden on May 4, 2001. Lundin Petroleum's registered and head office is at Hovslagargatan 5, SE-111 48, Stockholm, Sweden.

Principal Subsidiaries of Lundin Petroleum

Through its subsidiaries, Lundin Petroleum currently has oil and gas interests in 11 different countries worldwide. The following chart illustrates the principal subsidiaries of Lundin Petroleum (collectively, the "Subsidiaries" and together with Lundin Petroleum, the "Lundin Petroleum Group") as at May 31, 2006, together with the jurisdiction of incorporation of each company. Unless otherwise indicated, the percentage of voting securities beneficially owned or over which control or direction is exercised by Lundin Petroleum is 100%:



GENERAL DEVELOPMENT OF THE BUSINESS OF LUNDIN PETROLEUM

Overview

Lundin Petroleum is an international oil and gas exploration and production company. The main business objective of Lundin Petroleum is the exploration for and the development and production of oil and natural gas. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects with exposure to further exploration opportunities. The Lundin Petroleum Group maintains branches or incorporates subsidiaries in most of its areas of operation. The parent company, Lundin Petroleum, has no foreign branches.

Lundin Petroleum was formed in connection with the SEK 4 billion take-over of Lundin Oil AB by Talisman Energy Inc. in August 2001. As a result of the transaction Lundin Oil AB shareholders received SEK 36.50 in cash plus one share in Lundin Petroleum for each share held in Lundin Oil AB. By the end of 2001, Lundin Petroleum held interests in oil and gas exploration assets in Sudan and Iran.

On September 6, 2001, the common shares (each a "Lundin Share" and collectively, the "Lundin Shares") of Lundin Petroleum commenced trading on the Nya Marknaden (New Market) administered by Stockholmbörsen. On October 2, 2003, Lundin Shares were listed on the O-list of Stockholmbörsen. On July 1, 2004, Lundin Shares were transferred to the Attract 40 list.

On September 19, 2002, Lundin Petroleum completed the acquisition of 95.3% of the outstanding shares of Lundin International SA (formerly Coparex International SA) from BNP Paribas for USD 172.5 million payable in cash at closing and an additional payment of up to USD 27.5 million calculated based upon the level of cash flow generated from Lundin International SA's interests in certain Tunisian offshore assets. At the time of the acquisition, Lundin International SA was a French exploration and production company with operated production in France (Paris Basin) and Tunisia, and non-operated field interests in France (Aquitaine Basin), the Netherlands, Venezuela and Indonesia. As at May 31, 2006, Lundin Petroleum owns approximately 99.86% of Lundin International SA.

On January 13, 2003, Lundin Petroleum acquired 75.8% of OER oil AS for NOK 30 million (USD 4.3 million). OER held a 2.5% interest in the Njord field and a 4.4424% interest in the Brage Field, offshore Norway and a 100% interest in OER energy AS (formerly called Aker Energy AS). On November 23, 2004, Lundin Petroleum divested its shareholding in OER oil AS to a subsidiary of Endeavour International Corporation for cash consideration of NOK 172.5 million.

On June 23, 2003, Lundin Petroleum completed the sale of its 40.375% working interest in Block 5A, Sudan to Petronas Carigali Overseas Sdn Bhd for cash consideration of USD 142.5 million.

In November 2003, Lundin Petroleum entered into an agreement with DNO ASA ("DNO") to purchase DNO's UK and Irish oil and gas interests, as well as the majority of its Norwegian assets for cash consideration of USD 165 million. On February 13, 2004, Lundin Petroleum completed the acquisition of DNO's UK and Irish oil and gas interests and on June 17, 2004, Lundin Petroleum completed the acquisition of the Norwegian assets from DNO. The assets acquired included a diverse portfolio of producing, development and exploration licences offshore UK, Norway and Ireland.

In respect of the UK, Lundin Petroleum acquired Lundin Britain Limited (formerly called DNO Britain Limited) which indirectly holds a 100% interest in the Heather field, a 99% interest in the Thistle field and a 55% interest in the Broom field, offshore UK. Lundin Petroleum also assumed operatorship of these fields.

In respect of Ireland, Lundin Petroleum acquired Lundin Ireland Limited (formerly called Island Petroleum Developments Limited) which held a 12.5% interest in the Seven Heads gas field. On June 9, 2005, Lundin Petroleum completed the sale of this 12.5% interest in the Seven Heads gas project acquired from DNO to Island Oil & Gas plc, an AIM-listed company. As consideration for the sale of its interest in the Seven Heads gas field, Lundin Petroleum received 4 million shares of Island Oil & Gas. At the time of completion in June 2005, the market value of Island Oil & Gas shares valued the transaction at approximately GBP 2.2 million.

In respect of Norway, Lundin Petroleum acquired the majority of the Norwegian assets of DNO. These Norwegian assets included a 7% working interest in the producing Jotun field operated by ExxonMobil, a 15% interest in the Alvheim field project operated by Marathon and various additional exploration assets.

Effective May 26, 2006, Lundin Petroleum and Valkyries entered into a business combination agreement pursuant to which Lundin Petroleum agreed to acquire all of the outstanding shares of Valkyries in exchange for Lundin Shares, in an all share transaction. Upon closing of the transaction, Valkyries shareholders will receive one Lundin Share for each Valkyries common share held. As at May 26, 2006, the transaction valued Valkyries at approximately USD 700 million (SEK 5.1 billion or CAD 780 million).

As described in more detail in this Proxy Circular, the acquisition of Valkyries will be completed by way of a Plan of Arrangement in accordance with Canadian law, meaning that a Canadian subsidiary of Lundin Petroleum will acquire the shares of Valkyries following approval by Valkyries's shareholders and court approval. Each Valkyries common share will be exchanged for one Lundin Share. All Valkyries options will also be converted into options to acquire shares of Lundin Petroleum based on the same exchange ratio. The issuance of Lundin Shares will also require the approval of Lundin Petroleum shareholders. The transaction is expected to be completed in early August 2006.

Following the proposed transaction, Lundin Petroleum will issue approximately 57.4 million new shares on a fully-diluted basis. The shares of Lundin Petroleum will be held approximately 82% by existing Lundin Petroleum Shareholders and 18% by current Valkyries Shareholders. The total number of Lundin Shares outstanding post-completion will be approximately 313 million on a non-diluted basis.

Production and Operations

Total production during the year ended December 31, 2005, was 12,083,451 barrels of oil equivalent ("boe"). This represented an increase of 109% and 24%, from 2003 and 2004, respectively. Total production in 2004 was 9,755,455 boe and in 2003 was 5,790,546 boe. The average daily production rate was 33,190 boe in 2005 compared to 28,921 barrels of oil equivalent per day ("boepd") in 2004 and 16,062 boepd in 2003.

Lundin Petroleum maintains its registered and head office in Stockholm (Sweden). The President's Office for Lundin Petroleum is located in Geneva, Switzerland, which oversees Lundin Petroleum's worldwide oil and gas interests and provides technical and managerial support services to the Lundin Petroleum Group. Lundin Petroleum also maintains offices in Oslo (Norway), Aberdeen (UK), The Hague (the Netherlands), Tunis (Tunisia), Jakarta (Indonesia) and Montmirail (France). The average number of employees of Lundin Petroleum and its subsidiaries during the year ended December 31, 2005 was 197.

Properties of Lundin Petroleum

Lundin Petroleum owns or holds interests in oil and gas properties located throughout the world. The following table sets forth as of May 31, 2006, a summary of substantially all of Lundin Petroleum's interests in oil and gas properties and identifies Lundin Petroleum's joint venture partners and the operator of each project:

Lundin Petroleum Concession Summary as at 31 May 2006

COUNTRY	CONCESSION	AREA KM^2	ONSHORE/ OFFSHORE	LICENCE TYPE	LUNDIN INTEREST	OPERATOR	PARTNERS
ALBANIA	Durresi	4208.0	Offshore	Exploration	50%	OMV	OMV 50%
FRANCE							
Aquitaine Basin	Courbey	22.12	Onshore	Production application	50.00%	Esso Rep	Esso Rep 50%
	Les Arbousier	7.85	Onshore	Production	50.00%	Esso Rep	Esso Rep 50%
	Les Mimosas	20.00	Onshore	Production	50.00%	Esso Rep	Esso Rep 50%
	Les Pins	3.56	Onshore	Production	50.00%	Esso Rep	Esso Rep 50%
	Les Tamaris	10.0	Onshore	Production application	50.00%	Esso Rep	Esso Rep 50%
Paris Basin	Courdemanges	19.90	Onshore	Production	80.00%	Lundin	Carr Production France 20%
	Dommartin-Lettree	13.20	Onshore	Production	43.01%	Lundin	Total EPF 56.99%
	Fontaine au Bron (Partie sud & ouest)	25.09	Onshore	Production	100.00%	Lundin	-
	Grandville	33.90	Onshore	Production	80.00%	Lundin	Carr Production France 20%
	La Motte Noire	15.84	Onshore	Production	100.00%	Lundin	-
	Merisier	26.50	Onshore	Production application	100.00%	Lundin	-
	Nemours	191.40	Onshore	Exploration	33⅓%	Lundin	Vermilion Rep 33⅓%, Madison Energy France 33⅓%
	Soudron	51.60	Onshore	Production	80.00%	Lundin	Carr Production France 20%
	Val des Marais	528.00	Onshore	Exploration	80.00%	Lundin	Carr Production France 20%
	Vert-La-Gravelle	23.00	Onshore	Production	80.00%	Lundin	Carr Production France 20%
	Villeperdue	141.30	Onshore	Production	100.00%	Lundin	-
INDONESIA	Banyumas	3,973.00	Onshore	Exploration	25.00%	Lundin	ConocoPhillips (Banyumas) 25.0%, Star Energy Banyumas 30.0%, Star Energy International (Banyumas) 20.0%
	Blora	3,431.40	Onshore	Exploration	43.29744%	Lundin	CNOOC Blora 16.70256% , Kufpec 40.0%
	Lematang	227.00	Onshore	Exploration	15.8824%	PT Exspan	PT Exspan 74.1176%, PDA 10.0%
	Salawati Basin	1000.00	On/Offshore	Production	25.936%	PetroChina Int.	PetroChina Int. 30%, Pertamina 10% Pearl Oil 34.064%
	Salawati Island JOB	1,097.08	On/Offshore	Production	14.5122%	PetroChina Int./ Pertamina	Pertamina 50%, PetroChina Int. 16.7858%, Pearl Oil 18.7020%
	Sareba	3,606.97	Offshore	Exploration	100.00%	Lundin	-
IRELAND	Donegal 1/05	408.29	Offshore	Exploration	30.0%	Lundin	Ramco Donegal 19.25%, Island Oil & Gas 31%, Lerida Trading 16.25%, Sunningdale 3.50%
	Seven Heads Oil	291.50	Offshore	Exploration	12.5%	Ramco	Ramco 74.0%, Island Oil & Gas 12.5%, Sunningdale 1.0%
NETHERLANDS	Gorredijk	628.50	Onshore	Production	7.75%	Vermilion	Vermilion 42.25%, EBN 50%
Onshore Licences	Leeuwarden	613.60	Onshore	Production	7.2325%	Vermilion	Vermilion 92.7675%
	Oosterend	91.56	Onshore	Production	7.75%	Vermilion	EBN 50%, Vermilion 42.25%
	Slootdorp	161.17	Onshore	Production	7.2325%	Vermilion	Vermilion 92.7675%
	Zuidwal	225.20	Onshore	Production	7.79595%	Vermilion	Vermilion 42.20405%, EBN 50%

Offshore Licences	E16a	29.00	Offshore	Production application	1.44%	Gaz de France	Gaz de France 41.64%, EBN 40.0%, Total E&P Nederland BV 16.92%
	E17a/b	114.00	Offshore	Production application	1.20%	Gaz de France	Gaz de France 34.7%, EBN 50.0%, Total E&P Nederland BV 14.1%
	F6a	8.00	Offshore	Production	4.654%	Total	Total E&P Nederland 55.346%, EBN 40%
	F12	401.00	Offshore	Exploration	10.00%	Total	EBN 40.0%, Total E&P Nederland BV 50.0%
	F15a/d	238.00	Offshore	Production	2.531375%	Total	Dyas 7.5%, EBN 50.0%, Total E&P Nederland BV 32.468625%, Oranje-Nassau Energie 7.5%
	K3b	7.00	Offshore	Production	3.841013%	Total	EBN 40%, Total E&P Nederland BV 56.158987%
	K3d	26.00	Offshore	Production	3.841013%	Total	EBN 40%, Total E&P Nederland BV 56.158987%
	K4b/K5a	305.00	Offshore	Production	2.03129%	Total	Dyas 11.662%, EBN 50.0%, Total E&P Nederland BV 26.0567%, Goal Olie & Gasexploratie 10.25%
	K6/L7	818.00	Offshore	Production	3.841013%	Total	EBN 40%, Total E&P Nederland BV 56.158987%
	L1e	12.00	Offshore	Production	4.3395%	Total	EBN 40%, Total E&P Nederland BV 55.6605%
	L1f	17.00	Offshore	Production application	6.0%	Total	EBN 40%, Total E&P Nederland BV 54.0%
	L4a	313.00	Offshore	Production	4.3395%	Total	EBN 40%, Total E&P Nederland BV 55.6605%
	Q16a	85.00	Offshore	Production	1.81351%	NAM	EBN 50%, Nam 41.7%, Total E&P Nederland BV 6.48649%
NORWAY	Alvheim Unit PL203/PL036c/ PL088bs	379.09	Offshore	Development	15.00%	Marathon	Marathon 65%, Norske ConocoPhillips AS 20%
	Jotun Unit	79.00	Offshore	Production	7.00%	Esso E&P Norway	Esso E&P Norway AS 45%, Shell 45%, Petoro AS 3%
	PL006c	93.20	Offshore	Exploration	100.00%	Lundin	-
	PL103B	23.71	Offshore	Exploration	70.00%	Lundin	Petoro AS 30%
	PL148	50.12	Offshore	Exploration	50.00%	Lundin	Paladin Resources Norge AS 50%
	PL150 (Hamsun)	57.91	Offshore	Exploration	35.00%	Marathon	Marathon 65%
	PL167 & PL167b	40.96	Offshore	Exploration	20.00%	Statoil ASA	Statoil ASA 80%
	PL292	65.26	Offshore	Exploration	40.00%	BG Group	BG Group 60%
	PL304	439.14	Offshore	Exploration	60.00%	Lundin	Marathon 40%
	PL335	207.58	Offshore	Exploration	18.00%	BG Group	BG Group 52%, Paladin 18%, RWE Dea 12%
	PL338	218.12	Offshore	Exploration	100.00%	Lundin	
	PL340	164.44	Offshore	Exploration	15.00%	Marathon	Marathon 65%, Norske ConocoPhillips AS 20%
	PL359	304.99	Offshore	Exploration	70.00%	Lundin	Premier 30%
	PL363	167.94	Offshore	Exploration	60.00%	Lundin	Endeavour 40%
NIGERIA	OML 113	1821.00	Offshore	Exploration	22.5%	Yinka Folawiyo Petroleum Company	YFP 25%, Syntroleum Corp. 24.375%, Palace Exploration 11.531%, Challenger Minerals 6.328%, Providence Resources 6.328%, Howard Energy 3.938%
SUDAN	Block 5B	20,119.0	Onshore	Exploration	24.50%	Petronas/ Sudapet	Petronas Carigali 39%, Sudapet 13%, ONGC Videsh 23.5%

TUNISIA	Birsa	220.00	Offshore	Production (development)	40.00%	Lundin	Atlantis Technology Services 40.0%, ETAP 20%
	Isis	408.00	Offshore	Production	40.00%	Lundin	Atlantis Technology Services 40.0%, ETAP 20%
	Oudna	420.00	Offshore	Production (development)	50.00%	Lundin	Atlantis Technology Services 50.0%
	Zelfa	100.00	Offshore	Production (development)	62.50%	Lundin	Atlantis Technology Services 32.5%, Klabzuba Oil & Gas 5%
UK	Heather	253.3	Offshore	Production	100.00%	Lundin	-
	Broom	100.7	Offshore	Production	55.00%	Lundin	Palace Exploration Company 29.0%, Challenger Minerals Inc. 8.0%, DYAS 8%
	Thistle	99.2 + 2.99	Offshore	Production	99.00%	Lundin	BP 1%
	Deveron	99.2 + 2.99	Offshore	Production	99.00%	Lundin	BP 1%
	Solan/Strathsmore	103.4	Offshore	Exploration	100.00%	Lundin	-
	9/10c	82.5	Offshore	Exploration	60.00%	Genesis	Genesis Exploration & Production 40%
	9/14c & 15c	34.8 & 9.7	Offshore	Exploration	37.50%	ConocoPhillips	Conoco Phillips 45% Genesis Exploration and Production 17.5%
	3/1b	91	Offshore	Exploration	100%	Lundin	-
	211/28b	178.5	Offshore	Exploration	60%	Lundin	Genesis Exploration and Production 40%
VENEZUELA	Colón Unit	3247.00	Onshore	Production	12.50%	Tecpetrol	Tecpetrol de Venezuela 43.75%, CMS Oil & Gas 43.75%

The following is a description of Lundin Petroleum's oil and gas interests by country:

United Kingdom

Overview

The United Kingdom Continental Shelf ("UKCS") is the core producing area for Lundin Petroleum providing approximately 60% of total production for the Lundin Petroleum Group. Lundin Petroleum has working interests in four production and five exploration licences in the northern sector of the UKCS. The major operated assets include three mature producing fields, Thistle and Heather, and the Broom field which was brought on stream by Lundin Petroleum in 2004 with production in excess of 25,000 barrels of oil per day ("bopd") (gross). These interests were acquired from DNO in 2004.

To optimize the production on Heather and Thistle a variety of techniques have been used including workovers, artificial lift, water injection, development drilling programs and maintenance of the topsides facilities.

The discovery and development of new accumulations near existing fields is an important stage in the life of a mature hydrocarbon province such as the UKCS. The Broom field, which comprises two accumulations, West Heather and North Terrace, is an example of what impact new discoveries in the vicinity of old fields can have. The Broom Phase 2 was successfully completed during 2005, increasing the production from the Heather complex. The original discovery well was sidetracked to a new up-dip location on West Heather and the first production well was completed on North Terrace. Production from the West Heather well commenced in August 2005 and from the North Terrace well in October 2005. The Broom field will extend the life of the Heather field and provide substantial production and reserves of its own via a sub-sea tie back to the Heather platform.

The net UK production to Lundin Petroleum for the year ended 31 December 2005 amounted to 20,165 bopd and 20,473 bopd for the first quarter of 2006, representing over 60 percent of the total production for the Lundin Petroleum Group.

During 2005, Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited ("Petrofac") for the provision of production operations services on the Heather and Thistle platforms. The deal was completed successfully with the transfer of duty holder responsibility for the facilities to Petrofac on 1 May 2005.

Broom Field

The performance of the Broom field (Lundin Petroleum Working Interest (WI) 55%) has exceeded expectations and resulted in a 24% reserve increase at the year end of 2005. Net production from the Broom field averaged 14,100 bopd for 2005 and 14,200 bopd for the first quarter of 2006. Phase 1 of the Broom development consisted of two producer wells and two injection wells. This phase was successfully completed during 2005 with the completion of the second water injection well. This was followed by the successful completion of Phase 2 of the Broom development which included the sidetrack of the original West Heather 2/05-18 well and the completion of the first North Terrace well 2/05-23 which are now both producing via the Broom subsea manifold and tied back to the Heather platform.

Production from the existing Broom production wells is declining in line with expectations as water production has begun. However it is likely that following the acquisition of 3D seismic over the Broom field in 2006 a further infill drilling program will be undertaken.

The Broom field is located approximately 7 km to the west of the Heather platform at the western edge of the North Viking Graben. The field comprises Middle and Upper Jurassic oil accumulations formerly known as West Heather, discovered by well 2/05-8B in 1977, and the North Terrace discovered by well 2/05-5 in 1976. The field was granted separate field status and governmental approval for development in 2003. The development targets the West Heather accumulation with three producers and two injector wells developed as a subsea tie-back to the Heather platform.

The Heather platform provides gas-lift and injection water to enhance the Broom field performance. It also processes and meters the produced fluids for onward shipment to the Ninian platform and ultimately to the Sullom Voe terminal.

Heather Field

Production from the Heather field (WI 100%) averaged 2,650 bopd during 2005 and averaged 2,400 bopd during the first quarter of 2006. The project to reinstall the Heather platform rig has been successfully completed. A drilling programme of new infill wells and workovers has commenced and will continue through 2006 and is expected to have a positive impact on Heather production. The drilling programme will also test the potential of the non-producing Heather Triassic reservoir.

The Heather oil field is located in Block 2/5, some 120 km northeast of the Shetland Islands in the UK sector of the northern North Sea. The field was discovered in 1973 by Well 2/5-1, which encountered oil in Middle Jurassic Brent Group sandstones.

Development of the Heather field began in 1977 involving a single steel platform. First oil production was achieved in October 1978. Oil is exported to Ninian for landing at Sullom Voe and gas is imported from WELGAS. The Heather platform acts as the host for the nearby Broom field sub-sea development providing services to the Broom wells and processing the produced fluids.

The Heather field is located in the East Shetland Basin to the west of the North Viking Graben. It is one of the most westerly of the fields in the Brent Province and close to the East Shetland Platform. The nearest fields in this area include Cormorant and North West Hutton to the northeast in Quadrant 211, and Lyell and Ninian to the east in Quadrant 3. The small, decommissioned Emerald field is situated to the south in Quadrant 2 and 3.

The Heather field comprises a tilted fault block structure delineated by faults to the south and east. The reservoir occurs as shallow-marine and deltaic sandstones of the Middle Jurassic Brent Group, which average 125 to 370 feet in thickness. Reservoir sandstones are of variable character from narrow fluvial channels to sheet-like sand bodies. Mudstone interbeds adversely affect reservoir pressure communication. The reservoir is extensively faulted. Porosity and permeability values are generally moderate. The reservoir contains black oil with a gas/oil ratio of 650 scf/stb. The produced gas was initially re-injected into the reservoir but Heather now imports fuel gas from the WELGAS system. Water injection is used to maintain pressure.

Thistle Field

Production from the Thistle field (WI 99%) averaged 3,400 bopd during 2005 and 3,900 bopd during the first quarter of 2006. The three month shutdown of Thistle in the second half of 2005 was successful in de-bottlenecking production and separation capacity. Further work is ongoing to increase the life of the Thistle field production particularly related to drilling operations and power generation.

The Thistle oil field is located in the southeastern portion of Block 211/18a and marginally in Block 211/19a, in the UK sector of the northern North Sea. Thistle was discovered in 1973 by Well 211/18-2, which encountered undersaturated oil in good quality Middle Jurassic Brent Group sandstones at around 9,000 feet TVDSS.

A 60-slot, single steel jacket platform was installed in 1976 and oil production began in February 1978. The field is now fully developed with 38 production and 13 water injection wells. A separate single-well satellite, known as Area 6, has been producing via the Thistle platform since 1983, making 38 production wells in total. Thistle production peaked in 1982 and has since been in decline.

The Deveron field is a separate small accumulation, lying some 3 km to the west of Thistle in Block 211/18a. Production is via three wells drilled from the Thistle platform. The field commenced production in September 1984 and has been in decline since 1987. Oil export was initially via a SALM (Single Anchor Leg Mooring) loading system, however, since December 1978, oil has been exported through the Brent pipeline system to Sullom Voe via Dunlin and Cormorant South.

The Thistle field comprises an eastward titled fault block complex, generally fault bounded but dip-closed to the east. Production and pressure data indicate that faults within the field form effective seals and divide Thistle into five separate fault blocks. The reservoir comprises the Tarbet, Ness, Etive and Rannoch Formations of the Middle Jurassic Brent Group.

Reservoir characteristics are typical of the Brent Group deltaic sequence, with porosity and permeability being variable, depending upon the sedimentary and diagenetic history of individual sand units. Reservoir quality is generally good with moderate porosity and generally high permeability, except in the Rannoch Formation where a significant reduction in permeability occurs.

Exploration Assets

During 2005, Lundin Petroleum acquired new exploration licences in the United Kingdom 23rd Licensing Round where interests in three new blocks were awarded.

In June 2006, Lundin Petroleum announced that it has entered into an agreement with Endeavour Energy to acquire a 25% interest in Production License 1176 on the UKCS. Endeavour will maintain a 75% interest in the licence after the transfer and is the operator. The agreement is subject to approval by the UK Department of Trade and Industry. In connection with this transaction, Lundin Petroleum and Endeavour also entered into an agreement where Endeavour will become a partner with 25 percent interest in Production Licence 304 on the Norwegian Continental Shelf ("NCS"). Lundin Petroleum's interest in the licence will be 35% after the transaction. The licence is operated by Marathon (40%). This agreement with Endeavour is subject to approval by the Norwegian authorities.

Norway

Overview

Norway is one of Lundin Petroleum's core areas with an active exploration and development programme providing strong growth potential. The major 180 million boe Alvheim development project, with first oil expected in early 2007 and the Volund discovery (previously named Hamsun) will significantly increase production. The NCS is one of the principal growth areas for Lundin Petroleum with increased activities planned for 2006.

The existing licences comprise the full spectrum from exploration to mature assets. Recently awarded licences in 2005 consist of exploration acreage locally associated with existing discoveries. Other licences contain as yet unexploited but proven marginal accumulations of oil and gas. The PL203 licence contains the Alvheim field complex, which is currently under development with first oil planned for early 2007. Alvheim is an approximately USD 1.3 billion development which will result in oil and gas being produced from a series of good quality sandstone reservoirs via a floating, production, storage and offloading vessel ("FPSO"). Gross initial Alvheim production is forecast to be approximately 85,000 boepd. It is anticipated that Alvheim will become the hub for additional satellite developments in this area. The nearby Volund discovery (previously named Hamsun) is likely to be tied back to Alvheim, and a development plan is expected to be submitted to the Norwegian government during 2006.

Jotun Field

The production from the Jotun field (WI 7%) offshore Norway averaged 987 bopd for the year 2005 and approximately 1,000 bopd for the first quarter of 2006. In 2005, the Jotun field partners sold their interests in the Jotun FPSO to Bluewater/Exxon Mobil. Under a separate agreement the Jotun field partners have leased back the vessel for up to fifteen years. In 2006/2007, three infill wells are planned to be drilled on the Jotun licence. An infill drilling programme will commence on the Jotun field in the second half of 2006 which is forecast to have a positive impact on Jotun production.

The Jotun field came on stream in late 1999. The field facilities consist of Jotun-A, the FPSO vessel, and Jotun-B, the wellhead and drilling platform. The field was initially developed via 12 horizontal production wells producing to the purpose built FPSO, with oil being exported by shuttle tanker. In 2002, the first infill drilling campaign was undertaken, which resulted in four additional horizontal producers.

Initial development concepts allowed for water injection to provide pressure and sweep support to sustain a planned 80,000 bopd plateau rate. However, strong natural aquifer drive allowed initial production to peak at around 140,000 bopd. Since then there has been a rapid increase in water-cut and decline in oil production. The field now produces at high water-cut of around 87%.

In 2003, studies began to tie-back oil production from the Ringhorne field. Production from Ringhorne commenced in mid-March 2004, with the field producing at approximately 38,000 bopd through April 2004. This represents the first of a series of potential tie-backs that will help sustain the Jotun field life and provide both tariff income and operating cost sharing relief.

Alvheim Field

The development of the Alvheim field (WI 15%) offshore Norway continues to progress. The Alvheim FPSO conversion was completed in the fourth quarter of 2005 in Singapore and the vessel has been transported to Norway for topsides installation. Development drilling on Alvheim has commenced in 2006 and will continue over the next two years. It is anticipated that first production from Alvheim will take place in early 2007 at a forecast rate of 12,750 boepd, net to Lundin Petroleum.

The proposed Alvheim drilling program includes further exploration drilling on the existing fields and new prospects which have the potential to increase the current 180 million boe forecast for the field. During 2006, one exploration/appraisal well is planned to be drilled on the East Kameleon structure in the Alvheim field area.

The Alvheim field is located in PL203, and extends into neighbouring PL088 and PL036. It consists of three principal oil and gas discoveries named Kneler, Kameleon and Boa, each of which contains hydrocarbons in good quality Paleocene sandstones. A series of smaller accumulations that are not currently part of the development also occur in the area.

Although one of the accumulations had been discovered in 1974, and another in 1992 the area lay dormant until it was acquired by the current operator Marathon. Successful appraisal drilling in 2003 saw two significant discoveries made and the fields were fast tracked for development. The development will comprise an FPSO production solution, with oil exported by shuttle tanker, and gas via pipeline to the UK.

The development plan was approved in 2004. The facilities will be ideally located to act as a hub for surrounding satellite production. Additional discoveries have already been made in the near vicinity, the most notable being the Hamsun oil and gas discovery, drilled by Marathon/Lundin in 2004 (now forming part of the Volund field) and the Norsk Hydro Vilje oil find. The Vilje project is already sanctioned and will form part of the initial production and will be tied back to the Alvheim facilities.

Volund Field

The Volund field (formerly Hamsun discovery) (WI 35%) is located to the south of Alvheim. The Volund partners will jointly submit a plan of development to the Norwegian government in 2006. Further studies in 2005 have resulted in reserve increases in the 2005 year end reserve study. Commercial discussions are ongoing regarding the development options with a tie back to the nearby Alvheim facilities being the most likely option.

The Volund Field is in PL150, which contains the Grieg and Hamsun discoveries. Two wells drilled on the Grieg discovery tested oil at good rates but from thin sands. In early 2004, Marathon/Lundin Petroleum drilled exploration well 24/9-7 targeted at an ‘injected sand’ complex (Hamsun) on the eastern margin of the Grieg discovery. This well found thick oil and gas bearing, high quality sands and proved the ability of the seismic data to accurately image this unusual play type. Three side track holes were drilled to delineate the sand injection complex.

Exploration Assets

See “Properties of Lundin Petroleum” above for full details of all of Lundin Petroleum’s exploration interests in Norway.

Lundin Petroleum has agreed, subject to Norwegian government approval, to reduce its interest in PL338 from 100% to 50% through agreements with Revus Energy and RWE. An exploration well will be drilled on PL338 in the second half of 2006 and Lundin Petroleum will pay a lower percentage of costs related to the well than its 50% working interest.

Lundin Petroleum continues to be actively involved in Norway in respect of new exploration activity. Two new licences were awarded in the fourth quarter of 2005 in the APA 2005 round: PL359 and PL363 as operator. In addition to the East Kameleon and the PL 338 wells, a third exploration well located in PL 335 will be drilled in 2006. A rig slot for each of these wells has been secured.

France

Overview

France is one of the operated producing areas of Lundin Petroleum. In the Paris Basin and Aquitaine Basin, production is optimized by using a variety of workover techniques, water injection and development drilling programs. Facilities and infrastructure are in place with excess capacity to enable future development.

Further exploration opportunities and exploitation of contingent resources are being pursued to provide Lundin Petroleum with stable production and cashflow. Through selective drilling programs, investments in new projects and continued operational improvements, it is expected that the French assets will continue to provide Lundin Petroleum with long term production.

Paris Basin

Lundin Petroleum is the operator of nine production licences and 2 exploration permits located some 80 kilometres east of Paris. These properties are located in the central part of the Paris basin where Lower Jurassic organic-rich marine shales are present in the oil generation window.

In the Paris Basin the net production for 2005 was 2,845 bopd and for the first quarter of 2006 was 2,700 bopd. During 2005, two producers in Vert La Gravelle and Courdemanges were converted into injectors and a Soudron Rhaetian producer was successfully fractured using cold water, resulting in an eight-fold productivity improvement. Cold water fractures will continue during 2006. The La Tonelle-1 exploration well was drilled in 2005 on the Nemours licence. Temporary production facilities have been constructed and the well is now producing at limited rates on a long-term production test basis to determine the appraisal/development plan for the field.

During 2006, a four well infill drilling program will be completed in the Villeperdue field (WI 100%). During the third quarter of 2006, an exploration well on the Chevigny prospect in the Val des Marais concession (WI 80%) is planned.

The largest production asset in the Paris Basin for Lundin Petroleum is the Villeperdue field. Production is from middle Jurassic oolitic limestone which has a porosity range between 8-18 percent and good permeability. Different parts of the field have different degrees of fracturation and field performance and operating costs are continuously optimised using a variety of workover techniques to optimise production from horizontal and vertical producers. Waterflood takes place in the North-East part of the field. Available capacity in the Lundin Petroleum pipeline from Villeperdue to the Grandpuits refinery is also used to generate additional revenue through transportation of third party oil.

The rest of Lundin Petroleum's Paris Basin production comes from several smaller fields, mainly from Upper Triassic Raethian sandstone and Middle Jurassic carbonate. Lundin Petroleum has put a significant effort in optimising these fields and all the Raethian fields are now being waterflooded. This has resulted in a substantial increase in production from these small fields. The Grandville field now produces more barrels per day than ever in its history.

Aquitaine Basin

In the Aquitaine Basin (WI 50%) the net production was 1,357 bopd for 2005 and 1,100 bopd for the first quarter of 2006.

Lundin Petroleum is a 50% partner in the Les Arbousiers (discovered in 1991), Les Pins (1994) and Courbey (1996) fields and the surrounding Lege exploration permit which includes the 1998 Tamaris discovery. Esso Rep is the operator of these concessions. The Courbey and Les Pins fields extend below the Bay d'Arcachon and are developed via deviated wells drilled from onshore facilities, while Les Arbousiers and Tamaris are onshore fields.

The Upper Jurassic Purbeckian sandstone is the main reservoir of the area. These sands have an 8-10 percent porosity and excellent permeability. Locally the underlying Mano carbonate also produces from fractured dolomites. Regional source rock is the Upper Jurassic Catus member. There is considerable upside potential in these permits.

The South Mimosa structure was successfully drilled in the second quarter of 2004. The well initially tested at a rate of 1,600 bopd. The well was produced during 2005 via temporary facilities. Pressure decline has confirmed connected volumes which has resulted in revised reserves estimates. Several additional near field exploration targets remain within the applied production licence area. The full development of the Mimosa field will be completed in 2007.

The Netherlands

Overview

The Netherlands is a mature gas province providing Lundin Petroleum with stable, long-term onshore and offshore production. All of the production is generated from non-operated interests. Although most of the producing fields are mature, additional infill drilling and development opportunities are actively pursued.

With the acquisition of Coparex International SA in 2002, Lundin Petroleum has been present in the Netherlands since 1965, initially as Corexland B.V. and since early 1998, as Coparex Netherlands BV (now Lundin Netherlands BV). The administrative, accounting and technical affairs of the Netherlands subsidiaries are managed by Lundin Petroleum from its office in The Hague.

Lundin Petroleum's portfolio in the Netherlands consists of numerous, minor interests in production and exploration licences both onshore and offshore. See "Properties of Lundin Petroleum" above for full details of all of Lundin Petroleum's interests in the Netherlands. This portfolio provides a stable cash flow and provides exposure to a variety of hydrocarbon plays with reservoir targets at Carboniferous, Rotliegend, Zechstein, Triassic, Jurassic and Lower Cretaceous intervals.

Gas production from the Netherlands was 2,344 boepd for 2005 and 2,500 boepd for the first quarter of 2006. The Dutch government continues to provide a market for all discovered gas through its small gas field policy. As a result, several development and exploration projects are ongoing to maintain and increase current production profiles.

Offshore Operations

Lundin Petroleum's offshore portfolio in the Netherlands consists of offshore acreage centred on the K and L blocks in which the predominant play is the Slochteren Formation of the Lower Permian. Elsewhere the F6 and F15 blocks occur at the southern extent of the Dutch Central Graben. Block E17 is located at the western margin of the Dutch sector close to the Netherlands/UK median line and block Q16 is located close to the Dutch mainland near the Rotterdam gas terminal.

The South Permian Basin of the Southern North Sea is the most important gas province in Europe. The basin is aligned broadly E-W extending from onshore England in the west to the eastern Polish border in the east. The prolific Rotliegend gas play in this basin occurs where the three elements of Carboniferous Coal Measures source rocks, Permian Rotliegend reservoirs and Permian Zechstein top seals are superimposed.

Lundin Petroleum has interests in a number of offshore platforms, subsea developments, offshore wells and the related onshore treatment facilities. In addition, Lundin Petroleum has a 1.81 percent interest in the NOGAT pipeline. Broadly, offshore gas production is concentrated in a core area in the K and L blocks. Production from the K4a/K5b is treated at the K5-P platform and transported through the Wintershall operated, WGT pipeline system to Den Helder.

In the K6, L7 area treated gas from the K6-PP platform, on K6-C, is transported to Uithuizen via the K9C-A platform and the Gaz de France operated L10 platform where it enters the NGT pipeline system. Production from the L4a fields is brought to the L7-C Central complex from which point the processed gas is also exported to the L10 complex and routed along the NGT pipeline.

Gas production from the F15 and F6 fields is exported via the NOGAT pipeline system, operated by NAM, to Den Helder. Gas production from the Q16-FA single well subsea development is tied back to a BP-operated pipeline.

<u>Onshore Operations</u>

The onshore blocks are located in the northern part of the Dutch mainland around the Waddenzee area. The onshore acreage includes licences on both the onshore Netherlands areas and acreage in the Waddenzee. The Waddenzee is the shallow inland sea located between the northern Netherlands mainland and the cordon of islands from Texel to Ruttumeroog. The northern part of the Waddenzee is almost entirely covered by NAM operated licences on Groningen and Noord Friesland. Elsewhere, much of the area is unlicenced apart from the Leeuwarden and Zuidwal concessions in which Lundin Petroleum has an interest. Though the Wadenzee as a whole is considered prospective, environmental concerns have limited exploration activity.

The onshore fields have processing and dehydration treatment facilities near the wells. Lundin Petroleum has an interest in the following treatment facilities: Harlingen treating Leeuwarden West fields and Garijp treating the Leeuwarden East fields. The Zuidwal field produces gas into its own dedicated pipeline to the Harlingen treatment centre where it is treated and enters the Gasunie grid. In 2004 Total E&P Netherlands sold its interest in the onshore producing fields to Vermilion, with Vermilion assuming operatorship.

<u>Gas Marketing</u>

Natural gas is the most important energy source in the Netherlands, accounting for approximately one-half of domestic primary energy demand. The Dutch Government plays an active role in the natural gas value chain through its policies and its shareholdings in Gasunie. All gas currently produced by Lundin Petroleum is sold to Gasunie, which is the predominant gas distribution company in the Netherlands, owned 50% directly and indirectly by the Netherlands State, 25% by Shell and 25% by Exxon. Gasunie engages in all forms of energy development involving domestic production, imports, transportation and sale of gas to the regional distribution companies, large industry, power stations and to foreign buyers.

Netherlands gas policy is based upon the “Nota de Pous” legislation of 1961 that states that the exploitation of Netherlands gas reserves should be harmonized with the sale of such gas and that security of long-term gas supply should be a state task. In order to meet this objective, Gasunie is required by the Government to operate within a strict depletion policy in order to ensure long term security of supply for domestic gas consumers. Specifically, there must be sufficient reserves to cover 25 years of the sum of Netherlands domestic gas demand plus contracted export commitments.

Gasunie will also facilitate the development of new fields by providing an immediate market for all gas production. This policy is achieved by the ‘marginal fields policy’ and by utilizing the Groningen field to balance seasonal fluctuations in supply so that Gasunie can take production from the smaller offshore fields at a high load factor.

The Government has taken steps towards opening the Netherlands energy market as a consequence of European Gas Directive 98/30/EC. The end-user market for large industrial users was liberalised on January 1, 2003 and the small consumer market has been opened as of July 1, 2004.

All Gasunie gas purchase contracts signed with the domestic producers over the past decade have been for the life of the reserves by field or block and deploy a Norm Inkoop Prijs (“NIP”) algorithm for determining the price to be paid by Gasunie for the gas produced. Conceptually, the NIP gas price mechanism attempts to provide a proxy for Gasunie’s end-user market by deriving a price based on competitive fuel in the industrial sector (heavy fuel oil) and residential market (gasoil) in both the domestic (Rotterdam pricing point) and export markets (German pricing point).

Tunisia

Overview

Lundin Petroleum is the operator of four concessions offshore Tunisia. The development of the Oudna field is ongoing and production is due to commence in the second half of 2006 at an expected rate of 20,000 boepd (gross).

Isis Field

Lundin Petroleum’s net oil production from the Isis field (WI 40%) was 600 bopd during the first quarter of 2006. Production from the Isis field was suspended in April 2006 as the Ikdam FPSO was moved from the field to the Malta shipyard to prepare for redeployment on the Oudna field. During 2005, Lundin Petroleum received approval from the Tunisian Ministry of Environment for the Isis field decommissioning plan.

Oudna Field

The development drilling on the Oudna field (WI 50%) offshore Tunisia was successfully completed in the first quarter of 2006. The Ikdam FPSO is currently undergoing upgrade and re-classification works in Malta drydock and will then be redeployed on the Oudna field where production is scheduled to start in the second half of 2006.

The Oudna field was discovered in 1978 when Oudna-1 well tested 41 degrees API at a rate of 7,000 bopd. The development plan received final approvals from the Tunisian government and partners during 2005 and will consist of a single production and a single water injection well, tied back to the Ikdam FPSO.

A 3D seismic program was acquired in 1998. This defined the geometry of a large tilted fault block closed by a major normal fault. Detailed geophysical and geological studies were completed in 1998 and 1999. This was followed by a geological model and reservoir simulation model. Original oil-in place volumes are estimated at 47.1 million barrels (MMbbls) split in three sub-blocks.

The Tunisian state oil company has the option to acquire a 20% interest in the Oudna field, exercisable within 120 days of first production from the field. If exercised, Lundin Petroleum’s interest in the field will decrease from 50% to 40%.

Birsa and Zelfa Fields

The undeveloped Birsa field (WI 40%) was discovered in 1976. It comprises an anticline structure separated into two main compartments by a SW-NE sealing fault. The reservoir is formed by three Miocene sandstone reservoirs. Birsa-1 (724 bopd), Birsa-2 (2,634 bopd) and Birsa-3 (4,560 bopd) were followed by 3 dry wells, which defined the overall size of the field. The interpretation of the 3D seismic in 1997 has not reduced the uncertainty on the fluid contacts. The in-place hydrocarbon estimates for Birsa cover a wide range from a low of 19 MMBBL to a high of 148 MMBBL. A gas cap covers the oil leg.

Lundin Petroleum has a 62.5% interest in the licence which includes the Zelfa discovery and the southern part of AGIP's Maamoura discovery. Options for the joint development of the Zelfa and Mamoura discoveries have been evaluated, however are currently unattractive. Further potential for new discoveries may exist in this block.

Ikdam FPSO

The Ikdam is an "Aframax" tanker with a storage capacity of almost 600,000 barrels. The vessel complies with requirements for operating as a tanker, oil terminal and production facility. The vessel is owned by Ikdam Production S.A. whose shareholders are Lundin Petroleum (40%), PGS (40%) and Brovig (20%). Under the terms of a shareholders' agreement, the commercial arrangements are such that Lundin Petroleum and PGS each have an effective 50% commercial interest in the vessel.

Indonesia

Overview

Lundin Petroleum has been operational in Indonesia since 2002 and has a portfolio of production, development and exploration assets, both operated and non-operated. Production is generated from non-operated assets in the Salawati Island and Salawati Basin licences.

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,261 boepd in 2005 and 2,300 bopd during the first quarter of 2006. First production from the TBA field offshore Salawati Island is now expected in the third quarter of 2006 following the conversion of a FPSO currently being completed in Singapore. The field will add 1,000 boepd net to Lundin Petroleum.

The Salawati Island operation (1,097 km^2) is operated by PetroChina International. The licence is valid until April 22, 2020 and there are no remaining work commitments. The area includes four producing fields: the Main Matoa, Matoa-20, Matoa-29 and SW "O" fields.

The onshore and offshore portions of the Salawati Island block still have a large exploration potential with many prospects. Kais reefs sealed by Klasafet shale form the main reservoir. In 2003, 285 km^2 of 3D and 60 km of 2D seismic were acquired onshore over undrilled prospects that surround the existing field facilities. A continuous drilling campaign is targeting this exploration potential.

This work has resulted in several small discoveries, which have been tied back to existing infra-structure. Remaining exploration effort now concentrates on several small oil prone prospects, as well as prospects in the Sele straits where several large structures have been identified.

The Salawati Basin production sharing contract ("PSC") is also operated by PetroChina and is valid until October 15, 2020. The Salawati Basin PSC covers two areas (total 872 km^2) located onshore in western Papua next to the Salawati Island concession. The southern area includes the Walio, Kasim, Jaya and Cenderawasih producing oil fields. The northern block comprises the Arar, Klalin and Terumbu producing oil and gas fields. Additional 3D seismic was acquired in 2005 on the Arar and Walio fields. Exploration drilling now concentrates on the Arar Block, with additional seismic on the Walio field planned to commence in 2006.

Banyumas (Java)

The Jati-1 exploration well (WI 25%) was spudded in 2005 and is testing a large exploration prospect in an under explored basin onshore Southern Java. The well has been sidetracked by Lundin Petroleum's partner, Star

Energy, under sole risk provisions. In the event of a successful discovery Lundin Petroleum has the option to buy back into the well by paying a disproportionate level of the Star Energy costs.

Lundin Petroleum is the operator of the Banyumas block (5,379 km^2) located on Java Island next to Cilacap Indonesia's largest refinery. The PSC was signed on 17 May 2001.

The existence of an active petroleum system in this under-explored area is indicated by natural oil/gas seeps and hydrocarbon shows in old wells. The basic exploration concept is the search of Tertiary reservoirs under recent breccias and tuffs which discouraged previous exploration efforts due to the use of old seismic technology. Re-processing and re-interpretation of 2,061 km of existing (1972 to 1991) seismic allowed mapping of four leads. Some of these leads are large deeply rooted structures under surface oil and gas seeps. Recent field work and exploration in nearby Blora block confirmed the existence of three potential sandstones reservoirs in the Eocene-Miocene series. In 2003, Lundin Petroleum acquired 550 km of new 2D seismic over existing leads. The newly acquired seismic has been processed and interpretation has been completed.

Blora (Java)

Lundin Petroleum is the operator of the Blora PSC (WI 43.3%) signed on October 7, 1996. The block is located on Java west of a major producing area with several oil and gas fields. Following the second relinquishment in October 2002, the area of the block is 3,427 km^2.

In 2004, the Padi-1 exploration well was drilled over the "Millir" prospect. It was plugged and abandoned after encountering non-commercial amounts of hydrocarbons. The results, however, allowed identification of further exploration potential. An exploration well, Tengis-1, is planned for drilling in 2006.

Lematang (South Sumatra)

A heads of agreement in relation to the sale of gas from the Singa gas field (WI 15.88%) has been signed by the operator of the Lematang PSC with state gas distribution company PT Persusahaan Gas Negara ("PGN") to supply gas to PGN customers in West Java for 10 years starting in 2008. Development planning for the Singa gas field is continuing.

The Lematang PSC is located in Southern Sumatra and consists of the Harimau sub-block (182 km^2) which contains the producing Harimau oil and gas field and the Lematang sub-block (227 km^2) that includes the Singa gas discovery.

The Harimau field net production is some 25 boepd and the possibilities of abandoning the field or turning it over to local government are being evaluated.

The Singa field was discovered in May 1997. In Singa-1, the Baturaja limestone tested 30.7 MMscfd with 30% CO_2. The discovery was confirmed by Singa-2. Commerciality was awarded in April 1999. A Plan Of Development (POD) was submitted in February 2002. After taking over operatorship, PT Exspan has re-submitted an updated POD in the second half of 2004. First gas production is expected to commence in 2008.

On June 13, 2006, Lundin Petroleum announced that it has entered into an agreement to acquire a further ten percent (10%) interest in the Lematang PSC from one of the existing partners. The consideration for the acquisition will be USD 5 million and completion of the transaction is subject to government and partner approval, including waiver of partner pre-emption rights.

Sareba (Papua)

The Sareba PSC (WI 100%) was signed on February 24, 1998. The block is located on and offshore in the eastern part of the Bintuni Bay in the foot hills of the Lengguru fold belt. Progress in the block has been hampered by permitting difficulties.

The re-interpretation of old gravity and magnetic data suggested the presence of a large structure in the Sareba block. The interpretation of 240 km of river seismic acquired in 1999 confirmed that the Nusa lead is a thrusted basement cored structure with a horizontal closure larger than 100 km^2 which potentially could contain very large hydrocarbon reserves.

Field work in the Sareba area confirmed the presence of fluvio-deltaic Jurassic sandstone. These porous facies are the main exploration target. These sands are the main reservoir of the giant 17 TCF Tangguh gas fields located 100 km to the west. The Jurassic reservoirs are sealed by a thick series of marine Cretaceous shale. Several oil and gas seeps in Sareba indicate the presence of active petroleum systems.

Venezuela

Overview

Venezuela is one of the world's most prolific petroleum regions. Through its acquisition of Coparex International SA, Lundin Petroleum obtained a working interest of 12.5% in the Colón Block located in the western edge of the Maracaibo Basin, near Lake Maracaibo.

During 2006, Lundin Petroleum and its partners negotiated with the Venezuelan national oil company PDVSA Petróleo SA in connection with the conversion of the Colón Block Operating Services Agreement into a joint venture company form, with direct participation by PDVSA. The parties signed a Memorandum of Understanding during the first quarter of 2006 which finalised certain of the outstanding issues related to this conversion. PDVSA has agreed to extend the period for exploration and production on the Colón Block from 2014 to 2025. This extension will allow investment in further exploration and development projects within the Colón Block which otherwise could not have been undertaken during the limited period of the Operating Services Agreement. Under the terms of the Memorandum of Understanding, Lundin Petroleum will hold a five percent interest in the joint venture company with the other partners being PDVSA and Lundin Petroleum's current partners: Tecpetrol and Perenco. The final terms and conditions of the joint venture company remain subject to the further negotiations with PDVSA. These negotiations are expected to be completed during 2006.

Colón Block

Production from the Colón Block (WI 12.5%) was 2,108 boepd during 2005 and 1,800 boepd during the first quarter of 2006. Development drilling on the La Palma field is ongoing. During 2005, one of the new development wells was deepened and tested oil from new reservoirs below the existing producing La Palma field.

The Colón Block Operating Services Agreement (OSA) was awarded by PDVSA in 1994 as part of the second marginal field round. The Colón Block covers over 3,000 km^2 in the Catatumbo sub-basin of the Maracaibo Basin of Western Venezuela.

Oil and gas production is derived from eight individual fields, some of which have been producing since the early 1920s, with the La Palma field being the main producer. Current export capacity via the pipeline system is approximately 20,000 boepd (gross). Ongoing development drilling on La Palma is necessary to maintain good production rates as the field is characterized by rapid water breakthrough and oil production decline soon after drilling.

The La Palma, Socuavo, and Rosario fields are currently the three main contributors to the production from the concession. The La Palma field was discovered in 1999. From 1999 to 2006, a development drilling program has been undertaken with the drilling of the LPT-1 to LPT-15 wells, as well as a 3D seismic survey in 2001. The first Socuavo well was drilled in 1997 and the second well has been on production since January 2002. The Socuavo field production is now declining and ongoing studies as to the feasibility of a third well to target as yet undrained volumes continue. The Rosario field was discovered in 1954 by Shell, and production is from both the Eocene and Cretaceous intervals. Currently, there are five Eocene producers and two Cretaceous producers. The recently constructed water treatment and disposal plant at El Rosario has allowed raising the liquid offtake from the field and thus sustaining higher oil rates.

Exploration Operations

Sudan

Block 5B

In 2001, Lundin Petroleum acquired a 24.5% working interest in Block 5B, Sudan, operated by White Nile (5B) Petroleum Operating Company Ltd. (WNPOC), a joint operating company owned by Petronas Carigali White Nile (5B) Ltd. and Sudapet Co. Ltd.

A comprehensive peace agreement was signed in Sudan in early 2005 between the government and the Sudan People's Liberation Army (SPLA). A new government has been formed with representatives of the major political factions. In addition a National Petroleum Commission has been constituted with representatives of the government of National Unity, the government of Southern Sudan and representatives of the local areas where oil activity is taking place. The National Petroleum Commission will oversee petroleum activities in Sudan.

Operational activity has commenced on Block 5B with a 1,100 kilometre 2D seismic acquisition programme to commence in the third quarter of 2006. It is planned to acquire 2-D seismic and drill three exploration wells in Block 5B as part of the 2006 work programme test the large prospectivity of Block 5B.

Block 5B is located in the southern part of the Muglad basin. The block is on trend with the discoveries made by Chevron and later GNPOC in Blocks 1, 2 and 4 and recently by the Petronas/ONGC/Sudapet group in Block 5A. The fields discovered in this trend total to over 1 billion barrels of reserves.

The Muglad basin is roughly the size of the North Sea basin, but with less than 150 exploration wells drilled to date, it remains largely under explored. The Muglad Basin is part of the huge Cretaceous rift system which extends across central Africa. This prolific system contains also the Doba Basin currently being developed by an Exxon-led consortium in Chad and the Melut basin where large discoveries were made recently by a CNPC/Petronas consortium. The richness of this rift system is related to the presence of organic-rich lacustrine source rocks deposited during the Lower Cretaceous.

In the Muglad basin, the success ratio of exploration wells is in excess of 50%. The discovery in 1999 by Lundin Petroleum of the Thar Jath field (greater than 1,000 MMbbl original oil in place) and the Mala discovery in 2003 now operated by the Petronas/ONGC/Sudapet group in Block 5A confirmed the southern extension of the trend defined by Chevron and GNPOC in Blocks 1, 2 and 4.

Reservoirs are primarily upper Cretaceous sandstones of fluvial-deltaic origin with excellent reservoir properties. The Aradeiba and Bentiu sandstones are the main reservoir targets. Above a depth of 2,500m these sandstones have generally excellent porosity (up to 30%) and permeability (up to several Darcies). The richness of the basin is due to the presence of lacustrine source rocks in the Lower Cretaceous Abu Gabra formation which contain very thick (greater than 500 m) black shale with Total Organic Matter ranging from 1 to 8%. A large portion of the basin has been and is currently within the oil and gas generating window. The trend where favorable conditions are present for generation, migration and trapping of hydrocarbon extends over a large portion of the Block 5B. Traps are generally formed in the footwall of tilted fault blocks sealed by overlying shaly intervals which form top and cross-fault seals.

Block 5B is a large block of 20,119 km^2 and is located in the Sudd swamp. The topography is flat (400 m above mean sea level) with shallow lakes and abandoned channels developed along the White Nile River. The logistics are difficult but with specialized equipment it is possible to acquire seismic and drill all year around.

Gravity and seismic interpretation show that the Muglad rift basin extends into Block 5B and that the structural style in the area is similar to the rest of the basin.

Ireland

Donegal Basin

In January 2005, Lundin Petroleum was granted Frontier Exploration Licence 1/05 in the Donegal Basin. Lundin Petroleum operates the licence, which covers Block 13/7 and part-Blocks 13/11 (NE) and 13/12 (N) off the north-western coast of Ireland. Lundin Petroleum and partners have a single exploration well commitment on this licence. Lundin Petroleum has contracted a semi-submersible drilling rig, which will drill the Inishbeg exploration well in the second half of 2006.

The Donegal Basin licence contains two principal prospects at the Triassic Sherwood sandstone level. The best defined of these is the Inishbeg structure, a large faulted four way dip closure, which is mapped as having the potential to contain significant quantities of gas.

The structure has many similarities with Shell's Corrib field which is under development and located to the southwest. Although the mapping is based on 2D seismic data and the nearest well control of value is some 50 km away, the prospect has been matured to a ready to drill status.

Seven Heads Oil

Lundin Petroleum also holds a 12.5% interest in the Seven Heads Oil licensing option, which lies below the Seven Heads producing gas field, offshore Ireland. This licensing option has been extended to the end of 2006.

Albania

Duressi Block

In 2004, Lundin Petroleum signed a production sharing contract to acquire a 50% non-operated interest in the Durresi Block, offshore Albania. The Durresi exploration area covers 4,200 km^2 and is located between Cape Rodoni to the north and the Karaburuni Peninsula to the south. Most of the Durresi block is located in shallow water from 0 to 100 metres deep. The area has excellent logistics provided by the ports of Vlora and Durres.

During 2005, 3D seismic was acquired on the Duressi concession area. During 2006, this 3D seismic will be processed and interpreted, and previously-acquired 2D seismic will be reprocessed. An exploration well may be drilled on the Duressi block in 2007.

The Albania thrust belt and associated Adriatic foreland basin were formed as a result of the convergence between the African-Apulian plate and the Eurasian plate during the last 50 million years. Organic-rich shale and carbonate of Upper Triassic, Lower Jurassic and Upper Cretaceous age were deposited in restricted marine environments on the southern margin of the European plate. These formations were buried and reached maturity during the Tertiary period and generated the thermogenic hydrocarbons discovered in several oil and related wet gas fields in Albania.

The offshore Albanian foreland basin was only lightly explored by previous operators. The Durresi Block is covered by a regular grid of good quality 2D seismic acquired mainly between 1991 and 1993. Four offshore wells were drilled during 1993 and 1994, all with significant oil and/or gas shows.

There are two main exploration plays in the Durresi Block with the main potential being for gas in the Pliocene and Miocene sandstones of the Durres foreland basin. Gas of biogenic origin is expected to be trapped in large anticlines which are the offshore continuation of the structures that produce gas onshore. The Pallas-Durres anticline is the offshore continuation of the structure that produces gas in the onshore Divjaka-Ballaj fields. The onshore wells drilled on the Durres peninsula confirmed the presence of gas further north in this trend. To the south the offshore Semani anticline is the northern prolongation of the structure drilled in the onshore Povelka gas field. In addition to the structural traps present on the crest of these anticlines, it is expected that 3D seismic will allow mapping of stratigraphic traps with thicker sands on the flanks of these anticlines. Such stratigraphic pinch-out traps produce in several gas fields in the Pliocene of the Po basin in Italy.

The Durresi Block has also potential for oil in a geological context similar to the Medusa and Rovesti oil discoveries on the Italian side of the Adriatic Sea.

Nigeria

OML 113

In January 2005, Lundin Petroleum signed an agreement to acquire a 22.5 percent net revenue interest in Block OML 113 located offshore west Nigeria, containing the Aje discovery. The Block is operated by the indigenous company Yinka Folawiyo Petroleum Company, and Lundin Petroleum acts as the technical advisor on behalf of a consortium of several international oil and gas companies.

Nigeria is a prolific province for oil and gas with an oil production in excess of 2 million bopd. Block OML 113 is located in the Benin Basin. OML 113 was granted for a 20 year term commencing in June 1998. The licence situated 24 kilometres offshore in water depths ranging from 99 to over 1,500 metres.

The Aje field was discovered in 1996 by the Aje-1 well which encountered around 300 feet of gas and a thin underlying oil rim within Turonian sandstones reservoir. Aje-2 located east of Aje-1 confirmed the presence of gas and oil within the Turonian reservoir and discovered a new oil accumulation within a deeper Cenomanian sandstones reservoir.

The Aje-3 appraisal well was drilled in the third quarter of 2005. The two main reservoirs which tested hydrocarbons successfully in both Aje-1 and Aje-2 were found to be down dip from the discovery well as well as below the existing oil water contact defined on the Aje-2 well at the Cenomanian reservoir. The Turonian reservoir was above the gas water contact but the presence of gas in the reservoir was not tested due to poor reservoir properties at the Aje-3 well location.

Technical and commercial studies are ongoing to determine whether a further Aje field appraisal well will be drilled. During 2006, 3D seismic data will be reprocessed and a new seismic interpretation of OML 113, together with a 3D geological and reservoir model, will be undertaken. The decision whether to drill will be made in the fourth quarter of 2006.

PETROLEUM RESERVES AND OPERATIONAL MATTERS

Reserves

The Reserve Audit Report dated June 16, 2006 prepared by Gaffney, Cline and Associates based on constant and forecast prices and costs assumptions presented in accordance with National Instrument 51-101—*Standards of Disclosure for Oil and Gas Activities* is attached to this Exhibit B as Appendix I; the Report on Reserves Data by an independent reserves evaluator or auditor, dated June 16, 2006 is attached to this Exhibit B as Appendix II; and the Report of Management and Directors on Oil and Gas Disclosure is attached to this Exhibit B as Appendix III.

Future net revenue values, whether calculated without discount or using a discount rate, are estimated values and do not represent fair market value. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserves estimates of Lundin Petroleum's petroleum reserves provided herein are estimates only and there is no assurance that the estimated reserves will be recovered. Actual petroleum reserves may be greater than or less than the estimates provided herein. The estimates of reserves and future net revenue for individual properties included in this prospectus may not reflect the same confidence level as estimates of revenue for all properties, due to the effects of aggregation.

Reconciliation of Reserves

Lundin Petroleum has not previously reported its reserves in accordance with NI 51-101 and consequently a reconciliation has not been included.

MANAGEMENT'S DISCUSSIONS & ANALYSIS

Three Months Ended March 31, 2006 and 2005

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Lundin Petroleum AB (the "Company" or "Lundin Petroleum") for the three months ended March 31, 2006 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2005 and related notes therein attached to this Exhibit B as Appendix IV and in conjunction with the report for the three months ended March 31, 2006 attached to this Exhibit B as Appendix V. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards).

The effective date of this MD&A is June 20, 2006.

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Albania, France, Indonesia, Ireland, Netherlands, Nigeria, Norway, Sudan, Tunisia, United Kingdom and Venezuela. The Company is listed on the Attract 40-list at Stockholm Stock Exchange, Sweden (ticker "LUPE").

Overall Performance

The main business of Lundin Petroleum is the exploration for, the development of and the production of oil and natural gas. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to further exploration opportunities.

The Lundin Petroleum Group does not carry out any research and development and maintains branches in most of its areas of operation. Lundin Petroleum has no foreign branches.

The primary basis the Lundin Petroleum Group uses for segmental reporting is at a country level due to the unique nature of each countries operations, commercial terms or fiscal environment. The secondary basis the Lundin Petroleum Group uses for segmental reporting is oil and gas operations for which reference is made to the financial statements as a whole.

United Kingdom

The net production to Lundin Petroleum in the first quarter of 2006 was 20,473 bopd representing over 60% of the total production for the Lundin Petroleum Group.

Net production from the Broom field (Lundin Petroleum Working Interest (WI) 55%) averaged 14,200 boepd during the period. Production was below expectation due to the underperformance of the North Terrace production well coupled with limitations on water injection capacity due to pump availability.

A 3-D seismic acquisition will take place on Broom, Heather and South West Heather during 2006 and rig capacity has been secured to complete further infill drilling on the Broom field in 2007.

Net production from the Thistle field (WI 99%) averaged 3,900 bopd during the period. Delays were experienced in restoring water injection capacity following the shutdown in 2005 which has had a negative impact on oil production during the first quarter of 2006. In addition, Thistle was shut down for seven days during the first quarter of 2006 due to leaking closed drains pipework.

Production from the Heather Field (WI 100%) averaged 2,400 bopd during the period. Production continued to be adversely affected by the lack of water injection capacity due to pump availability. The project to reinstall the Heather platform rig was successfully completed. A drilling programme of new infill wells and workovers commenced and will continue through 2006 and is expected to have a positive impact on Heather production. The drilling programme will also test the potential of the non-producing Heather Triassic reservoir.

Norway

Production from the Jotun Field (WI 7%) offshore Norway averaged approximately 1,000 bopd during the period. An infill drilling programme will commence on Jotun in the second half of 2006 which is forecast to have a positive impact on Jotun production.

The development of the Alvheim Field (WI 15%) offshore Norway continued to progress satisfactorily. Development drilling commenced and will continue over the next two years. Subsea installation also commenced and the Alvheim FPSO is in Norway undergoing topsides installation. First production from Alvheim is still anticipated in early 2007 at a forecast net rate of 12,750 boepd. Ongoing Alvheim technical studies lead us to believe that material reserve upside potential exists in the Alvheim Field. In addition, the Alvheim drilling programme includes exploration drilling to test further resource potential in the Alvheim area.

The Volund Field (formerly Hamsun) (WI 35%) to the south of Alvheim continues to be the subject of technical studies and a plan of development is expected to be submitted to the Norwegian Government in 2006. Discussions regarding the commercial options for Volund are ongoing with the most likely option still being a subsea tie back to Alvheim.

Exploration drilling will commence in Norway in the second half of 2006 with three wells planned. Rig capacity has been secured for all three wells. The Luno prospect in PL 338 (WI 50%) is operated by Lundin Petroleum and will be drilled in the fourth quarter of 2006. In addition, exploration wells on the East Kameleon prospect in the Alvheim area (WI 15%) and PL 335 (WI 18%) are planned for the second half of 2006.

France

In the Paris Basin the 2,700 bopd net production was ahead of expectations for the period. A four well infill drilling programme on the Villeperdue Field (WI 100%) will commence during 2006. During the third quarter of 2006 an exploration well on the Chevigny prospect in the Val des Marais concession (WI 80%) is planned.

In the Aquitaine Basin (WI 50%) the net production of 1,100 bopd was negatively impacted by pump failures. The development of the Mimosa field in the Aquitaine Basin has been delayed from late 2006 to 2007.

Indonesia

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,300 bopd during the period. The development of the TBA Field offshore Salawati Island is ongoing with first oil expected in the third quarter of 2006 following the conversion of an FPSO in Singapore. The field will add 1,000 boepd net to Lundin Petroleum.

Banyumas (Java)

The Jati-1 exploration well (WI 25%) spudded in 2005 was sidetracked by Lundin Petroleum's partner Star Energy under sole risk provisions. Star Energy continue drilling the Jati-1 exploration well. In the event of a successful discovery Lundin Petroleum has the option to buy back into the well by paying a disproportionate level of the Star Energy costs.

Blora (Java)

An exploration well Tengis-1 (WI 43.3%) will be drilled in 2006.

Lematang (South Sumatra)

A heads of agreement in relation to the sale of gas from the Singa gas field (WI 15.88%) was signed with the state gas distribution company PT Persusahaan Negara (PGN) to supply gas to PGN customers in West Java for 10 years starting in 2008. Development planning for the Singa gas field is continuing.

The Netherlands

Gas production from the Netherlands for the period was 2,500 boepd.

The exploration well drilled on Block F-12 (WI 10%) was plugged and abandoned as a dry hole in January 2006.

Tunisia

The net oil production from the Isis field (WI 40%) was 600 bopd during the period. Production from the Isis field was stopped in April 2006 as planned.

The development drilling on the Oudna field (WI 50%) offshore Tunisia was successfully completed. The Ikdam FPSO is undergoing upgrade and re-classification work in drydock and will then be redeployed on the Oudna field where first production is scheduled to start in the second half of 2006. Initial net production from the Oudna field is forecast at 10,000 bopd.

Venezuela

Net production from the Colon Block (WI 12.5%) was 1,800 boepd during the period.

During the first quarter of 2006, Lundin Petroleum and its partners continued negotiations with the Venezuelan national oil company PDVSA Petróleo SA in connection with the conversion of the Colón Block Operating Services Agreement into a joint venture company form, with direct participation by PDVSA. The parties signed a Memorandum of Understanding during the first quarter which finalised certain of the outstanding issues related to this conversion. PDVSA has agreed to extend the period for exploration and production on the Colon Block from 2014 to 2025. This extension will allow investment in further exploration and development projects within the Colón Block which otherwise could not have been undertaken during the limited period of the Operating Services Agreement. Under the terms of the Memorandum of Understanding, Lundin Petroleum will hold a five percent interest in the joint venture company with the other partners being PDVSA and Lundin Petroleum's current partners: Tecpetrol and Perenco. The final terms and conditions of the joint venture company remain subject to the further negotiations with PDVSA. These negotiations are expected to be completed during 2006.

Ireland

The Inishbeg gas exploration prospect will be drilled on the Donegal Basin (WI 30%) exploration license operated by Lundin Petroleum in the second half of 2006.

Nigeria

Lundin Petroleum holds a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. Technical and commercial studies are ongoing to determine whether a further Aje field appraisal well will be drilled and a decision will be made in the fourth quarter of 2006.

Sudan

A comprehensive peace agreement was signed in Sudan in early 2005 between the Government and the Sudan People's Liberation Army (SPLA). A new Government has been formed containing representatives of the major political factions. In addition a National Petroleum Commission has been formed comprising of the President of Sudan, representatives of the National Government and the Government of Southern Sudan and representatives of the local area where oil activity is taking place. The National Petroleum Commission will oversee petroleum activities in Sudan.

Operational activity has commenced in Block 5B (WI 24.5%) with a 2-D seismic acquisition to commence. It is planned to acquire 1,100 km of 2-D seismic and drill three exploration wells in Block 5B as part of the 2006 work programme.

Albania

A 3-D seismic program was acquired on the Durresi Block (WI 50%). The seismic is currently being processed and interpreted with a view to commencing exploration drilling in 2007.

Oil Market

During the three month period ended March 31, 2006, oil prices have continued to strengthen. Demand for oil continues to increase as a result of the strong world economy and growth from the developing world. Markets developments resulted in an average sale price achieved during the three month period ended March 31, 2006 of USD 58.55 per boe for Lundin Petroleum.

Sales Average price per boe expressed in USD**	**Jan 1, 2006- Mar 31, 2006 3 months**	**Jan 1, 2005- Mar 31, 2005 3 months**
United Kingdom	60.49	47.87
France	59.94	47.49
Norway	56.01	44.08
Netherlands*	45.42	35.29
Indonesia	51.90	42.93
Tunisia	54.10	48.92
Ireland*	-	33.43
Average price per boe	**58.55**	46.29

* Netherlands and Ireland is predominately gas sales.

** The average sales per boe (barrels of oil equivalent) is excluding the result on the hedge settlement.

The average Dated Brent price for the three month period ended March 31, 2006 amounted to USD 61.79 compared to USD 47.50 for the corresponding period of 2005. The average contract price of outstanding oil hedges amounted USD 57.30 per boe compared to USD 37.47 for the corresponding period of previous year resulting in a post-tax negative hedge settlement of MSEK 18.6 for the three month period ended March 31, 2006 and MSEK 23.5 for the corresponding period of the previous year.

Results of Operations

	Jan 1, 2006- Mar 31, 2006 3 months	**Jan 1, 2005– Mar 31, 2005 3 months**
Production, mboe	2,930.9	3,252.1
Sales, mboe	2,633.2	2,872.6

	Jan 1, 2006- Mar 31, 2006 3 months	Jan 1, 2005– Mar 31, 2005 3 months
Average sale price per boe in USD	58.55	46.29
Net sales in MSEK	1,195.2	910.7
Operative result in MSEK	719.2	464.1
Net income in MSEK	419.5	250.0

Revenue

Net sales of oil and gas for the three month period ended March 31, 2006 amounted to MSEK 1,195.2 compared to MSEK 910.7 for the corresponding period of 2005. The net sales were positively impacted by the increased sale prices on the oil markets offsetting the lower sales volumes primarily due to facilities issues on the Heather and Thistle platforms reducing United Kingdom production.

Sales **Quantity in barrels**	Jan 1, 2006- Mar 31, 2006 3 months	Jan 1, 2005- Mar 31, 2005 3 months
United Kingdom	1,774.9	1,859.9
France	405.6	427.0
Norway	76.8	91.0
Netherlands	222.9	247.6
Indonesia	90.0	145.8
Tunisia	63.0	82.5
Ireland	-	18.8
Total quantity in mboe	**2,633.2**	2,872.6

Other operating income for the three month period ended March 31, 2006 amounted to MSEK 49.5 (MSEK 43.0). This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France.

Production Cost

Production costs for the three month period ended March 31, 2006 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	Jan 1, 2006- Mar 31, 2006 3 months	Jan 1, 2005- Mar 31, 2005 3 months
Cost of operations	36,464	36,415
Tariff and transportation expenses	5,300	5,707
Royalty and direct taxes	1,050	1,065
Changes in inventory/overlift	-6,743	-4,324
Total production costs	**36,071**	38,863

Production cost and depletion in TUSD	Jan 1, 2006- Mar 31, 2006 3 months	Jan 1, 2005- Mar 31, 2005 3 months
Depletion	25,846	28,070
Total	**61,917**	66,933

Production cost and depletion in USD per boe	Jan 1, 2006- Mar 31, 2006 3 months	Jan 1, 2005- Mar 31, 2005 3 months
Cost of operations	12.44	11.20
Tariff and transportation expenses	1.81	1.75
Royalty and direct taxes	0.36	0.33
Changes in inventory/overlift	-2.30	-1.33
Total production costs	**12.31**	11.95
Depletion	8.82	8.63
Total cost per boe	**21.13**	20.58

Production costs for the three month period ended March 31, 2006 amounted to MSEK 280.6 and MSEK 269.0 for the corresponding period of the previous year. The reported cost of operations amounted to USD 12.44 per barrel for the three month period ended March 31, 2006 compared to USD 11.20 per barrel for the corresponding period of the previous year. The cost of operations per barrel is in line with expectations. The lower overall level of operating costs in the first quarter of 2006 has been offset by lower production levels. Manning levels and project priorities have meant that certain operating costs projects in the UK have been postponed from the first quarter of 2006.

Write Off

Write off of oil and gas properties amounted to MSEK 14.0 (MSEK 8.6) for the three month period ended March 31, 2006 and MSEK 8.6 for the corresponding period of previous year. The costs written off during the first quarter of 2006 relate primarily to the exploration well drilled in Block F-12 in the Netherlands which was plugged and abandoned in January 2006. The costs written off during the first quarter of 2005 relate to the exploration wells in Iran as well as other exploration projects.

Other Income

Other income for the three month period ended March 31, 2006 amounted to MSEK 2.0 (MSEK 2.7) and represents fees and costs recovered by Lundin Petroleum from third parties.

General, Administrative and Depreciation Expenses

General, administrative and depreciation expenses for the three month period ended March 31, 2006 amounted to MSEK 31.8 (MSEK 20.5). Depreciation charges amounted to MSEK 2.1 (MSEK 1.3) for the three month period ended March 31, 2006.

Operating Profit Per Segment

Operating profit contribution *Amounts in TSEK*	**Jan 1, 2006- Mar 31, 2006 3 months**	**Jan 1, 2005- Mar 31, 2005 3 months**
- United Kingdom	501,428	309,548
- France	118,317	68,429
- Norway	17,398	20,127
- Netherlands	33,880	31,293
- Venezuela	5,239	13,714
- Indonesia	42,228	23,444
- Tunisia	22,538	19,539
- Ireland	-	2,145
- Nigeria	-	-
- Iran	-	-4,534
- Other	-21,830	-19,601
Total operating profit contribution	**719,198**	464,104

Result from Financial Investments

The result from financial investments for the three month period ended March 31, 2006 amounted to MSEK 20,342 compared to MSEK 44,218 for the corresponding period of the previous year. The movement in result is primarily due to exchange gains for the three month period ended March 31, 2006 in relation to the change in fair value of the currency hedging contracts and the revaluation of the USD loan outstanding into the NOK reporting currency of the entity in which the funds were drawn. During the three month period ended March 31, 2006 the inflation of the NOK and the EUR against the USD amounted to approximately 2.8% and 2.6% respectively whereas in the corresponding period of the previous year the devaluation of the NOK and the EUR against the USD amounted to approximately 5%.

Tax

The tax charge for the three month period ended March 31, 2006 amounted to MSEK 320.0 compared to MSEK 169.8 in the corresponding period of the previous year. The current corporation tax charge of MSEK 245.5 (MSEK 18.8) comprises current corporation tax charges in, primarily the United Kingdom, the Netherlands, Indonesia and Venezuela. The increase is mostly due to the fact that the United Kingdom utilised tax losses to offset current corporation tax during the comparative period. The tax losses available in the UK were fully utilised in 2005. The deferred corporate tax charge for the three month period ended March 31, 2006 amounted to MSEK 58.5 compared to MSEK 153.3 in the corresponding period of the previous year and comprises primarily a charge of MSEK 45.4 for tax losses carry forward utilised in Norway, Tunisia and France and a charge of MSEK 14.2 due to timing differences in the rate of depletion of oil and gas assets between accounting and fiscal reporting. The deferred tax charge for the comparative period includes the utilisation of the tax losses in the UK. The overall tax charge for the three month period ended March 31, 2006 is higher than the comparative period in line with the higher reported profit.

The Lundin Petroleum Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Lundin Petroleum Group vary between 28 and 78%. Currently the majority of the Lundin Petroleum Group's profit is derived from the United Kingdom where the effective tax rate amounts to 40%. The effective tax rate for the Lundin Petroleum Group for the three month period ended March 31, 2006 amounts to approximately 43% compared to 40% in the corresponding period of the previous year.

Change in Tax Rate

It has been announced in the UK that the rate of Supplementary Corporation Tax (SCT) will be increased from 10% to 20% with effect from January 1, 2006. This increase will take the rate of corporation tax applied to the UK profits from 40% to 50%. The change in tax rate will only be recorded within the accounts when the Finance Bill is formally enacted by the UK Parliament, which is expected to be in the second or third quarter of 2006. The UK tax charge for the first quarter of 2006 has been calculated using a 40% rate. If the tax charge for the first quarter of 2006 had been calculated using the proposed tax rate of 50% then the current tax charge for the first quarter of 2006 would have increased by MSEK 56.6.

Capital Expenditures

Development expenditure in MSEK	**Jan 1, 2006- Mar 31, 2006 3 months**	**Jan 1, 2005- Mar 31, 2005 3 months**
United Kingdom	64.8	115.4
France	3.9	5.5
Norway	107.4	115.9
Netherlands	2.5	8.9
Indonesia	15.3	15.1
Tunisia	134.7	2.8
Venezuela	3.2	8.9
Ireland	-	-0.5
Development expenditure	**331.8**	272.0

Exploration expenditure in MSEK	**Jan 1, 2006- Mar 31, 2006 3 months**	**Jan 1, 2005- Mar 31, 2005 3 months**
United Kingdom	1.7	-
France	1.8	0.5
Norway	25.9	11.9
Netherlands	6.7	0.6
Indonesia	22.2	9.9
Tunisia	-	0.1
Albania	1.2	2.1
Ireland	0.6	2.0
Iran	-0.1	4.5
Sudan	0.9	-0.1
Nigeria	1.1	1.7
Other	4.5	3.0
Exploration expenditure	**66.5**	36.2

Development expenditure for the three month period ended March 31, 2006 mainly consists of the development of the Oudna field in Tunisia and the Alvheim field in Norway. The Oudna project is progressing satisfactorily with the drilling of the two development wells having been successfully completed. First production remains on target for the second half of 2006. Development drilling at the Alvheim field has commenced and first production is still anticipated in the first quarter of 2007. Development expenditure in the corresponding period of previous year mainly related to the Phase 2 project on the Broom field, United Kingdom and the Alvheim project in Norway.

Exploration expenditure for the three month period ended March 31, 2006 consists primarily of expenditure on various exploration licences in Norway and Indonesia.

Summary of Quarterly Results

Amount in MSEK	**Q1 2006**	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q1 2005**	**Q4 2004**	**Q3 2004**	**Q2 2004**
Net sales	1,195.2	968.4	1,123.0	993.3	910.7	790.7	671.4	496.7
Net income*	419.5	108.1	419.8	216.0	250.0	213.6	177.1	138.6
Earnings per share	1.63	0.42	1.64	0.85	0.98	0.84	0.70	0.55
Earnings per share, diluted	1.62	0.42	1.62	0.84	0.97	0.83	0.69	0.54

* Net income equals income before discontinued operations and extraordinary items.

First oil of the Broom field, United Kingdom was achieved early August 2004 with an initial production rate at over 16,000 boepd, resulting in increased net sales starting in the third quarter of 2004. Increasing oil prices also contributed to increased net sales during the above stated periods. Net sales were adversely affected in the fourth quarter of 2005 due to a shut down of the Thistle field, United Kingdom and by the lack of water injection on the Heather and West Heather fields as a result of pump capacity issues.

The result for the fourth quarter of 2004 were positively impacted by the sale of the investment in OER oil AS, resulting in an accounting profit of MSEK 98.2. During that period the decision was also made to write off the cost incurred with the exploration programme in Iran based on the results of the drilling of a second well. Together with the write off of other exploration projects the net result for the fourth quarter was adversely affected for an amount of MSEK 146.3

During the first quarter of 2005 Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited (“Petrofac”) for the provision of production operations services on the Heather and Thistle platforms. This deal was completed satisfactorily with the transfer of duty holder responsibilities on May 1, 2005. Non-recurring cost in relation this deal with Petrofac adversely affected the result for the second quarter of 2005 for an amount of MSEK 45.5.

On July 1, 2005 Lundin Petroleum entered into a sale and leaseback agreement for the Jotun vessel utilised in the Jotun field offshore Norway resulting in a gain of MSEK 195.0 and a tax charge of MSEK 173.7, thus affecting the third quarter 2005 profit for an amount of MSEK 21.3 net of tax. The result for this period was also adversely affected by write off costs of MSEK 29.7 primarily relating to the Luttelgeest exploration well in the Netherlands.

In the fourth quarter of 2005 the Company wrote off exploration expenditure for an amount of MSEK 167.3. These costs primarily relate to Block OML 113 offshore Nigeria. Following the review of information obtained from the drilling of the Aje-3 well the decision was made to write off these exploration expenditures.

Liquidity and Capital Resources

Long term interest-bearing debt amounted to MSEK 681.8 (MSEK 736.2) as at March 31, 2006. On August 16, 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385.0 comprising MUSD 35.0 for Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore UK, and cash drawings of MUSD 350.0. The amount of cash drawings outstanding under the facility at March 31, 2006 amounted to MUSD 87.5.

During the first quarter of 2006, Lundin Petroleum raised MSEK 5.2 from proceeds for shares issued under the incentive warrants programmes.

It is expected that the Company's operating cash flow will be sufficient to meet the current development and exploration expenditure requirements but, if the cash flow should be insufficient, the Company can utilise the undrawn portion of the loan facility.

Off-Balance Sheet Arrangements

The Lundin Petroleum Group has no off-balance sheet arrangements.

Transactions with Related Parties

As at December 31, 2005 Lundin Petroleum Group had entered into transactions with related parties on an arms length basis as described below:

The Lundin Petroleum Group paid TSEK 402 (TSEK 345) to Namdo Management Services Ltd., a private corporation owned by Lukas H. Lundin, a director of the Company, pursuant to a services agreement. Namdo has approximately 12 employees and provides administration and financial services to a number of public companies. Accordingly, there is no basis for allocating the amounts paid to Namdo to Mr. Lukas H. Lundin directly. The outstanding payable amount per December 31, 2005 was TSEK 185.

The Lundin Petroleum Group received TSEK 2,334 (TSEK 2,412) from Vostok Nafta Investment Ltd. and related companies, for the provision of office and accounting services. Vostok Nafta is considered a related party because the Honorary Chairman of Lundin Petroleum AB, Mr. Adolf H. Lundin, has significant investment within this company. The outstanding receivable amount per December 31, 2005 was TSEK 80.

There was no material change in the transactions with related parties during first quarter 2006.

Proposed Transactions

On May 29 2006, Lundin Petroleum and Valkyries announced that Lundin Petroleum has agreed to acquire all of the outstanding shares of Valkyries in exchange for Lundin Petroleum shares in an all share transaction. Valkyries shareholders will receive one Lundin Petroleum share for each Valkyries common share held. The transaction values Valkyries at approximately USD 700 million (SEK 5.1 billion or CAD 780 million).

The acquisition of Valkyries will be completed by way of a Plan of Arrangement in accordance with Canadian law, meaning that a subsidiary of Lundin Petroleum will acquire the shares of Valkyries following approval by Valkyries' shareholders and court approval. Each Valkyries common share will be exchanged for one Lundin Petroleum share. All Valkyries options will also be converted into options to acquire shares of Lundin Petroleum based on the same exchange ratio.

Following the proposed transaction, Lundin Petroleum will issue 57.4 million new shares on a fully-diluted basis. The shares of Lundin Petroleum will be held approximately 82% by existing Lundin Petroleum shareholders and 18% by current Valkyries shareholders. The total number of Lundin Petroleum shares outstanding will be approximately 313 million on a non-diluted basis.

The transaction is subject to all requisite regulatory and court approvals and other conditions customary in transactions of this nature. In accordance with applicable Canadian corporate and securities laws, the proposed transaction must also be approved by at least two-thirds of the votes cast by the shareholders of Valkyries, as well as by a simple majority of disinterested Valkyries shareholders. In addition, the issuance of the Lundin Petroleum shares to the Valkyries shareholders will require approval at a shareholders' meeting of Lundin Petroleum by a simple majority. These Valkyries and Lundin Petroleum shareholder meetings are both expected to be held before the end of July 2006, with the transaction anticipated to close shortly thereafter.

The Lundin Petroleum strategy and major rationale for the deal is to create a new core area in Russia for the company. Lundin Petroleum intends to build upon the existing asset base of Valkyries and grow the Russian business through a proactive acquisition strategy.

Critical Accounting Estimates

The management of Lundin Petroleum has to make estimates and judgements when preparing the Financial Statements of the Lundin Petroleum Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Lundin Petroleum Group's result. The most important estimates and judgements in relation thereto are:

Estimates in oil and gas reserves

The business of the Lundin Petroleum Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Site restoration provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Lundin Petroleum Group uses its best estimates and judgment, actual results could differ from these estimates.

Changes in Accounting Policies including Initial Adoption

There have been no changes in accounting policies during first quarter 2006 from the accounting policies applied in the consolidated financial statements for the year ended December 31, 2005.

Financial Instruments and Other instruments

Outstanding derivatives per March 31, 2006 (for further information see Annual information MD&A):

Contract date	**USD per barrel Dated Brent**	**Barrels per day**	**Start date**	**End date**
3/2005	53.19	5,000	1/1/2006	31/12/2006
12/2005	61.40	5,000	1/1/2006	31/12/2006

The Lundin Petroleum Group has entered into the following interest rate hedging contracts:

Contract date	USD Libor Interest Rate	Amount Hedged	Start date	End date
10/2002	3.49%	65,000,000	3/1/2006	3/7/2006
10/2002	3.49%	55,000,000	3/7/2006	2/1/2007
3/2004	2.32%	40,000,000	1/4/2004	2/4/2007

The Lundin Petroleum Group has entered into the following currency hedging contracts:

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 36.0	MUSD 63.3	1.7588	Dec 20, 2005 – Nov 20, 2006
MEUR 14.4	MUSD 18.3	1.2716	Dec 20, 2005 – Nov 20, 2006
MCHF 10.0	MUSD 7.7	0.7711	Dec 20, 2005 – Nov 20, 2006

Share Data

Lundin Petroleum AB's share capital at March 31, 2006 amounted to SEK 2,573,162 represented by 257,316,166 shares with a quota value of SEK 0.01 each.

The following incentive warrants have been issued under the Lundin Petroleum Groups incentive programme for employees. The warrants for 2003 were issued at the average closing price of Lundin Petroleum shares for the ten days after the AGM. The incentive warrants for 2004 and 2005 were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM.

Incentive warrants outstanding at the end of the period have the following expiry date and exercise prices:

	Issued 2003	Issued 2004	Issued 2005
Exercise price (SEK)	10.10	45.80	60.20
Numbers authorised	3,400,000	2,250,000	3,000,000
Number outstanding	417,000	1,185,000	2,900,000
Exercise period	31 May 2004- 31 May 2006	31 May 2005- 31 May 2007	15 June 2006- 31 May 2008

Risks and Uncertainties

The Lundin Petroleum Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas.

- *Nature of oil and gas exploration and production*. Oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. In addition, there is no assurance that commercial quantities of oil and gas will be recovered.

- *Property and/or border disputes*. The exact location and jurisdictions within which the Lundin Petroleum Group's concessions exist could become the subject of dispute.

- *Military and political disturbances.* Certain of the countries in which the Lundin Petroleum Group is operating have experienced military or political difficulties in the recent past.

- *Political uncertainties*. Certain aspects of the Lundin Petroleum Group's operations require the consent or favourable decisions of governmental bodies.

- *Environmental impacts.* Exploration, development and production of oil and gas could cause harm to the environment. Under applicable laws and regulations as well as exploration and production sharing agreements, the Company may be held liable.

- *Liabilities and obligations under exploration and production agreements.* The Company and its partners in joint ventures for oil and gas exploration and production, are joint and several liable for obligations and liabilities under relating agreements. In case joint venture partners are not able to meet their liabilities and obligations, the agreement may be terminated.

Outlook

Lundin Petroleum intends to increase reserves through a strategy of acquisitions and exploration.

Due to a strong balance sheet Lundin Petroleum has significant liquidity for acquisition opportunities. Nevertheless, competition is tough with lots of liquidity in the industry chasing very few deals. We have chosen to remain patient and not to push acquisition prices to levels which we believe are unsustainable from a technical perspective. Timing is difficult to predict but Lundin Petroleum has both the financial and technical capacity to complete acquisitions which will enable us to act quickly if the right opportunity materialises.

Significant growth in production will continue in 2006 and 2007 with first production from the Oudna field offshore Tunisia and the Alvheim field offshore Norway which will take Lundin Petroleum production to over 50,000 boepd with a material positive impact on the Company's financial performance in 2007.

Forward Looking Information

This MD&A contains forward-looking statements and information. Forward-looking statements are statements that are not historical fact and are generally identified by words such as believes, anticipates, expects, estimates or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, political stability, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

December 31, 2005 and 2004

The following discussion and analysis of the results of operations and financial condition ("MD&A") for Lundin Petroleum AB (the "Company" or "Lundin Petroleum") for the year ended December 31, 2005 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2005 and related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards).

The effective date of this MD&A is June 20, 2006.

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with a well balanced portfolio of world-class assets in Albania, France, Indonesia, Ireland, Netherlands, Nigeria, Norway, Sudan, Tunisia, United Kingdom and Venezuela. The Company is listed on the Attract 40-list at Stockholm Stock Exchange, Sweden (ticker "LUPE").

Overall Performance

The main business of Lundin Petroleum is the exploration for, the development of and the production of oil and natural gas.

In accordance with Lundin Petroleum's stated objective of increasing reserves through a strategy of acquisitions and exploration, reserves were acquired during 2002 through the acquisition of Lundin International SA (formerly Coparex International SA). Further reserves were acquired during 2003 in Norway through OER oil AS. During 2004, reserves were acquired through the purchase of all of the UK and Irish assets and substantially all of the Norwegian assets of DNO ASA. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to further exploration opportunities.

The Lundin Petroleum Group does not carry out any research and development and maintains branches in most of its areas of operation. Lundin Petroleum has no foreign branches.

The primary basis the Lundin Petroleum Group uses for segmental reporting is at a country level due to the unique nature of each countries operations, commercial terms or fiscal environment. The secondary basis the Lundin Petroleum Group uses for segmental reporting is oil and gas operations for which reference is made to the financial statements as a whole.

United Kingdom

The net production to Lundin Petroleum for the year ended December 31, 2005 amounted to 20,165 bopd representing over 60 percent of the total production for the Lundin Petroleum Group. Production during the fourth quarter of 2005 was 18,685 bopd and was adversely affected by the Thistle shutdown and by the lack of water injection on the Heather and West Heather fields as a result of pump capacity issues. The Thistle field resumed production in mid-December at production rates in excess of 5,000 bopd. Net production during the fourth quarter of 2005 for Broom amounted to 15,606 bopd, for Heather 2,349 bopd and for Thistle 730 bopd.

During 2005 Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited ("Petrofac") for the provision of production operations services on the Heather and Thistle platforms. The deal was completed successfully with the transfer of duty holder responsibility for the facilities to Petrofac on May 1, 2005.

The performance of the Broom field (Lundin Petroleum Working Interest (WI) 55%) has exceeded expectations and resulted in a 24% reserve increase at the year end of 2005. Net production from the Broom field averaged 14,100 bopd for the year. Phase 1 of the Broom development was successfully completed during 2005 with the completion of the second water injection well. This was followed by the successful completion of Phase 2 of the Broom development which included the sidetrack of the original West Heather 2/05-18 well and the completion of the first North Terrace well 2/05-23 which are now both producing via the Broom subsea manifold and tied back to the Heather platform.

Production from the existing Broom production wells is declining in line with expectations as water production has begun. However it is likely that following the acquisition of 3D seismic over the Broom field in 2006 a further infill drilling programme will be undertaken.

Production from the Thistle field (WI 99%) averaged 3,400 bopd during the year. The three month shutdown of Thistle in the second half of 2005 was successful in debottlenecking production and separation capacity. Further work is ongoing to increase the life of Thistle field production particularly related to drilling operations and power generation.

Production from the Heather Field (WI 100%) averaged 2,650 bopd during the year and was adversely impacted by the limitations on water injection capacity due to pump related issues. New pump capacity has been installed in the first quarter of 2006 which has allowed water injection to recommence. A capital investment programme to reinstall the Heather platform drilling rig commenced in 2005 and will be completed in the first half of 2006 following which a drilling programme of new wells and workovers will commence.

Lundin Petroleum has acquired new exploration licenses in the United Kingdom 23rd Licensing Round where interests in three new blocks were awarded.

Norway

The production from the Jotun field (WI 7%) offshore Norway averaged 987 bopd for the year 2005. In 2005 the Jotun field partners sold their interests in the Jotun floating, production, storage and offloading vessel (FPSO) to Bluewater/Exxon Mobil. Under a separate agreement the Jotun Field partners have leased back the vessel for up to fifteen years.

The development of the Alvheim field (WI 15%) offshore Norway has progressed well during 2005. The Alvheim FPSO conversion was completed in the fourth quarter of 2005 in Singapore and the vessel is currently en-route to Norway for topsides installation. Development drilling on Alvheim will commence in the first half of 2006. It is still anticipated that first production from Alvheim will take place in early 2007 at a forecast gross rate of 85,000 boepd. The proposed Alvheim drilling programme includes further exploration drilling on the existing fields and new prospects which has the potential to increase the current 180 million barrels of oil equivalent forecast for the field.

The Hamsun field (renamed Volund) (WI 35%) to the south of Alvheim will submit a plan of development to the Norwegian Government in 2006. Further studies in 2005 have resulted in reserve increases in the 2005 year end reserve study. Commercial discussions are ongoing regarding the development options with a tie back to the nearby Alvheim facilities being the most likely option.

Lundin Petroleum has agreed, subject to Norwegian Government approval, to reduce its interest in PL338 from 100% to 50% through agreements with Revus Energy and RWE. An exploration well will be drilled on PL338 in the second half of 2006 and Lundin Petroleum will pay a lower percentage of costs related to the well than its 50% working interest.

Lundin Petroleum continues to be actively involved in Norway in respect of new exploration activity. Two new licences were awarded in the fourth quarter of 2005 in the APA 2005 round and a further application is pending in the 19th Licensing Round. Three exploration wells will be drilled in 2006 for which rig slots are already secured.

France

In the Paris Basin the net production for 2005 was 2,845 bopd. The La Tonelle-1 exploration well is on a long-term production test. Temporary production facilities have been constructed and the well is now producing at limited rates on a long term production test basis to determine the appraisal/development plan for the field. During 2006 a four well infill drilling programme will be completed in the Villeperdue field (WI 100%).

In the Aquitaine Basin (WI 50%) the net production for 2005 was 1,357 bopd. In 2006 full development of the Mimosa Field will be completed.

Indonesia

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,261 boepd in 2005. First production from the TBA Field offshore Salawati Island is now expected in 2006 following the conversion of a FPSO currently being completed in Singapore. The field will add 1,000 boepd net to Lundin

Petroleum. An ongoing programme of development and exploration drilling on Salawati Basin and Island has, despite some exploration success, yielded disappointing results in 2005.

Banyumas (Java)

The Jati-1 exploration well (WI 25%) was spudded in 2005 and is testing a large exploration prospect in an under explored basin onshore Southern Java. The well has reached a total depth of 4,023 meters. Due to drilling problems the well is currently being sidetracked and Lundin Petroleum decided to plug and abandon the well. Lundin Petroleum's partner, Star Energy, has opted, under sole risk provisions, to continue drilling. In the event of a successful discovery Lundin Petroleum has the option to buy back into the well by paying a disproportionate level of the Star Energy costs.

Blora (Java)

An exploration well Tengis-1 (WI 43.3%) will be drilled in 2006 following the resolution of certain land related issues necessary to commence the site preparation operations.

Lematang (South Sumatra)

A heads of agreement in relation to the sale of gas from the Singa gas field (WI 15.88%) has been signed with state gas distribution company PT Persusahaan Gas Negara (PGN) to supply gas to PGN customers in West Java for 10 years starting in 2008. A development plan for the Singa project has been agreed and will be initiated once the gas sales arrangements have been finalised.

The Netherlands

Gas production from the Netherlands for 2005 was 2,344 boepd.

The Luttelgeest-1 exploration well in the onshore Lemmer-Marknesse exploration license (WI 10%) was tested with unsatisfactory results during the third quarter of 2005 and the well was plugged and abandoned.

The exploration well drilled on Block F-12 (WI 10%) has been plugged and abandoned as a dry hole in January 2006.

Tunisia

The net oil production from the Isis field (WI 40%) for 2005 continues to decline as anticipated as the field approaches the end of its economic life. The field will stop production in the second quarter of 2006 when the Ikdam FPSO currently employed on the Isis field is redeployed on the Oudna Field.

The development drilling on the Oudna field (WI 50%) offshore Tunisia commenced in early 2006. The Ikdam FPSO will undergo upgrade and re-classification works in drydock and will then be redeployed on the Oudna field where production is scheduled to start in the fourth quarter of 2006. Initial net production from the Oudna field is forecast at 10,000 bopd.

Venezuela

Production from the Colòn Block (WI 12.5%) was 2,108 boepd during 2005. Development drilling on the La Palma field is ongoing. During 2005 one of the new development wells was deepened and tested oil from new reservoirs below the existing producing La Palma field.

In 2005 the Venezuelan government decided to restructure all operating services agreements in the country. Lundin Petroleum and its partners have signed a Transitional Agreement with Venezuelan national oil company PDVSA Petròleo SA relating to entering into good faith negotiations for conversion of the Operating Services Agreement into a joint venture company. Whilst Lundin Petroleum and its partners have been assured by the

Venezuelan Ministry of Energy and Petroleum that the new regime will preserve our asset value under the Operating Services Agreement the final effect of this transition on Lundin Petroleum's Venezuelan assets and values remains uncertain.

Ireland

Lundin Petroleum completed the sale of its 12.5% interest in the Seven Heads gas project plus certain other Irish license interests to Island Oil & Gas plc during 2005. The consideration for the sale was four million shares of Island Oil & Gas plc corresponding to a current market value in excess of GBP 3 million.

During 2005 Lundin Petroleum acquired a new exploration license in the Donegal Basin (WI 30% operator). A rig has been secured to drill a large gas prospect called Inishbeg in 2006.

Albania

A 400 km2 3D seismic acquisition programme on the Durresi Block (WI 50%) was completed in 2005. Following the processing and interpretation of the acquired seismic exploration drilling is expected to commence in 2007.

Nigeria

In early 2005 Lundin Petroleum acquired a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. The Aje-3 appraisal well was drilled in the third quarter of 2005. The two main reservoirs which tested hydrocarbons successfully in both Aje-1 and Aje-2 were found to be down dip from the discovery well as well as below the existing oil water contact defined on the Aje-2 well at the Cenomanian reservoir. The Turonian reservoir was above the gas water contact but the presence of gas in the reservoir was not tested due to poor reservoir properties at the Aje-3 well location. Technical and commercial studies are ongoing to determine whether a further Aje field appraisal well will be drilled. A six month extension has been granted by the Aje field operator Yinka Folawiyo Petroleum (YFP) such that the decision to drill will be made in the fourth quarter of 2006.

Sudan

A comprehensive peace agreement was signed in Sudan in early 2005 between the Government and the Sudan People's Liberation Movement (SPLM). A new Government has been formed containing representatives of the major political factions. In addition a National Petroleum Commission has been formed comprising of the President of Sudan, representatives of the National Government and the Government of Southern Sudan and representatives of the local area where oil activity is taking place. The National Petroleum Commission will oversee petroleum activities in Sudan.

Mobilisation of equipment for a 1,100 km 2D seismic acquisition is currently underway. Exploration drilling will commence in 2006 with a three well initial drilling programme to test the large prospectivity of Block 5B.

Oil Markets

The demand for oil continues as the world economy grows, particularly in the developing world. Combined with limited spare production this resulted in a tight market with strong world oil prices. These market developments resulted in an average sale price achieved for the year ended December 31, 2005 of USD 52.93 per boe.

Sales **Average price per barrel expressed in USD****	**2005**	**2004**
United Kingdom	54.56	41.75
France	53.75	36.90

Sales Average price per barrel expressed in USD**	2005	2004
Norway	51.45	37.92
Netherlands *	37.45	25.43
Indonesia	48.90	34.79
Tunisia	62.53	38.65
Ireland *	33.31	26.24
Average price per boe	52.93	37.67

* Netherlands and Ireland is predominately gas sales.

** The average sales per barrel is excluding the result on the hedge settlement.

The average Dated Brent price for the year ended December 31, 2005 amounted to USD 54.54 per barrel compared to USD 38.27 per barrel for the year ended December 31, 2004. The average contract price of settled oil hedging contracts amounted to USD 40.13 for the year ended December 31, 2005 compared to USD 27.41 for the the year ended December 31, 2004 resulting in a post-tax negative hedge settlement of MSEK 261.7 compared to MSEK 97.1 for the year ended December 31, 2004.

Selected Annual Information

	2005	2004
Total assets, TSEK	7,762,373	5,852,313
Total long-term financial liabilities, TSEK	736,151	1,343,021
Cash dividends declared per share	-	-

Organisation

Lundin Petroleum completed the acquisition of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) on February 13, 2004. On June 17, 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets of DNO through its subsidiary Lundin Norway AS. The results of these companies and the Norwegian assets are included within the results for the comparative periods from the date of acquisition. The sale of the 75% owned Norwegian subsidiary, OER oil AS (OER) was completed on November 23, 2004. The results of OER are included within the results for the comparative periods until this date. On June 9, 2005, Lundin Petroleum completed the sale of the Irish assets of Lundin Ireland Ltd to Island Oil and Gas plc for consideration of shares in Island Oil and Gas plc. The results of the Irish assets are included until this date.

Change in Accounting Principles

In June 2002 the European Union (EU) adopted International Financial Reporting Standards (IFRS) for all companies listed on a stock exchange within the European Union with effect from January 1, 2005, the adoption date. Lundin Petroleum's Annual Report for 2005 has been prepared in full compliance with IFRS, including one year of comparative figures in line with IFRS 1. As a result, Lundin Petroleum's date of transition is January 1, 2004. The financial statements of the group have been prepared in accordance with prevailing IFRS standards and International Financial Reporting Standards Committee (IFRIC) interpretations adopted by the EU Commission at the end of December 2005. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of held for sale financial assets.

For a description of the effects of the adoption of IFRS and a reconciliation of Lundin Petroleum Group equity and result under Swedish GAAP to IFRS reference is made to chapter “Changes in accounting policies”.

Operational Highlights

	2005	2004
Production, mboe	12,083.5	9,755.5
Sales, mboe	10,881.2	8,435.7
Average price per boe	52.93	37.67
Net sales in TSEK	3,995,477	2,344,005
Net income in TSEK*	993,975	605,258
Earnings per share, SEK	3.89	2.39
Earnings per share, diluted, SEK	3.87	2.37

* Net income equals income before discontinued operations and extraordinary items.

Revenue

Net sales of oil and gas for the year ended December 31, 2005 amounted to MSEK 3,995.5 compared to MSEK 2,344.0 for the year ended December 31, 2004. The net sales were positively affected by increased sale volumes mainly resulting from the assets acquired through the DNO acquisition and increased sale prices in the oil markets during 2005.

Sales **Quantity in barrels**	**2005**	**2004**
United Kingdom	7,240,996	3,674,000
France	1,563,840	1,563,576
Norway	372,356	870,746
Netherlands *	855,397	948,548
Indonesia	495,852	579,522
Tunisia	328,627	677,923
Ireland *	24,107	121,371
Total quantity in mboe	**10,881,175**	**8,435,686**

* Netherlands and Ireland is predominately gas sales.

Other operating income for the year ended December 31, 2005 amounted to MSEK 194.7 compared to MSEK 124.3 for the year ended December 31, 2004. This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income for the year ended December 31, 2005 has increased from the year ended December 31, 2004 primarily due to the increased production from the Broom field in the United Kingdom.

Production Cost

Production costs for the year ended December 31, 2005 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	2005	2004
Cost of operations	148,570	124,006
Tariff and transportation expenses	17,906	16,173
Royalty and direct taxes	4,803	3,821
Changes in inventory/overlift	4,563	2,398
Total production costs	**175,842**	146,398
Depletion	101,064	51,946
Total	**276,906**	198,344

Production cost and depletion in USD per boe	2005	2004
Cost of operations	12.30	12.71
Tariff and transportation expenses	1.48	1.66
Royalty and direct taxes	0.40	0.39
Changes in inventory/overlift	0.38	0.25
Total production costs	**14.56**	15.01
Depletion	8.36	5.32
Total cost per boe	**22.92**	20.33

Production costs for the year ended December 31, 2005 amounted to MSEK 1,310.9 compared to MSEK 1,074.5 the year ended December 31, 2004. The reported cost of operations amounted to USD 12.30 per barrel for the year ended December 31, 2005 compared to USD 12.71 per barrel the year ended December 31, 2004.

Depletion

Depletion of oil and gas properties for the year ended December 31, 2005 amounted to MSEK 753.4 compared to MSEK 381.3 the year ended December 31, 2004. The depletion charge has increased from the comparative period following the inclusion of the UK assets acquired from DNO in 2004. The depletion cost per barrel has increased from 2004 following a revision of cost and reserve estimates used in the calculation of the depletion rate and because the UK was only included within the depletion charge for five months in 2004, distorting the average depletion rate for the year.

Write Off

Write off of oil and gas properties amounted to MSEK 208.1 for the year ended December 31, 2005 compared to MSEK 150.1 the year ended December 31, 2004. Whilst Lundin retains an interest in Block OML 113 in Nigeria and is reviewing the information that was obtained from drilling the Aje-3 well, it was decided to write off all of the costs amounting to MSEK 158.2 in 2005 following the disappointing well results as described within this report. The other material cost written off in 2005 relates to the Luttelgeest exploration well that was drilled in the Netherlands in 2004. After testing of the well in August 2005 the decision was made to plug and abandon the well and the costs incurred of MSEK 30.2 were written off. During 2004 the decision was made to write off the costs incurred in Iran as well as other exploration project costs resulting in a charge to the income statement for the year ended December 31, 2004 of MSEK 150.1.

Sale of Asset

On 1 July 2005 Lundin Petroleum entered into a sale and leaseback agreement for the Jotun vessel utilised in the Jotun field offshore Norway resulting in a pre-tax gain of MSEK 192.1 and a post tax gain of MSEK 24.0. The transaction has also resulted in a tax charge detailed below. On 23 November 2004, Lundin Petroleum completed the sale of its investment in the Norwegian company OER for MSEK 189.9 recording an accounting profit of MSEK 98.2 in the income statement for the year ended December 31, 2004.

General, Administrative and Depreciation Expenses

General, administrative and depreciation expenses for the year ended December 31, 2005 amounted to MSEK 103.1 compared to MSEK 130.0 the year ended December 31, 2004. Included within the 2005 costs is an accounting charge of MSEK 19.0 for employee incentive warrants issued in 2004 and 2005 following the adoption of IFRS. The comparative period has been restated to include MSEK 10.7 in relation to the incentive warrants issued in 2004. Depreciation charges included in the general and administrative expenses amounted to MSEK 9.8 for the year ended December 31, 2005 compared to MSEK 5.5 the year ended December 31, 2004. The general and administration costs for the year of 2004 included an amount of MSEK 17.5 for OER. OER was sold in the fourth quarter of 2004.

Operating Profit Per Segment

Operating profit contribution

Amounts in TSEK	**2005**	**2004**
- United Kingdom	1,397,827	437,941
- France	277,100	151,547
- Norway	267,559	167,909
- Netherlands	62,206	81,487
- Venezuela	57,146	62,397
- Indonesia	119,655	58,168
- Tunisia	57,899	66,205
- Ireland	4,222	8,902
- Nigeria	-158,174	-
- Iran	-6,078	-132,051
- Other	-66,204	-54,103
Total operating profit contribution	**2,013,158**	848,402

Result from Financial Investments

The result from financial investments amounted to MSEK -152.4 for the year ended December 31, 2005 compared to MSEK -1.5 for the year ended December 31, 2004. The movement in result is primarily due to the exchange losses on the revaluation of the USD loan outstanding into EUR and NOK reporting currency of the entities in which the funds were drawn. During the year ended December 31, 2005 the devaluation of the NOK and the EUR against the USD amounted to approximately 12% and 13% respectively whereas in the corresponding period of 2004 the inflation of the EUR and NOK against the USD amounted to approximately 10%. Net exchange losses for the year ended December 31, 2005 amounted to MSEK 104.6 compared to net exchange gains for an amount of MSEK 36.1 for the year ended December 31, 2004.

Tax

The tax charge for the year ended December 31, 2005 amounted to MSEK 866.7 compared to MSEK 241.6 for the year ended December 31, 2004. The current corporation tax charge amounted to MSEK 240.7 for the year ended December 31, 2005 compared to MSEK -46.1 for the year ended December 31, 2004 and comprises current corporation tax charges in, primarily the United Kingdom, the Netherlands, France, Indonesia and Venezuela. During 2005 the tax losses carried forward in the UK have been fully utilised resulting in a current corporation tax charge of MSEK 209.1 compared to MSEK – for the year ended December 31, 2004. Corporation tax in Venezuela has historically been charged at 34% in accordance with the local tax legislation. During 2005, the Venezuelan tax authorities stated that companies utilising Operating Service Agreements (OSA) should pay tax under the hydrocarbon exploitation tax regime and issued tax assessments to all 32 OSA's operating in Venezuela for the period 2001 to 2004. The hydrocarbon exploitation regime carries a tax rate of 67% up to 2001 and 50% thereafter. Whilst Lundin Petroleum does not accept the retrospective change in tax regime, Lundin Petroleum has decided to comply with the demands of the Venezuelan tax authorities. Accordingly Lundin Petroleum has accrued and paid the tax assessed for the period up to 2004 of MSEK 15.0 and has accrued corporation tax at the higher rate for 2005 resulting in an additional charge for the year of MSEK 12.3.

The deferred corporate tax charge for the year ended December 31, 2005 of MSEK 647.1, compared to MSEK 295.6 for the year ended December 31, 2004, comprises principally of a charge of MSEK 343.2 in the UK for the utilisation of tax losses acquired with the UK companies and capital allowances generated from the capitalised expenditure on the UK fields and a deferred tax charge in relation to the result on the sale and leaseback agreement for the Jotun vessel for an amount of MSEK 168.2. During 2004, a deferred tax asset was recorded for tax loss carry forwards in Tunisia to the extent that it was believed that they would be utilised. During the year ended December 31, 2005 the tax charge generated for Tunisia has exceeded the recorded tax asset necessitating the recording of a further deferred tax asset of MSEK 14.9 with a corresponding credit to the income statement to restore the deferred tax asset in relation to tax losses carry forward as at December 31, 2005.

The Lundin Petroleum Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Lundin Petroleum Group vary between 28 and 78%. Currently the majority of the Lundin Petroleum Group's profit is derived from the United Kingdom where the effective tax rate amounts to 40%. The effective tax rate for the Lundin Petroleum Group for the year ended December 31, 2005 amounts to approximately 47%. The effective tax rate for the year ended December 31, 2005 excluding the Jotun sale and leaseback transaction and the cost relating to the write off for Nigeria amounts to approximately 38%. The effective tax rate for the year ended December 31, 2004 amounted to 29% due to the utilisation of tax losses relating to the write off of the investment in the Irish development project for an amount of MSEK 95.8. Excluding this incidental tax gain, the effective tax rate amounted to 40%.

Capital Expenditures

The Lundin Petroleum Group participates in joint ventures with third parties in oil and gas exploration activities. The Lundin Petroleum Group is contractually committed under various concession agreements to complete certain exploration programmes. The Directors estimate the present commitments to be no more than MSEK 216.9 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 79.2.

Development expenditure in MSEK	**2005**	**2004**
United Kingdom	619.8	702.3
France	24.2	85.1

Development expenditure in MSEK	2005	2004
Norway	596.2	81.2
Netherlands	49.0	44.3
Indonesia	59.8	22.9
Tunisia	72.5	3.9
Venezuela	35.5	12.7
Ireland	-	2.6
Development expenditure	**1,457.0**	955.0

Exploration expenditure in MSEK	2005	2004
United Kingdom	17.2	2.0
France	16.8	41.1
Norway	69.6	30.6
Netherlands	16.6	24.7
Indonesia	61.2	63.6
Tunisia	2.0	-
Iran	6.0	51.9
Albania	24.5	4.1
Ireland	2.6	-
Sudan	7.8	5.6
Nigeria	158.2	-
Other	12.8	9.2
Exploration expenditure	**395.3**	232.8

The increase in the development expenditure for 2005 mainly consists of development investments in the Alvheim field in Norway and the Oudna field in Tunisia. The development of the Alvheim field offshore Norway has progressed well during 2005. The Alvheim FPSO conversion was completed in the fourth quarter of 2005 in Singapore and the vessel is currently en-route to Norway for topsides installation. Firs production from Alvheim is expected in early 2007.

The increase in exploration expenditure for 2005 in comparison to 2004 consists mainly of investments in Nigeria, United Kingdom and Norway. In early 2005 Lundin Petroleum acquired a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. The Aje-3 appraisal well was drilled in the third quarter of 2005. In United Kingdom the phase 1 and phase 2 of the Broom development was successfully completed during 2005 with the completion of the second water injection well, the sidetracking of the original West Heather 2/05-18 well and the completion of the first North Terrace well 2/05-23. In 2005 two new licenses were awarded in the APA 2005 round in Norway.

Summary of Quarterly Results

Amount in MSEK	**Q4 2005**	**Q3 2005**	**Q2 2005**	**Q1 2005**	**Q4 2004**	**Q3 2004**	**Q2 2004**	**Q1 2004**
Net sales	968.4	1,123.0	993.3	910.7	790.7	671.4	496.7	385.2
Net income*	108.1	419.8	216.0	250.0	213.6	177.1	138.6	76.0
Earnings per share	0.42	1.64	0.85	0.98	0.84	0.70	0.55	0.29
Earnings per share, diluted	0.42	1.62	0.84	0.97	0.83	0.69	0.54	0.29

* Net income equals income before discontinued operations and extraordinary items.

During the first quarter of 2004 the United Kingdom and Irish assets acquired from DNO were only included for a 47 day period. The production averaged on 20.1 mboepd and would have averaged on 24.3 mboepd had the UK and Irish assets been owned for the whole quarter. Increasing oil prices had a positive effect on the on the result for the period but was negatively impacted by the weakening of the USD which increased the costs of our European operations in US dollar terms.

The second quarter of 2004 has been negatively impacted by net foreign exchange losses of MSEK 21.6 and higher oil price resulted in a post-tax negative hedge settlement of MSEK 26.3. The result of the second quarter was further lowered by the increased operating costs in the UK.

First oil of the Broom field, United Kingdom was achieved early in August 2004 with an initial production rate of over 16,000 boepd, resulting in increased net sales starting in the third quarter of 2004. Also during this quarter increasing oil prices contributed to increased net sales during the above stated periods. Net sales were adversely affected in the fourth quarter of 2005 due to a shut down of the Thistle field, United Kingdom and by the lack of water injection on the Heather and West Heather fields as a result of pump capacity issues.

The result for the fourth quarter of 2004 has been positively impacted by the sale of the investment in OER oil AS, resulting in an accounting profit of MSEK 98.2. During that period the decision was also made to write off the cost incurred with the exploration programme in Iran based on the results of the drilling of the second well. Together with the write off of other exploration projects the net result for the fourth quarter was adversely affected for an amount of MSEK 146.3

In the first quarter 2005 the net income increased with 230% in comparison to the first quarter 2004. This growth can be explained by the impact on production increases during 2004 particularly the production start-up from the Broom field offshore United Kingdom.

During the first quarter of 2005 Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited (“Petrofac”) for the provision of production operations services on the Heather and Thistle platforms. This deal was completed satisfactorily with the transfer of duty holder responsibilities on May 1, 2005. Non-recurring cost in relation this deal with Petrofac adversely affected the result for the second quarter of 2005 for an amount of MSEK 45.5.

On July 1, 2005 Lundin Petroleum entered into a sale and leaseback agreement for the Jotun vessel utilised in the Jotun field offshore Norway resulting in a gain of MSEK 195.0 and a tax charge of MSEK 173.7, thus affecting the third quarter 2005 profit for an amount of MSEK 21.3 net of tax. The result for this period was also affected adversely due to write off costs of MSEK 29.7 primarily relating to the Luttelgeest exploration well in the Netherlands.

In the fourth quarter of 2005 the Company wrote off exploration expenditure for an amount of MSEK 167.3 This costs primarily relate to Block OML 113 offshore Nigeria. Following the review of information obtained from the drilling of the Aje-3 well the decision was made to write off these exploration expenditures.

Liquidity and Capital Resources

On August 16, 2004, the Lundin Petroleum Group entered into a MUSD 385 loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. The MUSD 385 loan facility has been used to provide Letters of Credit in the amount of MUSD 35 as security for the payment of future site restoration costs to former owners of the Heather field, offshore UK, and to provide funds for corporate purposes. The amount of cash drawings outstanding at December 31, 2005 amounted to MUSD 92.5. The Lundin Petroleum Group has entered into oil price, interest rate and currency hedges to remove a portion of market risk from the future cash flows. It is expected that the Lundin Petroleum Group's operating cash flows will be sufficient to meet the Lundin Petroleum Group's current development and exploration expenditure requirements, but if the cash flow should be insufficient the Lundin Petroleum Group can utilise the undrawn portion of the loan facility.

Bank loans comprises:	**2005**	**2004**
Current		
Repayment within one year	-	-
Long term		
Repayment within 2 – 5 years	736,151	629,147
Repayment after five years	-	713,874
	736,151	1,343,021

Off-Balance Sheet Arrangements

The Lundin Petroleum Group has no off-balance sheet arrangements.

Transactions with Related Parties

The Lundin Petroleum Group has entered into transactions with related parties on an arms length basis as described below:

The Lundin Petroleum Group paid TSEK 402 (TSEK 345) to Namdo Management Services Ltd., a private corporation owned by Lukas H. Lundin, a director of the Company, pursuant to a services agreement. Namdo has approximately 12 employees and provides administration and financial services to a number of public companies. Accordingly, there is no basis for allocating the amounts paid to Namdo to Mr. Lukas H. Lundin directly. The outstanding payable amount at balance date amounts to TSEK 185.

The Lundin Petroleum Group received TSEK 2,334 (TSEK 2,412) from Vostok Nafta Investment Ltd. and related companies, for the provision of office and accounting services. Vostok Nafta is considered a related party because the Honorary Chairman of Lundin Petroleum AB, Mr. Adolf H. Lundin has significant investment within this company. The outstanding receivable at balance date amounts to TSEK 80.

Critical Accounting Estimates

The management of Lundin Petroleum has to make estimates and judgements when preparing the Financial Statements of the Lundin Petroleum Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Lundin Petroleum Group's result. The most important estimates and judgements in relation thereto are:

Estimates in oil and gas reserves

The business of the Lundin Petroleum Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Site restoration provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Lundin Petroleum Group uses its best estimates and judgment, actual results could differ from these estimates.

Changes in Accounting Policies

IFRS Transition

IFRS 1 provides first time adopters of IFRS with exemptions from full retrospective application of the newly adopted standards. Lundin Petroleum has utilised the following exemptions:

IFRS 2 – Shared based payments. This standard will not be applied to the Lundin Petroleum Group's incentive warrants programme granted before November 7, 2002. The 2004 programme granted after November 7, 2002 and not yet vested before January 1, 2005 will be recognised in line with this standard.

IFRS 3 – Business Combinations. This standard has not been applied to business combinations prior to March 31, 2004.

IFRS 5 – Non Current assets held-for-sale and discontinued operations. This standard has been adopted prospectively as from January 1, 2005 and therefore the comparative numbers have not been restated.

IAS 21 – The effect of changes in foreign exchange rates. At the date of transition to IFRS the cumulative historic translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS but will include translation differences arising after this date.

IAS 39 – Financial Instruments, as adopted by the EU, has been applied as from January 1, 2005 and therefore the comparative numbers have not been restated.

Changes in Accounting Principles on the Adoption of IFRS

IFRS 2 – Shared based payments

Under Swedish GAAP Lundin Petroleum did not recognise employee incentive warrants issued as compensation cost when the exercise price was equal to or at a premium to the market price at the time of issue. IFRS 2 requires a charge to be recorded in the income statement to record the issue of employee incentive warrants as well as a liability in relation to the employee incentive warrants programme. As a result of the transition to IFRS, shareholders equity as at December 31, 2004 included a credit of MSEK 10.7. The result for the year 2004 included a charge of MSEK 10.7 in the personnel costs.

IFRS 3 – Business combinations

This statement deals with the business combinations and the treatment of any excess purchase price over the allocated asset values. Under IFRS 3, the excess purchase price is recorded as goodwill whereas under Swedish

GAAP the excess value was allocated to the acquired assets.. There was no change required to the treatment of assets currently recorded by Lundin Petroleum.

IAS 1 – Presentation of financial statements

In accordance with this standard some classification and layout changes have been implemented in the annual report 2005. Below the significant ones are disclosed:

Minority interests are included in shareholders' equity as a separate component and are included in the net result for the year in the income statement.

The shares in Associated companies has been removed from Other shares and participations and are shown on a separate line in the Balance Sheet.

Changes in fair values and revaluation of assets have been specified in the statement of changes in equity and in the notes.

IAS 21 – The effect of changes in foreign exchange rates

This statement deals with the effects of foreign exchange rates. The effects of recording a change in functional currency of certain subsidiaries within the Lundin Petroleum Group are in line with the requirements of this standard, related to the oil and gas assets recognised in these companies. The negative effect on shareholders' equity net of deferred tax at January 1, 2004 amounted to MSEK 11.5 and MSEK 4.6 at December 31, 2004. The positive effect net of deferred tax on the result for the year ended December 31, 2004 amounted to MSEK 8.2.

At the date of transition to IFRS the cumulative historic translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS but will include translation differences arising after this date.

IAS 36 – Impairment of assets

Under GAAP used for the preparation of the 2004 financial statements, Lundin Petroleum has based their impairment testing on a country by country cost pool basis under the full cost method of accounting.

In accordance with IAS 36 impairment testing is carried out on a field by field basis. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Exploration costs can no longer be carried as capitalised costs within a cost pool unless the capitalised costs can be supported by future cash flows from that cost pool. If there is no decision to continue with a field specific exploration programme then the costs will be expensed at the time the decision is made.

Lundin Petroleum has incurred exploration costs in France and Indonesia which under the adoption of IFRS have been expensed in the financial statements for 2004.

The effect on shareholders' equity amounted to MSEK -16.1 net of deferred tax at January 1, 2004 and the impact on the result for the year ended December 31, 2004 amounted to MSEK -19.4 net of deferred tax.

IAS 32 and 39 – Derivative financial instruments

IAS 32 and 39 deal with the recognition, measurement, disclosure and presentation of financial instruments. In accordance with IAS 39 all derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument. The Lundin Petroleum Groups' foreign exchange forward contracts are example of derivatives that do not qualify for hedge accounting.

Lundin Petroleum had in place in 2004 and 2005 cash flow hedges by means of interest rate hedging contracts and oil price hedging contracts. Under Swedish GAAP, Lundin Petroleum had treated the hedging contracts as off-balance sheet instruments, whereas IFRS requires these contracts to be recorded in the financial statements valuing these contracts at fair value. The impact on the opening balance of the hedging reserve within shareholders' equity at January 1, 2005 amounted to MSEK -98.2 net of deferred tax. The financial fixed assets increased with MSEK 64.5 mainly due to the related deferred tax assets, the current receivables increased with MSEK 1.9 relating to a short term hedge asset and the current liabilities increased with MSEK 162.3 in connection with short-term hedge liabilities.

IFRS 6 Exploration for and Evaluation of Mineral Resources

This standard became effective at January 1, 2006. The group has elected to early adopt this Standard in 2005, with no effect on the net result or shareholders' equity. IFRS 6 permits an entity to develop an accounting policy for exploration and evaluation assets without specifically considering the requirements of paragraphs 11 and 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Thus, an entity adopting IFRS 6 may continue to use the accounting policies applied immediately before adopting the IFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies. IFRS 6 also sets the disclosure demands on the assets, liabilities, income and expenses arising from the exploration and evaluation of mineral resources.

Reconciliation from Swedish GAAP to IFRS

Net result in TSEK	**Lundin Petroleum Group 2004**	**Lundin Petroleum AB 2004**
Net result under Swedish GAAP	620,154	-17,961
Reclassification of minority interest	7,013	-
Share based payments	-10,712	-10,712
Effects of changes in functional currency	8,230	-
Impairment of assets	-22,359	-
Taxes	2,932	-
Net result under IFRS	605,258	-28,673

Equity in TSEK

	Lundin Petroleum Group			**Lundin Petroleum AB**		
	Jan 1, 2004	**Dec 31, 2004**	**Jan 1, 2005**	**Jan 1, 2004**	**Dec 31, 2004**	**Jan 1, 2005**
Total equity under Swedish GAAP	1,841,195	2,407,375	2,407,375	810,665	808,739	808,739
Reclassification of minority interest	20,036	2,931	2,931	-	-	-
Change in functional currency	-11,547	-4,610	-4,610	-	-	-
Impairment of assets	-16,057	-35,483	-35,483	-	-	-
Adjustment for financial instruments	-	-	-98,194	-	-	-
Total equity under IFRS	1,833,627	2,370,213	2,272,019	810,665	808,739	808,739

Financial Instruments and Other instruments

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as fluctuations in currency rates, oil price, interest rates as well as credit financing. The Company shall seek to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price hedges and interest rate hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company's business.

Currency Risk

Lundin Petroleum's policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US dollar currencies to US dollars in advance so that future US dollar cost levels can be forecasted with a reasonable degree of certainty. The Company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Oil Price Risk

Lundin Petroleum's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances Lundin Petroleum will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

Interest Rate Risk

Lundin Petroleum will assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the Company, then Lundin Petroleum may choose to enter into an interest hedge.

Credit Risk

Lundin Petroleum's policy is to limit credit risk by limiting the counter-parties to major banks and oil companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take back possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due.

Fair value of outstanding derivative	**Dec 31, 2005**	
instruments in the balance sheet:	**Assets**	**Liabilities**
Interest rate swaps	15,255	4,373
Oil hedge contracts	-	170,833
Foreign exchange forward contracts	-	18,571
Total	**15,255**	**193,777**
Non-current	1,825	-
Current	13,430	193,777
Total	15,255	193,777

As at December 31, 2004, the fair value of the derivative instruments amounted to MSEK 167.7. As IAS 39 has been applied as from January 1, 2005, this fair value has not been recorded at December 31, 2004.

The Lundin Petroleum Group has entered into the following oil price hedges:

Contract date	USD per barrel Dated Brent	Barrels per day	Start date	End date
3/2004	28.40	3,000	1/1/2005	31/12/2005
4/2004	29.60	3,000	1/2/2005	31/12/2005
1/2005	45.00	5,000	1/2/2005	31/12/2005
3/2005	51.00	5,000	8/3/2005	31/12/2005
3/2005	53.19	5,000	1/1/2006	31/12/2006
12/2005	61.40	5,000	1/1/2006	31/12/2006

Under the criteria of IAS 39, the oil price hedges are effective and qualify for hedge accounting. Changes in fair value of these contracts are charged directly to the shareholders' equity. Upon settlement the relating part of the reserve is released to the income statement.

The Lundin Petroleum Group has entered into the following interest rate hedging contracts to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest.

Contract date	USD Libor interest rate	Amount hedged	Start date	End date
10/2002	3.49%	85,000,000	4/1/2005	5/7/2005
10/2002	3.49%	75,000,000	5/7/2005	3/1/2006
10/2002	3.49%	65,000,000	3/1/2006	3/7/2006
10/2002	3.49%	55,000,000	3/7/2006	2/1/2007
3/2004	2.32%	40,000,000	1/4/2004	2/4/2007

The 3.49% interest rate contract had been entered into in relation to a previous credit facility, which was repaid and cancelled of in 2003. As of January 1, 2004, this contract has been recorded at fair value with changes in fair value being recorded in the income statement.

The 2.32% interest rate contract relates to the current credit facility. As from January 1, 2005, the contract met the conditions of IAS 39 to qualify for hedge accounting with changes in fair value being charged directly to shareholders' equity. Following the repayment of the underlying portion of the loan in 2005, the 2.32% interest rate contract became ineffective in the fourth quarter of 2005 and hedge accounting could no longer be applied. As from this date, changes in fair value of this contract are therefore charged to the income statement.

The Lundin Petroleum Group has entered into the following currency hedging contracts:

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 35.2	MUSD 66.2	1.8795	Jan 20, 2005 – Nov 20, 2005
MEUR 13.2	MUSD 17.6	1.3330	Jan 20, 2005 – Nov 20, 2005
MCHF 10.2	MUSD 8.8	0.8665	Jan 20, 2005 – Nov 20, 2005
MNOK 35.0	MUSD 5.7	0.1628	Feb 15, 2005 – Nov 15, 2005

Buy	Sell	Average contractual exchange rate	Settlement period
MGBP 36.0	MUSD 63.3	1.7588	Dec, 20 2005 – Nov 20, 2006
MEUR 14.4	MUSD 18.3	1.2716	Dec, 20 2005 – Nov 20, 2006
MCHF 10.0	MUSD 7.7	0.7711	Dec, 20 2005 – Nov 20, 2006

The currency hedging contracts are treated as being ineffective and therefore do not qualify for hedge accounting under IAS 39. Changes in fair value of these contracts are directly charged to the income statement.

Share Data

Lundin Petroleum AB's share capital at December 31, 2005 amounts to SEK 2,571,402 represented by 257,140,166 shares of nominal value SEK 0.01 each. Included in the number of shares issued at December 31, 2005 is an amount of 346,500 shares which had been issued but not registered. At the date of the MD&A, 8 June 2006, there were 257,845,666 shares outstanding.

The following stock options have been issued under the Lundin Petroleum Group incentive program for employees. The stock options issued for 2002 and 2003 were issued at the average closing price of Lundin Petroleum shares for the ten days after the AGM. The stock options issued for 2004 and 2005 were issued at a 10% premium to the average closing price of Lundin Petroleum shares for the ten days after the AGM.

	Issued 2003	Issued 2004	Issued 2005
Exercise price (SEK)	10.10	45.80	60.20
Number authorised	3,400,000	2,250,000	3,000,000
Number outstanding	498,000	1,280,000	2,900,000
Exercise period	May 31, 2004 - May 31, 2006	May 31, 2005 - May 31, 2007	June 15, 2006 - May 31, 2008

As at December 31, 2005, there was no convertible debt outstanding.

Risks and uncertainties

The Lundin Petroleum Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas.

- *Nature of oil and gas exploration and production*. Oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. In addition, there is no assurance that commercial quantities of oil and gas will be recovered.

- *Property and/or border disputes*. The exact location and jurisdictions within which the Lundin Petroleum Group's concessions exist could become the subject of dispute.

- *Military and political disturbances.* Certain of the countries in which the Lundin Petroleum Group is operating have experienced military or political difficulties in the recent past.

- *Political uncertainties*. Certain aspects of the Lundin Petroleum Group's operations require the consent or favourable decisions of governmental bodies.

- *Environmental impacts.* Exploration, development and production of oil and gas could cause harm to the environment. Under applicable laws and regulations as well as exploration and production sharing agreements, the Company may be held liable.

- *Liabilities and obligations under exploration and production agreements.* The Company and its partners in joint ventures for oil and gas exploration and production, are joint and several liable for obligations and liabilities under relating agreements. In case joint venture partners are not able to meet their liabilities and obligations, the agreement may be terminated.

Outlook

Lundin Petroleum intends to increase reserves through a strategy of acquisitions and exploration.

Due to a strong balance sheet Lundin Petroleum has significant liquidity for acquisition opportunities. Nevertheless, competition is tough with lots of liquidity in the industry chasing very few deals. We have chosen to remain patient and not to push acquisition prices to levels which we believe are unsustainable from a technical perspective. Timing is difficult to predict but Lundin Petroleum has both the financial and technical capacity to complete acquisitions which will enable us to act quickly if the right opportunity materialises.

Significant growth in production will continue in 2006 and 2007 with first production from the Oudna field offshore Tunisia and the Alvheim field offshore Norway which will take Lundin Petroleum production to over 50,000 boepd with a material positive impact on the Company's financial performance in 2007.

Forward looking information

This MD&A contains forward-looking statements and information. Forward-looking statements are statements that are not historical fact and are generally identified by words such as believes, anticipates, expects, estimates or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, political stability, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

SELECTED FINANCIAL INFORMATION

The following table presents the summary historical and operating data of Lundin Petroleum for the years ended December 31, 2005 and 2004, and for the six months ended March 31, 2005 and 2004 and December 31, 2005 and 2004, which is derived from the consolidated financial statements included elsewhere in this Valkyries Circular. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes included elsewhere in the Valkyries Circular and this Exhibit B. All amounts below in thousands SEK.

	3 Months Ended March 31 (unaudited)	6 Months Ended June 30 (unaudited)		6 Months Ended December 31, (unaudited)		Fiscal Year Ended December 31, (audited)	
	2006	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Net sales of Oil and Gas	1,195,221	1,904,004	881,973	2,091,473	1,462,032	3,995,477	2,344,005
Income from Continuing Operations	419,509	466,076	214,584	335,777	292,482	801,853	507,066
Income from Continuing Operations per Lundin Share	1.63	1.82	0.85	1.30	1.15	3.12	2.00
Income from Continuing Operations per Lundin Share (fully diluted)	1.62	1.82	0.84	1.30	1.15	3.12	1.99
Net Income	419,509	466,076	214,584	527,899	390,674	993,975	605,258
Net Income per Lundin Share	1.63	1.83	0.85	2.04	1.54	3.89	2.39
Net Income per Lundin Share (fully diluted)	1.62	1.82	0.84	2.05	1.53	3.87	2.37
Total Assets	8,128,126	6,961,754	6,163,098	7,762,373	5,852,313	7,762,373	5,852,313
Total Long Term Liabilities	2,860,287	2,999,721	3,377,939	2,823,401	2,840,713	2,823,401	2,840,713
Cash dividend per Lundin Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil

DESCRIPTION OF SHARE CAPITAL

Authorized Capital

In accordance with the Articles of Association of Lundin Petroleum, the share capital shall not be less than SEK 1,000,000 and not more than SEK 4,000,000. As of May 31, 2006, 257,845,666 Lundin Shares were outstanding, with a quota value of 0.01 SEK each.

At the annual general meeting of shareholders held on May 17, 2006 and in order to comply with the new Swedish Companies Act, the shareholders approved certain amendments to the Articles of Association, including that the Lundin Shares shall no longer have a stated nominal value and that the share capital shall not be less than 100,000,000 Lundin Shares and not more than 400,000,000 Lundin Shares.

In accordance with the Swedish Companies Act, an extraordinary general shareholders meeting of Lundin Petroleum will be held on or about July 21, 2006 to approve appropriate resolutions to authorize a new issue of Lundin Shares in connection with the Plan of Arrangement with Valkyries. Pursuant to the Swedish Companies Act, the approval of the shareholders of a company subject to such Act or authorization by the shareholders to the board of directors of such company is required for each new share issuance.

Lundin Shares

<u>Voting Rights</u>

The holders of Lundin Shares are entitled to receive notice of, attend and vote at any meeting of shareholders of Lundin Petroleum. Lundin Shares carry one vote per share.

Dividends

The holders of Lundin Shares are entitled to receive on a pro-rata basis such dividends as may be declared by the shareholders or board of directors of Lundin Petroleum, out of funds legally available therefor.

Rights on Dissolution

In the event of the liquidation, dissolution or winding-up of Lundin Petroleum, whether voluntary or involuntary, or in the event of any other distribution of assets of Lundin Petroleum among its shareholders for the purpose of winding-up its affairs, the holders of Lundin Shares will be entitled to receive on a pro-rata basis all of the assets of Lundin Petroleum remaining after payment of all of Lundin Petroleum's liabilities and obligations.

Pre-emptive and Conversion Rights

No conversion rights attach to the Lundin Shares. Holders of Lundin Shares have a pre-emptive right to subscribe for additional shares in the event that Lundin Petroleum issues additional shares unless the resolution for issuance provides otherwise.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Lundin Petroleum as at the dates indicated before and after giving effect to the Business Combination. This table should be read in conjunction with the historical consolidated financial statements of Lundin Petroleum, and the related notes thereto, included in the Valkyries Circular and in this Exhibit B.

Authorized	**Outstanding as at December 31, 2005 (audited)**	**Outstanding as at March 31, 2006 (unaudited)**	**Outstanding as at March 31, 2006 after giving effect to the Business Combination[(3)] (unaudited)**
Debt[(1)]			
Long term debt	SEK 736,151,000	SEK 681,809,000	SEK 868,819,400[(4)]
Share Capital[(2)]	SEK 2,567,937	SEK 2,573,162	SEK 3,147,675.80
Lundin Shares	(256,793,666 Lundin Shares)	(257,316,166 Lundin Shares)	(314,767,580 Lundin Shares)

Notes:

(1) Pursuant to an Amendment and Restatement Agreement dated August 16, 2004 between Lundin Petroleum BV and a syndicate of international financial institutions led by The Governor and Company of the Bank of Scotland and BNP Paribas SA, Lundin Petroleum has a USD 385 million borrowing base revolving and letter of credit facility agreement available until December 31, 2010, with the total commitment reducing semi-annually commencing June 30, 2006. The borrowing base is determined semi-annually based upon Lundin Petroleum's oil and gas reserves, subject to the approval of the majority lenders. The loan bears interest at floating rates linked to LIBOR plus a margin determined in relation to the coverage ratio. The facility is secured by pledges over the bank accounts and share pledges of Lundin Petroleum's principal subsidiaries and by inter-Lundin Petroleum Group guarantees.

(2) See "Description of Share Capital – Authorized Capital".

(3) Assumes the issuance on a fully-diluted basis of 57,451,414 new Lundin Shares.

(4) Includes SEK 187,010,400 (US$24 million) related to Valkyries proportionate share of a borrowing based loan facility between Valkyries 50% owned joint venture ZAO Pechoraneftegas ("PNG") and BNP Paribas S.A. ("Paribas"). The facility bears interest at a rate of LIBOR plus 4.4% per annum and is repayable by September 1, 2010. Quarterly repayments of US$3 million commence on July 1, 2006 and continue until the facility is repaid. There are no penalties for early repayment. Valkyries has granted certain security, including a guarantee of 50% of PNG's obligations to Paribas.

DIVIDENDS

Lundin Petroleum's primary objective is to add value to the shareholders, employees and co-venturers through profitable operations and growth. The added value will be expressed partly by dividends paid and partly by a long-term increase in the share price. This will be achieved by increased hydrocarbon reserves, developing discoveries and thereby increasing production and ultimately cash flow and net income.

The size of any dividend has to be determined in relation to Lundin Petroleum's financial position and the possibilities for growth through profitable investments. Lundin Petroleum has not paid any dividends since its incorporation in 2001. Dividends may be paid when Lundin Petroleum generates sufficient sustainable cash flow and net income from operations to maintain long-term financial strength and flexibility. Over time the total return to shareholders is expected to accrue to a greater extent from the increase in share price than from dividends received.

Due to the nature of Lundin Petroleum's operations, the dividend policy is to give funding priority to ongoing projects, and satisfy the immediate capital requirements of Lundin Petroleum.

OPTIONS TO PURCHASE LUNDIN SHARES

Lundin Petroleum has implemented the "Lundin Petroleum AB Global Share Option Plan" (the "Option Plan") under which the board of directors of Lundin Petroleum may approve the issuance of incentive warrants ("Incentive Warrants") to qualified employees of the Lundin Petroleum Group.

On May 19, 2004, at the annual general meeting of Lundin Petroleum shareholders, the issuance of up to 2,250,000 Incentive Warrants under the Option Plan was approved. These Incentive Warrants may be exercised from May 31, 2005 up to and including May 31, 2007 at an exercise price corresponding to 110% of the average closing price of Lundin Shares on the Stockholm Stock Exchange during the period from May 19 to June 4, 2004, being SEK 45.80.

On May 19, 2005, at the annual general meeting of Lundin Petroleum shareholders, the issuance of up to 3,000,000 Incentive Warrants under the Option Plan was approved. These Incentive Warrants may be exercised from May 31, 2006 up to and including May 31, 2008 at an exercise price corresponding to 110% of the average closing price of Lundin Shares on the Stockholm Stock Exchange during the period from May 19 to June 4, 2005, being SEK 60.20.

On May 17, 2006, at the annual general meeting of Lundin Petroleum shareholders, the issuance of up to 3,250,000 Incentive Warrants under the Option Plan was approved. These Incentive Warrants may be exercised from May 31, 2007 up to and including May 31, 2009 at an exercise price corresponding to 110% of the average closing price of Lundin Shares on the Stockholm Stock Exchange during the period from May 18 to June 1, 2006, being SEK 97.40.

Each of these Incentive Warrants entitles the holder thereof to purchase an equal number of Lundin Shares at the exercise price.

The table below describes the Incentive Warrants" outstanding under the Option Plan as at May 31, 2006.

Options held by	Date Issued	Number of Options Outstanding	Exercise Price	Expiration Date
8 Executive officers and directors of the Corporation, or their holding corporations	2005 2004	1,050,000 320,000	60.20 45.80	2008 2007

Options held by	Date Issued	Number of Options Outstanding	Exercise Price	Expiration Date
5 Executive officers and past executive officers of all subsidiaries of Lundin Petroleum and all directors and past directors, who are not also executive officers of the subsidiary	2005 2004	255,000 80,000	60.20 45.80	2008 2007
nil Employees excluding executive officers	n/a	n/a	n/a	n/a
65 Employees excluding executive officers, of subsidiaries of Lundin Petroleum	2005 2004	1,495,000 466,000	60.20 45.80	2008 2007
nil Consultants of Lundin Petroleum	n/a	n/a	n/a	n/a

PRIOR SALES OF COMMON SHARES

During the period from June 1, 2005 to May 31, 2006, Lundin Petroleum issued 1,547,500 Lundin Shares at a price of SEK 10.1 per Lundin Share and 1,150,000 Lundin Shares at a price of SEK 45.8 per Lundin Share. Other than Lundin Shares issued upon exercise of outstanding Incentive Warrants, Lundin Petroleum has not sold or issued any Lundin Shares in the past 12 months.

Stockholm Stock Exchange Price Range and Trading Volume

The Lundin Shares are listed and posted for trading on the O-list, Attract 40 at Stockholm Stock Exchange, Sweden ("SSE") (ticker "LUPE"). The following tables set forth information relating to the quarterly and monthly trading of the Lundin Shares on the SSE for the periods indicated.

	Period	High	Low	Volume
O-list of SSE		SEK	SEK	
	1st Quarter 2004	35.00	26.00	58,337,157
	2nd Quarter 2004	49.50	31.80	63,261,079
Attract 40				
	3rd Quarter 2004	44.50	36.30	56,312,265
	4th Quarter 2004	50.00	38.00	51,960,026
	1st Quarter 2005	57.00	37.80	57,630,110
	2nd Quarter 2005	68.00	49.30	51,872,112
	3rd Quarter 2005	100.50	66.25	89,964,729
	4th Quarter 2005	94.25	74.75	113,516,222
	January 2006	103.00	84.50	49,308,442
	February 2006	99.00	86.25	33,772,794

Period	High	Low	Volume
March 2006	91.75	82.75	30,848,446
April 2006	111.00	89.25	46,348,820
May 2006	114.00	73.00	70,814,228

PRINCIPAL HOLDERS OF COMMON SHARES

As of the date hereof, to the knowledge of the directors and senior officers of Lundin Petroleum, the only principal shareholders of Lundin Petroleum are set out below:

Name	Owned on a Fully Diluted Basis #/%	Owned After Giving Effect to the Business Combination #/%
Adolf H. Lundin	71,435,168[(1)] / 27.8%	79,699,012[(2)] / 25.3%[(3)]

Notes:

(1) Held through Lorito Holdings Ltd., an investment company wholly owned by a trust whose settler is Mr. Lundin.

(2) Includes 8,263,844 Lundin Shares to be issued to Ellegrove Capital Ltd. and Abalone Capital Ltd., investment companies wholly-owned by a trust whose settler is Mr. Lundin.

(3) Assumes 313,846,580 Lundin Shares outstanding after giving effect to the Business Combination.

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of Lundin Petroleum, positions held by them and their principal occupations and positions held for the past five years are as set forth below.

Name and Municipality of Residence	Current Position with Lundin Petroleum	Principal Occupation During the Last 5 Years	Director/Officer Since[(4)]
Ian H. Lundin[(1) (3)(6)] Geneva, Switzerland	Chairman of the Board and Director	Chairman of the Board since 2002 and Director since 2001. President and Chief Executive Officer 2001-2002.	2001
Ashley Heppenstall Geneva, Switzerland	President, Chief Executive Officer and Director	President and Chief Executive Officer of Lundin Petroleum	2001
Adolf H. Lundin Geneva, Switzerland	Honorary Chairman of the Board and Director	Businessman, Honorary Chairman of Lundin Petroleum. Chairman of Lundin Mining Corporation from 1994 to 2003.	2001
Carl Bildt[(5)] Stockholm, Sweden	Director	Chairman of Kreab AB, Nordic Venture Network and Teleoptimering AB.	2001
Kai Hietarinta[(2) (5)] Helsinki, Finland	Director	Director of Vostok Nafta Investment Ltd.	2001

Name and Municipality of Residence	Current Position with Lundin Petroleum	Principal Occupation During the Last 5 Years	Director/Officer Since[4]
Lukas H. Lundin[2] [5] Vancouver, British Columbia	Director	Chairman of Tanganyika Oil Company Ltd.. Chairman of Valkyries Petroleum Corp.	2001
William A. Rand[1] [2] [5] Vancouver, British Columbia	Director	President of Rand Edgar Investment Corp., Chairman and Director of Dome Ventures Corporation and Chairman and Director of Pender Financial Group Corporation.	2001
Magnus Unger[1] [2] [3] [5][6] Malaga, Spain	Director	Chairman of Strategic Leap AB and CAL-konsult AB. Director of System Separation AB and Quartz Pro AB.	2001
Viveca Ax:son Johnson[5] Stockholm, Sweden	Director	Chairman of Axel and Margret Ax:son Johnson Foundation, deputy Chairman of Nordstjernan AB. Director of GP Förvaltning AB, Sirius Machinery AB, Skanditek Industriförvaltning AB, Välinge Holding AB and Hereema Trust.	2005
Alexandre Schneiter Geneva, Switzerland	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer of Lundin Petroleum.	2001
Geoffrey Turbott Geneva, Switzerland	Vice President Finance and Chief Financial Officer	Vice President Finance and Chief Financial Officer of Lundin Petroleum.	2001
Christine Batruch Geneva, Switzerland	Vice President Corporate Responsibility	Vice President Corporate Responsibility of Lundin Petroleum since 2002.	2002
Jeffrey Fountain Geneva, Switzerland	Vice President Legal	Vice President Legal of Lundin Petroleum since 2003. Legal Officer with the United Nations from 2000 to 2002.	2003
Chris Bruijnzeels Geneva, Switzerland	Vice President Reservoir and Production	Vice President Reservoir and Production of Lundin Petroleum since 2004. Senior Reservoir Engineer of Lundin Petroleum from 2003 to 2004. Principal Reservoir Engineer and Director Evaluations at PGS Reservoir Consultants from 1998 to 2003.	2004
Tim Coulter Geneva, Switzerland	Vice President Operations	Vice President Operations of Lundin Petroleum since 2005. Petroleum Engineer with Statoil, Smedwig, Agip and Xtream Energy.	2005

Notes:

(1) Member of the Audit Committee. Mr. Rand is the Chairman of the Audit Committee.

(2) Member of the Compensation Committee. Mr. Rand is the Chairman of the Compensation Committee.

(3) Member of the Nominating Committee. Mr. Unger is the Chairman of the Nominating Committee.

(4) Each director's term of office expires no later than the date of the next annual general meeting of Lundin Petroleum.

(5) Independent director based on the provisions of Article 3.2.4 of the Swedish Code of Governance and the listing requirements of the Stockholm Stock Exchange. Mr. Lukas Lundin has no professional ties to Lundin Petroleum but is linked to Lorito Holdings Ltd., the dominant share holder, by family ties. He is considered by Lundin Petroleum to be independent.

(6) Member of the Reserves Committee.

Currently, the directors and officers of Lundin Petroleum and its subsidiaries, as a group, beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 86,848,352 (33.8%) Lundin Shares. Upon completion of the Business Combination, the directors and officers of Lundin Petroleum and its subsidiaries, as a group, will beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 95,279,204 (30.2%) Lundin Shares.

Cease Trade Orders or Bankruptcies

No director of Lundin Petroleum is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including Lundin Petroleum) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

EXECUTIVE COMPENSATION

The following table provides information for the three most recently completed financial years ended December 31, 2005 regarding compensation paid to or earned by each of the following officers of Lundin Petroleum: (a) the Chairman, (b) the President and Chief Executive Officer, and (c) the other three most highly compensated "executive officers" as at December 31, 2005 (the "Named Executive Officers").

Summary Compensation Table

		Annual Compensation			Long-Term Compensation
Name and Principal Position	**Year**	**Salary (C$)**	**Bonus (C$)**	**Other Annual Compensation (C$)**	**Awards Securities Under Options Granted (#)**
Ian H. Lundin Chairman	2005 2004 2003	0 102,610 375,036	0 195,014 46,801	0 0 119,661	0 0 400,000
Ashley Heppenstall President and Chief Executive Officer	2005 2004 2003	526,038 502,569 501,510	43,837 251,495 62,610	75,396 57,852 76,590	400,000 350,000 600,000

		Annual Compensation			Long-Term Compensation
Name and Principal Position	Year	Salary (C$)	Bonus (C$)	Other Annual Compensation (C$)	Awards Securities Under Options Granted (#)
Alexandre Schneiter Executive Vice President and Chief Operating Officer	2005 2004 2003	409,140 320,679 387,559	34,095 240,506 48,367	24,748 21,049 15,457	350,000 300,000 520,000
Geoffrey Turbott Vice President Finance and Chief Financial Officer	2005 2004 2003	238,470 251,496 225,398	19,873 115,314 28,175	13,107 12,749 11,289	100,000 75,000 125,000
Chris Bruijnzeels Vice President Reservoir and Production	2005 2004 2003	220,585 218,634 206,614	18,382 18,168 25,827	30,120 13,166 11,289	55,000 45,000 60,000

Note:

(1) Mr. Lundin is the non-executive Chairman of Lundin Petroleum and performs no management function in respect of Lundin Petroleum. For purposes only of Canadian securities laws, his position as Chairman deems him to be a “Named Executive Officer”.

Stock Options

The following table provides details of Incentive Warrants granted to the Named Executive Officers during the financial year ended December 31, 2005 pursuant to the terms of the Option Plan.

Incentive Warrant Grants During the Financial Year Ended December 31, 2005

Name	Securities Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (C$/Security)(2)	Market Value of Securities Underlying Options on the Date of Grant (C$/Security)(3)	Expiration Date
Ian H. Lundin(1) Chairman	0	n/a	n/a	n/a	n/a
Ashley Heppenstall President and Chief Executive Officer	400,000	14%	8.81	9.79	15 June 2008
Alexandre Schneiter Executive Vice President and Chief Operating Officer	350,000	12%	8.81	9.79	15 June 2008
Geoffrey Turbott Vice President Finance and Chief Financial Officer	100,000	3%	8.81	9.79	15 June 2008
Chris Bruijnzeels Vice President Reservoir and Production	55,000	2%	8.81	9.79	15 June 2008

Notes:

(1) Mr. Lundin is the non-executive Chairman of Lundin Petroleum and performs no management function in respect of Lundin Petroleum. For purposes only of Canadian securities laws, his position as Chairman deems him to be a "Named Executive Officer".

(2) The C$ equivalent of SEK 60.20.

(3) The C$ equivalent of SEK 60.25.

The following table provides details regarding Incentive Warrants exercised by the Named Executive Officers during the financial year ended December 31, 2005 and year-end Incentive Warrant values.

Aggregated Incentive Warrant Exercises During the Financial Year Ended December 31, 2005 and Year-End Incentive Warrant Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (C$)	Unexercised Options at December 31, 2005		Value of Unexercised in-the-money Options at December 31, 2005	
			Exercisable (#)	Unexercisable (#)	Exercisable (C$)	Unexercisable (C$)
Ian H. Lundin[(1)] Chairman	250,000	2,965,226	0	0	0	0
Ashley Heppenstall President and Chief Executive Officer	800,000	6,596,036	150,000	400,000	937,556	1,657,008
Alexandre Schneiter Executive Vice President and Chief Operating Officer	620,000	4,030,129	200,000	350,000	1,250,075	1,449,882
Geoffrey Turbott Vice President Finance and Chief Financial Officer	135,000	920,349	65,000	100,000	406,274	414,252
Chris Bruijnzeels Vice President Reservoir and Production	70,000	400,707	35,000	55,000	218,763	227,839

Note:

(1) Mr. Lundin is the non-executive Chairman of Lundin Petroleum and performs no management function in respect of Lundin Petroleum. For purposes only of Canadian securities laws, his position as Chairman deems him to be a "Named Executive Officer".

Employment Agreements

Other than as described below, there are no employment contracts between Lundin Petroleum and the Lundin Petroleum Named Executive Officers and no compensatory plan or arrangement that results or will result from the resignation, retirement or any other termination of employment of such officer's employment with Lundin Petroleum, from a change of control of Lundin Petroleum or a change in the Lundin Petroleum Named Executive Officers' responsibilities following a change-in-control.

Pursuant to an agreement dated August 21, 2001 between Lundin Petroleum and C. Ashley Heppenstall, Mr. Heppenstall agreed to provide the services of President and Chief Executive Officer of Lundin Petroleum. In accordance with the terms of this agreement, Mr. Heppenstall is entitled to an annual salary payable of 550,800 Swiss Francs, paid vacation of 25 working days, the availability of certain benefits, including health, accident and life insurance and participation in the employee pension plan. The agreement includes confidentiality provisions and provides for a maximum of six months' notice by either party to terminate the agreement.

Pursuant to an agreement dated August 21, 2001 between Lundin Petroleum and Alexandre Schneiter, Mr. Schneiter agreed to provide the services of Executive Vice President of Lundin Petroleum. In accordance with the terms of this agreement, Mr. Schneiter is entitled to an annual salary of 428,200 Swiss Francs, paid vacation of 25 working days, the availability of certain benefits, including health, accident and life insurance, and participation in the employee pension plan. The agreement includes confidentiality provisions and provides for a maximum of six months' notice by either party to terminate the agreement.

Pursuant to an agreement dated August 21, 2001 between Lundin Petroleum and Geoffrey Turbott, Mr. Turbott agreed to provide the services of Vice President Finance and Chief Financial Officer of Lundin Petroleum. In accordance with the terms of this agreement, Mr. Turbott is entitled to an annual salary of 324,000 Swiss Francs, paid vacation of 25 working days, the availability of certain benefits, including health, accident and life insurance and participation in the employee pension plan. The agreement includes confidentiality provisions and provides for a maximum of six months' notice by either party to terminate the agreement.

Pursuant to an agreement dated January 1, 2003 between Lundin Petroleum and Chris Bruijnzeels, Mr. Bruijnzeels agreed to provide the services of Vice President Reservoir and Production of Lundin Petroleum. In accordance with the terms of this agreement, Mr. Bruijnzeels is entitled to an annual salary of 276,000 Swiss Francs, paid vacation of 25 working days, the availability of certain benefits, including health, accident and life insurance and participation in the employee pension plan. The agreement includes confidentiality provisions and provides for a maximum of six months' notice by either party to terminate the agreement.

Compensation of Directors

Remuneration of the Chairman and other members of the Board of Directors is in accordance with a resolution passed at the 2005 annual general meeting. Compensation of the non-executive directors during the financial year ended December 31, 2005 is as follows (all amounts in thousands SEK):

	Fees	**Other**(1)	**Benefits**	**Pension Payments**(2)	**Total 2005**
Ian H. Lundin	700	2,280	-	-	2,980
Adolf H. Lundin	20	-	-	1,236	1,256
Magnus Unger	438	-	-	-	438
Carl Bildt	350	-	-	-	350
Kai Hietarinta	375	-	-	-	375
Lukas Lundin	385	-	-	-	385
William Rand	525	-	-	-	525
Viveca Ax:son Johnson	195	-	-	-	195

Notes:

(1) Ian H. Lundin, as non-executive Chairman, provides consulting services to Lundin Petroleum. In consideration for such services, Lundin Petroleum has paid to Mr. Lundin fees in the amount of SEK 2,280,000 for the year ended December 31, 2005.

(2) In May 2002, the Lundin Petroleum board of directors approved that a pension be paid to Mr. Adolf H. Lundin upon his resignation as Chairman of the board of directors and his appointment as Honorary Chairman. The pension amount agreed consists of monthly payments totaling an annual amount of SEK 1,236,000 for the duration of his life. It was further agreed that upon the death of Mr. Adolf H. Lundin, monthly payments totalling an annual amount of SEK 827,000 would be paid to his wife, Mrs. Eva Lundin for the duration of her life. Lundin Petroleum may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of SEK 11,986,000.

Indebtedness of Directors and Executive Officers

During the fiscal year ended December 31, 2005, no loans were made by Lundin Petroleum to any senior officer or director or any key employee of Lundin Petroleum or any of their other respective associates.

RISK FACTORS

The operations of Lundin Petroleum are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development, production and operation of oil and gas properties. Lundin Petroleum seeks to limit its exposure to risk by carrying out risk analysis and implementing measures aimed at reducing perceived risks. Nonetheless, an investment in Lundin Shares involves a number of risks, which should be carefully considered by prospective investors before acquiring Lundin Shares. In addition to information set out elsewhere in this Proxy Circular, Valkyries Shareholders should carefully consider the following risk factors, which could materially affect the future operating results of Lundin Petroleum and could cause actual events to differ materially from those described in forward-looking statements relating to Lundin Petroleum.

Exploration, Development and Production Risks

Oil and natural gas operations are inherently risky and involve many risks that even a combination of experience, knowledge and careful evaluation and management may not be able to overcome. Lundin Petroleum's long-term commercial success depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Lundin Petroleum may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Lundin Petroleum's reserves will depend not only on its ability to explore and develop any properties Lundin Petroleum may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that Lundin Petroleum will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Lundin Petroleum may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Lundin Petroleum.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, Lundin Petroleum will not be fully insured against all of these risks, nor are all such risks insurable. Although Lundin Petroleum will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Lundin Petroleum could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Competition

The petroleum industry is competitive in all its phases. Lundin Petroleum will compete with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Lundin Petroleum’s competitors will include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Lundin Petroleum.

Lundin Petroleum’s ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. For instance, EU states where Lundin Petroleum has operations or interests are signatories to the United Nations Framework Convention on Climate Change and have ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called “greenhouse gases”. As such they may regulate the level of greenhouse gas emissions of oil and gas production facilities and other operations. EU Governments have put forward National Plans which set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future legislation may require the reduction of emissions or emissions intensity produced by a corporation’s operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of Lundin Petroleum. Lundin Petroleum’s operations may require licenses from various governmental authorities. There can be no assurance that Lundin Petroleum will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by Lundin Petroleum will be affected by numerous factors beyond its control. Lundin Petroleum’s ability to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Lundin Petroleum may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Lundin Petroleum’s net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Lundin Petroleum’s reserves. Lundin Petroleum might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Lundin Petroleum’s net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities. In addition, bank borrowings available to Lundin Petroleum will in part be determined by Lundin Petroleum's borrowing base. A sustained material decline in prices from historical average prices could reduce Lundin Petroleum's borrowing base, therefore reducing the bank credit available to Lundin Petroleum which could require that a portion, or all, of Lundin Petroleum's bank debt be repaid.

A substantial decline in oil prices may also require Lundin Petroleum to write down certain of its assets. Under IFRS, the net capitalized cost of oil and gas properties may not exceed a "ceiling limit", which is based, in part, upon estimated future net cash flows from reserves. If the net capitalized costs exceed this limit, Lundin Petroleum must charge the amount of the excess against earnings. As oil prices decline, Lundin Petroleum's net capitalized cost may approach or exceed this cost ceiling, resulting in a charge against earnings. While a write down would not directly affect cash flow, the charge to earnings could be viewed unfavourably in the market or could limit Lundin Petroleum's ability to borrow funds or comply with covenants contained in current or future credit agreements or other debt instruments.

Substantial Capital Requirements

Lundin Petroleum anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Lundin Petroleum's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to it. Lundin Petroleum's inability to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Additional Funding Requirements

The cash flow from Lundin Petroleum's production may not be sufficient to fund its ongoing activities at all times. From time to time, Lundin Petroleum may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause it to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the revenues from Lundin Petroleum's reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect its ability to expend the necessary capital to replace its reserves or to maintain its production. If Lundin Petroleum's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to it.

Issuance of Debt

From time to time, Lundin Petroleum may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase its debt levels. Depending on future exploration and development plans, Lundin Petroleum may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The level of Lundin Petroleum's indebtedness from time to time, could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time, Lundin Petroleum may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Lundin Petroleum will not benefit from such increases. Similarly, from time to time Lundin Petroleum may enter into agreements to fix the exchange rate of a given currency to United States dollars in order to offset the risk of revenue losses if the given currency increases in value compared to the United States dollar; however, if the given currency declines in value compared to the United States dollar, Lundin Petroleum will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Lundin Petroleum and may delay exploration and development activities. To the extent Lundin Petroleum is not the operator of its oil and gas properties, Lundin Petroleum will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators, even though it may seek to pro-actively encourage forward planning by the operator and/or provide assistance in the process.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat its claim which could result in a reduction of the revenue received by Lundin Petroleum.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and cash flows to be derived therefrom, including many factors beyond Lundin Petroleum's control. The reserve and associated cash flow information relating to Lundin Petroleum set forth in the Valkyries Circular and this Exhibit B represents estimates only. In general, estimates of economically recoverable oil and natural gas 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, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary 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 and natural gas reserves attributable to any particular group of properties, 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. Lundin Petroleum's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Gaffney Cline and Associates ("GCA") have used both constant and escalated price and cost estimates in calculating reserve quantities included in the Valkyries Circular and this Exhibit B. Actual future net cash flows 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.

Actual production and cash flows derived therefrom will vary from the estimates contained in the report prepared by GCA, and such variations could be material. The report produced by GCA is based in part on the assumed success of activities Lundin Petroleum intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the report produced by GCA will be reduced to the extent that such activities do not achieve the level of success assumed in those reports.

Insurance

Lundin Petroleum's involvement in the exploration for and development of oil and natural gas properties may result in it becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling Lundin Petroleum will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, Lundin Petroleum may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Lundin Petroleum. The occurrence of a significant event that Lundin Petroleum is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on its financial position, results of operations or prospects

Dividends

Any decision to pay dividends on Lundin Shares will be made by the board of directors on the basis of its earnings, financial requirements and other conditions existing at such time. Lundin Petroleum has not paid any dividends since its incorporation in 2001. Due to the nature of Lundin Petroleum's operations, the dividend policy is to give funding priority to ongoing projects, and satisfy the immediate capital requirements of Lundin Petroleum. See "Dividends".

Conflicts of Interest

Certain of Lundin Petroleum's directors and major shareholders are also directors and shareholders of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Reliance on Key Personnel

Lundin Petroleum's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on it. Lundin Petroleum does not have key person insurance in effect for management. The contributions of these individuals to its immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Lundin Petroleum will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity, commitment and good faith of Lundin Petroleum's management.

Labour or Other Unplanned Production Disruptions

A limited number of Lundin Petroleum's staff belong to trade unions, with limited potential direct impact on operations. The presence of trade unions among Lundin Petroleum contractors or service providers, however may limit such parties' flexibility in dealing with their staff. If there is a material disagreement between contractors and their staff belonging to trade unions, operations could suffer an interruption or shutdown that could have a material adverse effect on Lundin Petroleum's business, results of operations or financial condition.

Present Stage and Speed of Development

There are numerous factors which may affect the success of Lundin Petroleum's business which are beyond Lundin Petroleum's control, including local, national and international economic, legal and political conditions. Lundin Petroleum's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The operations of Lundin Petroleum in developing countries expose Lundin Petroleum to, among other things, political and currency risks.

Lundin Petroleum has experienced significant growth and development in a relatively short period of time and expects to continue to grow as production increases from its oil reserves. Management of that growth requires, among other things, stringent control of financial system and operations, the continued development of management controls and the training of new personnel. Failure to successfully manage Lundin Petroleum's expected growth and development could have a material adverse effect on Lundin Petroleum's business, results of operations or financial condition.

Environmental

Extensive national, state, and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of Lundin Petroleum. These laws and regulations set various standards regulating certain aspects of health and safety, and environmental quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

Lundin Petroleum's Health, Safety and Environmental Management system requires effective management of HSE issues and, at minimum, adherence to all applicable laws. Nonetheless, there can be no assurance that Lundin Petroleum will not incur financial obligations in connection with environmental compliance.

Significant liability could be imposed on Lundin Petroleum for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property purchased by Lundin Petroleum, acts of sabotage or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on Lundin Petroleum. In order to minimise such risks, Lundin Petroleum carries out its activities in accordance with applicable HSE standards, carries out HSE due diligence prior to the acquisition of existing operations and has contracted an oil spill response expert to assist it in the event of an incident.

Lundin Petroleum, however, cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced, though the tendency towards a more generalised strengthening of rules is anticipated. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by Lundin Petroleum for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on Lundin Petroleum.

Political Uncertainties

Lundin Petroleum is, and will be, actively engaged in oil and gas operations in various countries. Risks may arise in changes in laws affecting foreign ownership, government participation, taxation, royalties, duties, rates of exchange and exchange control. Further, certain aspects of Lundin Petroleum's exploration and production programs require the consent or favourable decisions of governmental bodies. In addition, Lundin Petroleum's exploration, development and production activities may be subject to political and economic uncertainties, expropriation of property and cancellation or modification of contract rights, taxation, royalties, duties, foreign exchange restrictions and other risks arising out of foreign governmental sovereignty over the areas in which Lundin Petroleum's operations are conducted, as well as risks of loss in some countries due to civil strife, acts of war, guerrilla activities and insurrection. Oil installations are known to be likely objects, and even targets, of military operations and terrorism. Given their vulnerability and the considerable economic interests involved, this adds to the risk profile of Lundin Petroleum's interests.

Specific Areas of Risk

Lundin Petroleum has interests and/or operations in emerging countries such as Albania, Indonesia, Nigeria, Sudan, Tunisia and Venezuela, where such issues as political instability, war and corruption have arisen. Below are some countries where Lundin Petroleum may be particularly exposed.

Sudan

Lundin Petroleum has held a non-operated interest in Block 5B, Sudan since May 2001. Sudan has experienced a lengthy civil war which limited activities in the Block 5B area. A comprehensive peace agreement (CPA) was signed in Sudan in early 2005 between the government and the Sudan People's Liberation Army (SPLA). The CPA states that all concessions granted prior to January 9, 2005 remain in force. However, there is general uncertainty regarding the political situation in Sudan, the viability of the peace agreement and the outcome of a referendum which the South has the right to hold in 2011 to determine whether to remain under a united Sudan or form an independent country. In addition, Sudan remains subject to United States anti-terrorism sanctions.

Nigeria

Lundin Petroleum has a non-operated interest in an offshore block in western Nigeria. The oil and gas industry has faced substantial problems in eastern Nigeria (in the Niger Delta) including extortion, sabotage and kidnapping by disgruntled local tribes seeking to obtain more revenues from the activities taking place in their region. While Lundin Petroleum's operations on OML 113 are in a different part of the country, inhabited by another tribe, there can be no assurance that Lundin Petroleum will not face similar problems during the course of its operations. Another important consideration facing Nigeria is the level of corruption. While the current President has committed to an anti-corruption campaign, his term of office will expire next year and there is no certainty as to whether corruption will continue to be curbed.

Venezuela

The government of Venezuela has recently amended tax and hydrocarbons laws, some with retroactive effect, which has resulted in the modification of Lundin Petroleum's interest in the Colon Block concession. While Lundin Petroleum and its partners will negotiate with the Venezuelan government authorities to seek to agree acceptable terms and conditions under these revised laws and at the same time, will seek to protect themselves under international law, there can be no assurance that the current changes and/or future changes in Venezuela's laws, or in the interpretation of those laws, will not have a negative impact on Lundin Petroleum's interests in the country.

New Venture areas

Lundin Petroleum's growth strategy includes seeking to acquire additional oil and gas properties, including in emerging areas which have experienced or continue to experience socio-political problems. Prior to acquiring these assets, Lundin Petroleum undertakes an analysis of the country's socio-political profile in order to ascertain the possible problems it may encounter and the mitigating measures it may adopt in response thereto. However, such measures alone do not ensure that Lundin Petroleum will not encounter significant problems in the course of its activities in these areas.

LEGAL PROCEEDINGS

Lundin Petroleum is not the subject of any legal proceedings material to Lundin Petroleum, to which Lundin Petroleum is a party or to which any of its properties is subject, and no such proceedings are known to be contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in the Valkyries Circular and this Exhibit B, no director or senior officer of Lundin Petroleum or any shareholder holding, of record or beneficially, directly or indirectly, more than 10% of the issued and outstanding Lundin Shares, or any of their respective associates or affiliates, has had any material interest, directly or indirectly, in any material transaction of Lundin Petroleum within the three years preceding the date of the Valkyries Circular and this Exhibit B or in any proposed transaction which has materially affected or would materially affect Lundin Petroleum.

The following table sets out the number of Valkyries Shares held and/or controlled by directors and officers of Lundin Petroleum who are also directors of Valkyries:

Name of director/officer	Number of Valkyries Shares
Lukas Lundin	88,367
William A. Rand	20,441
C. Ashley Heppenstall	50,000

Also see information under the sub-heading "General Proxy Information – Voting Valkyries Shares and Principal Holders Thereof" in the Circular relating to the beneficial holdings of Adolf H. Lundin, Honorary Chairman of Lundin Petroleum.

AUDITORS

The auditors of Lundin Petroleum up until 2005 were Klas Brand and Carl-Erik Bohlin, PricewaterhouseCoopers and as from 2006 the auditor of Lundin Petroleum are Klas Brand and Bo Hjalmarsson, PricewaterhouseCoopers, Lilla Bommen 5, Gothenburg, Sweden.

REGISTRAR AND TRANSFER AGENT

Lundin Petroleum does not have a transfer agent. See the sub-heading "Comparison of Canadian and Swedish Book-Based Systems" in the Circular.

MATERIAL CONTRACTS

The only material contracts entered into by Lundin Petroleum or its subsidiaries within the two-year period preceding the date of the Valkyries Circular, other than contracts entered into in the ordinary course of business, are as follows:

1. Amendment and Restatement Agreement dated August 16, 2004 between Lundin Petroleum BV, The Governor and Company of the Bank of Scotland and BNP Paribas SA, and others, relating to a USD 385 million borrowing base revolving and letter of credit facility agreement. See "Consolidated Capitalization";

2. Share Sale and Purchase Agreement between Lundin Petroleum BV and Endeavour Energy Norge AS dated October 12, 2004, relating to the sale by Lundin Petroleum of its shareholding in OER oil AS. See "General Development of the Business of Lundin Petroleum – Overview";

3. Asset Purchase Agreement between Lundin Ireland Limited, Lundin Netherlands Holding BV and Island Oil and Gas plc dated December 20, 2004, relating to the sale of Lundin Petroleum's interest in the Seven Heads gas field and certain other Irish exploration assets. See "General Development of the Business of Lundin Petroleum – Overview";

4. Participation Agreement for Oil Mining Lease 113, Federal Republic of Nigeria among Yinka Folawyio Petroleum Company Limited, Lundin Nigeria Limited and others dated January 12, 2005, relating to the acquisition by Lundin Petroleum of an interest in OML 113. See "General Development of the Business of Lundin Petroleum – Exploration Operations – Nigeria".

5. Facilities Management Agreement for Thistle Field between Lundin Thistle Limited and Petrofac Facilities Management Limited dated April 30, 2005 and Facilities Management Agreement for Heather and Broom Fields between Lundin Heather Limited and Petrofac Facilities Management Limited dated April 30, 2005.

See "General Development of the Business of Lundin Petroleum – Properties of Lundin Petroleum – United Kingdom"; and

6. Business Combination Agreement among Lundin Petroleum, Lundin Petroleum Canada Inc. and Valkyries Petroleum Corp. dated as of May 26, 2006. See "General Development of the Business of Lundin Petroleum – Overview".

EXPERTS

The Reserve Audit Report provides an independent technical assessment dated June 16, 2006 of all of Lundin Petroleum's oil and gas assets as at December 31, 2005. The Reserve Audit Report was prepared by William B. Cline, P.E. of Gaffney, Cline and Associates. Mr. Cline is a qualified reserves auditor as such term is defined in National Instrument 51-101. Mr. Cline is independent of Lundin Petroleum within the meaning of National Instrument 51-101 and does not have an interest in any securities or other property of Lundin Petroleum.

OTHER MATERIAL FACTS

There are no other material facts relating to Lundin Petroleum's affairs that have not been disclosed in the Valkyries Circular in this Exhibit B.

APPENDIX I

Form 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

June 16, 2006

The effective date of the information being provided is December 31, 2005. The following is a summary of reserves data and other oil and gas information of Lundin Petroleum AB. (“Lundin” or “Company”).

Lundin has crude oil reserves in France, Netherlands, Indonesia, Tunisia, Venezuela, United Kingdom and Norway. Lundin has gas reserves in Netherlands, Indonesia, Venezuela and Norway and NGL and LPG reserves in Indonesia and United Kingdom. Gaffney Cline and Associates (“GCA”), has independently audited the proved and probable reserves attributable to Lundin. GCA’s original report, dated January 1, 2006 has been prepared using the SPE/WPC definitions of reserves. This has been followed by a supplementary report dated 16 June 2006. The latter report has been prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") specifically for this transaction.

This document contains forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include such things as volatility of oil and gas prices, commodity supply and demand, fluctuations in currency and interest rates, inherent risks associated in the exploration and development of oil and gas properties, ultimate recoverability of reserves, timing, results and costs of drilling activities and pipeline construction, availability of financing, new regulations and legislation and availability of capital. Certain information regarding the Company in this document including forecast capital expenditures, future development plans and production constitute forward-looking statements under applicable securities laws. Although Lundin believes that the expectations represented by these forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to place undue reliance on forward-looking statements.

References to oil, reserves (gross, net, proved, probable, possible, developed, developed producing, developed non-producing, undeveloped), constant prices and costs, forecast prices and costs, operating, costs, development costs, future net revenue and future income tax expenses shall, unless expressly stated to be to the contrary, have the meaning attributed to such terms as set out in NI 51-101, companion Policy 51-101CP and all forms referenced therein.

Unless otherwise indicated all references to “$” or dollars or “US$” in this report refer to United States dollars.

Reserves Data (Constant Prices and Costs)

SUMMARY OF PROVED RESERVES
as at December 31, 2005
CONSTANT PRICES AND COSTS (refer to page 10 notes)

	Reserves Light and Medium Crude Oil		Reserves Gas and Associated Gas		Reserves NGL's		Reserves Oil Equivalent	
	Gross[1] mmbbls	Net[1] mmbbls	Gross mmboe	Net mmboe	Gross mmboe	Net mmboe	Gross mmboe	Net mmboe
Proved Developed Producing[2] [4]								
France	10.97	10.23	0.00	0.00	0.00	0.00	10.97	10.23
Indonesia	3.36	3.08	0.38	0.35	0.00	0.00	3.74	3.43
Netherlands	0.09	0.09	3.85	3.85	0.00	0.00	3.94	3.94
Norway	0.39	0.39	0.04	0.04	0.00	0.00	0.42	0.42
Tunisia	0.09	0.08	0.00	0.00	0.00	0.00	0.09	0.08
UK	25.92	25.92	0.00	0.00	0.58	0.58	26.49	26.49
Venezuela	1.44	1.44	0.15	0.15	0.00	0.00	1.60	1.60
	42.26	41.23	4.41	4.38	0.58	0.58	47.25	46.19
Proved Undeveloped[2] [5]								
France	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indonesia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	12.91	12.91	2.06	2.06	0.00	0.00	14.97	14.97
Tunisia	2.98	2.63	0.00	0.00	0.00	0.00	2.98	2.63
UK	0.39	0.39	0.00	0.00	0.01	0.01	0.39	0.39
Venezuela	0.98	0.98	0.01	0.01	0.00	0.00	1.00	1.00
	17.27	16.92	2.07	2.07	0.01	0.01	19.34	19.00
Total Proved[2]								
France	10.97	10.23	0.00	0.00	0.00	0.00	10.97	10.23
Indonesia	3.36	3.08	0.38	0.35	0.00	0.00	3.74	3.43
Netherlands	0.09	0.09	3.85	3.85	0.00	0.00	3.94	3.94
Norway	13.30	13.30	2.10	2.10	0.00	0.00	15.40	15.40
Tunisia	3.07	2.72	0.00	0.00	0.00	0.00	3.07	2.72
UK	26.31	26.31	0.00	0.00	0.59	0.59	26.90	26.90
Venezuela	2.43	2.43	0.16	0.16	0.00	0.00	2.59	2.59
	59.53	58.16	6.49	6.46	0.59	0.59	66.61	65.21

Reference: Item 2.1(1) of Form 51-101F1

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE PROVED RESERVES
as of December 31, 2005
CONSTANT PRICES AND COSTS (refer to page 10 notes)

	Net Present Values of Future Net Revenue									
	Before Deducting Income Tax Discounted At:					After Deducting Income Tax Discounted At:				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Proved Developed Producing(2) (4)										
France	297.7	231.3	189.2	160.6	140.1	217.5	171.8	141.7	120.8	105.7
Indonesia	35.2	28.1	23.2	19.8	17.2	22.2	17.5	14.4	12.1	10.4
Netherlands	94.8	85.9	78.0	71.2	65.5	49.0	46.2	42.8	39.5	36.6
Norway	-7.1	-5.0	-3.4	-2.1	-1.1	-1.8	-0.9	-0.1	0.5	1.0
Tunisia	-3.4	-3.1	-2.9	-2.6	-2.4	-3.4	-3.1	-2.9	-2.6	-2.4
UK	761.0	700.3	648.3	603.6	565.0	345.4	318.8	295.8	276.0	258.9
Venezuela	21.3	19.5	17.9	16.6	15.5	13.9	12.6	11.5	10.6	9.9
	1199.5	1057.0	950.4	867.1	799.8	642.7	562.9	503.2	457.0	420.1
Proved Undeveloped(2) (5)										
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	694.3	552.9	452.9	379.2	323.0	236.1	197.5	167.4	143.4	123.9
Tunisia	92.2	85.6	79.8	74.6	70.1	62.0	57.0	52.7	48.9	45.6
UK	7.1	6.2	5.4	4.7	4.1	3.5	3.1	2.7	2.4	2.1
Venezuela	17.9	14.0	11.2	9.1	7.5	11.1	8.3	6.2	4.8	3.7
	811.5	658.8	549.3	467.7	404.7	312.7	265.9	229.0	199.4	175.2
Total Proved(2)										
France	297.7	231.3	189.2	160.6	140.1	217.5	171.8	141.7	120.8	105.7
Indonesia	35.2	28.1	23.2	19.8	17.2	22.2	17.5	14.4	12.1	10.4
Netherlands	94.8	85.9	78.0	71.2	65.5	49.0	46.2	42.8	39.5	36.6
Norway	687.2	547.9	449.5	377.1	321.9	234.3	196.6	167.3	143.9	124.9
Tunisia	88.8	82.5	76.9	72.0	67.7	58.5	53.9	49.8	46.3	43.2
UK	768.1	706.5	653.7	608.3	569.1	348.9	321.9	298.6	278.4	260.9
Venezuela	39.3	33.5	29.1	25.7	22.9	25.0	20.9	17.8	15.4	13.5
	2011.0	1715.7	1499.7	1334.8	1204.5	955.4	828.7	732.3	656.4	595.2

Reference: Item 2.1(2) of Form 51-101F1

TOTAL FUTURE NET REVENUE PROVED RESERVES (UNDISCOUNTED)
as at December 31, 2005
CONSTANT PRICES AND COSTS (refer to page 10 notes)

	Revenue $ million	Production Taxes $ million	Operating Costs $ million	Finding & Development Costs $ million	Abandonment Costs $ million	Future Net Revenue Before Income Taxes $ million	Income Taxes $ million	Future Net Revenue After Income Taxes $ million
Proved Developed Producing(2) (4)								
France	621.1	42.0	258.4	3.1	19.9	297.7	80.3	217.5
Indonesia	192.3	15.6	126.7	14.8	0.0	35.2	12.9	22.2
Netherlands	164.9	0.0	48.2	2.7	19.4	94.8	45.8	49.0
Norway	29.3	0.0	28.9	0.8	6.7	-7.1	-5.3	-1.8
Tunisia	5.5	0.8	3.3	0.0	4.8	-3.4	0.0	-3.4
UK	1653.4	0.0	821.9	19.2	51.2	761.0	415.6	345.4
Venezuela	42.8	0.0	15.5	6.0	0.0	21.3	7.4	13.9
	2709.4	58.4	1302.9	46.5	102.1	1199.5	556.8	642.7
Proved Undeveloped(2) (5)								
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	887.8	0.0	92.5	89.9	11.1	694.3	458.1	236.1
Tunisia	175.5	20.2	35.7	25.4	2.0	92.2	30.3	62.0
UK	23.9	0.0	0.8	16.1	0.0	7.1	3.5	3.5
Venezuela	26.6	0.0	4.6	4.1	0.0	17.9	6.9	11.1
	1113.8	20.2	133.6	135.4	13.1	811.5	498.8	312.7
Total Proved(2)								
France	621.1	42.0	258.4	3.1	19.9	297.7	80.3	217.5
Indonesia	192.3	15.6	126.7	14.8	0.0	35.2	12.9	22.2
Netherlands	164.9	0.0	48.2	2.7	19.4	94.8	45.8	49.0
Norway	917.1	0.0	121.5	90.7	17.8	687.2	452.9	234.3
Tunisia	181.0	21.0	39.0	25.4	6.8	88.8	30.3	58.5
UK	1677.4	0.0	822.7	35.3	51.2	768.1	419.2	348.9
Venezuela	69.4	0.0	20.1	10.0	0.0	39.3	14.3	25.0
	3823.2	78.6	1436.5	181.9	115.2	2011.0	1055.6	955.4

Reference: Item 2.1(3)(b) of Form 51-101F1

FUTURE NET REVENUE PER PRODUCTION GROUP PROVED RESERVES
(DISCOUNTED at 10%, before income tax)
as at December 31, 2005
CONSTANT PRICES AND COSTS (refer to page 10 notes)

	Net Present Values of Future Net Revenue			
	Before Deducting Income Tax Discounted At 10% per annum:			
	Light and Medium Crude	**Gas and Associated Gas**	**NGL's**	**Total**
	$ million	$ million	$ million	$ million
Proved Developed Producing(2) (4)				
France	189.2	0.0	0.0	189.2
Indonesia	20.9	2.4	0.0	23.2
Netherlands	1.8	76.2	0.0	78.0
Norway	-3.1	-0.3	0.0	-3.4
Tunisia	-2.9	0.0	0.0	-2.9
UK	634.1	0.0	14.2	648.3
Venezuela	16.2	1.7	0.0	17.9
	856.2	80.0	14.2	950.4
Proved Undeveloped(2) (5)				
France	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0
Norway	391.4	61.6	0.0	452.9
Tunisia	79.8	0.0	0.0	79.8
UK	5.2	0.0	0.2	5.4
Venezuela	11.1	0.1	0.0	11.2
	487.4	61.7	0.2	549.3
Total Proved(2)				
France	189.2	0.0	0.0	189.2
Indonesia	20.9	2.4	0.0	23.2
Netherlands	1.8	76.2	0.0	78.0
Norway	388.3	61.3	0.0	449.5
Tunisia	76.9	0.0	0.0	76.9
UK	639.3	0.0	14.4	653.7
Venezuela	27.3	1.8	0.0	29.1
	1343.7	141.7	14.4	1499.7

Reference: Item 2.1(3)(c) of Form 51-101F1

Reserves Data (Forecast Prices and Costs)

SUMMARY OF PROVED and PROBABLE RESERVES
as at December 31, 2005
FORECAST PRICES AND COSTS (refer to page 10 notes)

	Reserves Light and Medium Crude Oil		Reserves Gas and Associated Gas		Reserves NGL's		Reserves Oil Equivalent	
	Gross(1) mmbbls	Net(1) mmbbls	Gross mmboe	Net mmboe	Gross mmboe	Net mmboe	Gross mmboe	Net mmboe
Proved Developed Producing(2) (4)								
France	10.39	9.67	0.00	0.00	0.00	0.00	10.39	9.67
Indonesia	3.59	3.36	0.39	0.37	0.00	0.00	3.98	3.73
Netherlands	0.09	0.09	3.76	3.76	0.00	0.00	3.84	3.84
Norway	0.36	0.36	0.03	0.03	0.00	0.00	0.39	0.39
Tunisia	0.09	0.08	0.00	0.00	0.00	0.00	0.09	0.08
UK	22.17	22.17	0.00	0.00	0.51	0.51	22.68	22.68
Venezuela	1.39	1.39	0.14	0.14	0.00	0.00	1.54	1.54
	38.08	37.12	4.32	4.30	0.51	0.51	42.91	41.92
Proved Undeveloped(2) (5)								
France	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Indonesia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	12.91	12.91	2.06	2.06	0.00	0.00	14.97	14.97
Tunisia	2.81	2.51	0.00	0.00	0.00	0.00	2.81	2.51
UK	0.39	0.39	0.00	0.00	0.01	0.01	0.39	0.39
Venezuela	1.03	1.03	0.02	0.02	0.00	0.00	1.06	1.06
	17.15	16.85	2.08	2.08	0.01	0.01	19.23	18.94
Total Proved(2)								
France	10.39	9.67	0.00	0.00	0.00	0.00	10.39	9.67
Indonesia	3.59	3.36	0.39	0.37	0.00	0.00	3.98	3.73
Netherlands	0.09	0.09	3.76	3.76	0.00	0.00	3.84	3.84
Norway	13.27	13.27	2.09	2.09	0.00	0.00	15.37	15.37
Tunisia	2.90	2.59	0.00	0.00	0.00	0.00	2.90	2.59
UK	22.56	22.56	0.00	0.00	0.52	0.52	23.08	23.08
Venezuela	2.43	2.43	0.16	0.16	0.00	0.00	2.59	2.59
	55.23	53.97	6.41	6.38	0.52	0.52	62.16	60.87
Total Probable(2)								
France	10.63	10.05	0.00	0.00	0.00	0.00	10.63	10.05
Indonesia	3.79	3.37	6.10	5.55	0.00	0.00	9.89	8.92
Netherlands	0.06	0.06	1.94	1.94	0.00	0.00	1.99	1.99
Norway	21.63	21.63	4.21	4.21	0.00	0.00	25.84	25.84
Tunisia	1.83	1.54	0.00	0.00	0.00	0.00	1.83	1.54
UK	36.34	36.34	0.00	0.00	0.81	0.81	36.34	36.34
Venezuela	1.71	1.71	0.05	0.05	0.00	0.00	1.77	1.77
	75.99	74.70	12.29	11.75	0.81	0.81	88.28	86.45
Total Proved Plus Probable(2)								
France	21.02	19.72	0.00	0.00	0.00	0.00	21.02	19.72
Indonesia	7.38	6.73	6.49	5.92	0.00	0.00	13.87	12.65
Netherlands	0.15	0.15	5.69	5.69	0.00	0.00	5.84	5.84
Norway	34.91	34.91	6.30	6.30	0.00	0.00	41.21	41.21
Tunisia	4.73	4.13	0.00	0.00	0.00	0.00	4.73	4.13
UK	58.90	58.90	0.00	0.00	1.33	1.33	60.23	60.23
Venezuela	4.14	4.14	0.22	0.22	0.00	0.00	4.36	4.36
	131.22	128.67	18.70	18.13	1.33	1.33	151.25	148.14

Reference: Item 2.2(1) of Form 51-101F1

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE OIL RESERVES
as of December 31, 2005
FORECAST PRICES AND COSTS (refer to page 10 notes)

	Net Present Values of Future Net Revenue									
	Before Deducting Income Tax Discounted At:					After Deducting Income Tax Discounted At:				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
Proved Developed Producing(2) (4)										
France	227.8	181.9	151.8	131.0	115.8	169.2	138.1	116.4	100.9	89.4
Indonesia	23.9	20.4	17.7	15.5	13.8	13.6	12.0	10.6	9.3	8.3
Netherlands	85.7	79.7	73.6	68.1	63.2	44.1	43.2	41.0	38.6	36.2
Norway	-4.9	-3.5	-2.4	-1.5	-0.8	0.1	0.8	1.3	1.6	1.9
Tunisia	-3.6	-3.3	-3.0	-2.8	-2.5	-3.6	-3.3	-3.0	-2.8	-2.5
UK	579.0	547.8	519.2	493.4	470.0	267.6	253.7	240.9	229.2	218.6
Venezuela	17.5	16.3	15.3	14.4	13.5	10.7	10.0	9.4	8.8	8.3
	925.5	839.3	772.2	718.0	673.0	501.7	454.5	416.5	385.7	360.1
Proved Undeveloped(2) (5)										
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	616.3	490.9	401.7	335.8	285.6	217.9	181.6	153.2	130.7	112.4
Tunisia	82.3	76.6	71.6	67.2	63.2	56.2	52.0	48.3	45.0	42.1
UK	5.7	4.9	4.2	3.6	3.1	2.8	2.5	2.1	1.8	1.5
Venezuela	16.3	12.9	10.4	8.5	7.0	10.1	7.6	5.8	4.5	3.5
	720.6	585.3	487.9	415.1	358.8	287.1	243.6	209.4	182.0	159.5
Total Proved(2)										
France	227.8	181.9	151.8	131.0	115.8	169.2	138.1	116.4	100.9	89.4
Indonesia	23.9	20.4	17.7	15.5	13.8	13.6	12.0	10.6	9.3	8.3
Netherlands	85.7	79.7	73.6	68.1	63.2	44.1	43.2	41.0	38.6	36.2
Norway	611.4	487.4	399.3	334.3	284.8	217.9	182.4	154.5	132.3	114.3
Tunisia	78.7	73.3	68.6	64.4	60.7	52.7	48.7	45.3	42.3	39.6
UK	584.7	552.7	523.5	497.0	473.0	270.5	256.2	243.0	231.0	220.1
Venezuela	33.8	29.2	25.6	22.8	20.6	20.8	17.6	15.2	13.3	11.8
	1646.1	1424.6	1260.1	1133.1	1031.8	788.8	698.1	626.0	567.7	519.6
Total Probable(2)										
France	366.7	191.7	116.6	79.3	58.3	238.4	126.4	76.7	51.6	37.4
Indonesia	77.5	45.4	29.4	20.5	15.2	49.7	27.7	16.8	10.8	7.2
Netherlands	68.6	54.2	43.7	36.0	30.1	35.3	28.0	22.5	18.3	15.2
Norway	986.8	722.4	550.1	431.8	347.2	233.5	177.2	138.1	109.8	88.9
Tunisia	62.0	55.0	49.2	44.3	40.2	28.9	25.5	22.7	20.4	18.4
UK	884.5	679.8	532.8	426.2	347.5	374.4	297.2	237.3	192.3	158.4
Venezuela	29.4	22.5	17.6	14.0	11.4	17.3	12.8	9.6	7.4	5.7
	2475.5	1771.0	1339.4	1052.2	849.8	977.4	694.7	523.7	410.6	331.3
Total Proved Plus Probable(2)										
France	594.5	373.6	268.5	210.3	174.1	407.7	264.4	193.1	152.6	126.8
Indonesia	101.5	65.8	47.1	36.0	28.9	63.3	39.7	27.3	20.1	15.5
Netherlands	154.3	133.9	117.3	104.0	93.3	79.3	71.2	63.5	56.9	51.3
Norway	1598.2	1209.8	949.4	766.2	632.0	451.5	359.6	292.6	242.1	203.2
Tunisia	140.7	128.3	117.8	108.7	100.8	81.5	74.2	68.0	62.6	58.0
UK	1469.2	1232.5	1056.3	923.2	820.5	644.8	553.3	480.3	423.3	378.6
Venezuela	63.2	51.7	43.2	36.8	31.9	38.1	30.4	24.8	20.7	17.5
	4121.6	3195.6	2599.5	2185.3	1881.6	1766.1	1392.8	1149.6	978.3	850.9

Reference: Item 2.2(2) of Form 51-101F1

TOTAL FUTURE NET REVENUE (UNDISCOUNTED)
as at December 31, 2005
FORECAST PRICES AND COSTS (refer to page 10 notes)

	Revenue $ million	Production Taxes $ million	Operating Costs $ million	Finding & Development Costs $ million	Abandonment Costs $ million	Future Net Revenue Before Income Taxes $ million	Income Taxes $ million	Future Net Revenue After Income Taxes $ million
Proved Developed Producing(2) (4)								
France	569.5	39.7	272.1	3.1	26.8	227.8	58.6	169.2
Indonesia	193.6	12.4	141.4	15.9	0.0	23.9	10.3	13.6
Netherlands	160.4	0.0	48.6	2.8	23.3	85.7	41.7	44.1
Norway	25.5	0.0	22.4	0.6	7.3	-4.9	-4.9	0.1
Tunisia	5.3	0.7	3.3	0.0	4.8	-3.6	0.0	-3.6
UK	1316.1	0.0	660.0	19.4	57.7	579.0	311.4	267.6
Venezuela	38.5	0.0	14.8	6.2	0.0	17.5	6.8	10.7
	2308.9	52.8	1162.6	48.0	119.9	925.5	423.8	501.7
Proved Undeveloped(2) (5)								
France	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	831.2	0.0	107.9	91.2	15.8	616.3	398.4	217.9
Tunisia	154.1	16.1	28.3	25.4	2.0	82.3	26.0	56.2
UK	22.6	0.0	0.8	16.1	0.0	5.7	2.8	2.8
Venezuela	27.1	0.0	6.7	4.1	0.0	16.3	6.2	10.1
	1035.0	16.1	143.7	136.8	17.8	720.6	433.5	287.1
Total Proved(2)								
France	569.5	39.7	272.1	3.1	26.8	227.8	58.6	169.2
Indonesia	193.6	12.4	141.4	15.9	0.0	23.9	10.3	13.6
Netherlands	160.4	0.0	48.6	2.8	23.3	85.7	41.7	44.1
Norway	856.7	0.0	130.3	91.9	23.1	611.4	393.5	217.9
Tunisia	159.4	16.9	31.6	25.4	6.8	78.7	26.0	52.7
UK	1338.7	0.0	660.8	35.5	57.7	584.7	314.2	270.5
Venezuela	65.6	0.0	21.5	10.3	0.0	33.8	13.1	20.8
	3343.9	68.9	1306.3	184.8	137.8	1646.1	857.3	788.8
Total Probable(2)								
France	680.3	37.5	252.5	16.9	6.7	366.7	128.2	238.4
Indonesia	283.4	29.6	151.1	25.1	0.0	77.5	27.9	49.7
Netherlands	82.8	0.0	12.9	0.3	1.0	68.6	33.3	35.3
Norway	1332.2	0.0	204.0	117.1	24.3	986.8	753.3	233.5
Tunisia	95.7	15.3	18.4	0.0	0.0	62.0	33.2	28.9
UK	2182.7	0.0	1118.5	164.2	15.5	884.5	510.1	374.4
Venezuela	41.2	0.0	6.2	5.7	0.0	29.4	12.1	17.3
	4698.2	82.4	1763.6	329.3	47.4	2475.5	1498.1	977.4
Total Proved Plus Probable(2)								
France	1249.8	77.1	524.6	20.0	33.5	594.5	186.8	407.7
Indonesia	477.0	42.0	292.5	41.0	0.0	101.5	38.2	63.3
Netherlands	243.2	0.0	61.5	3.1	24.3	154.3	75.0	79.3
Norway	2188.9	0.0	334.3	208.9	47.4	1598.2	1146.8	451.5
Tunisia	255.1	32.2	50.0	25.4	6.8	140.7	59.2	81.5
UK	3521.4	0.0	1779.3	199.7	73.2	1469.2	824.3	644.8
Venezuela	106.8	0.0	27.6	16.0	0.0	63.2	25.2	38.1
	8042.1	151.3	3069.9	514.2	185.2	4121.6	2355.4	1766.1

Reference: Item 2.2(3)(b) of Form 51-101F1

FUTURE NET REVENUE PER PRODUCTION GROUP (DISCOUNTED at 10%, before income tax)
as at December 31, 2005
FORECAST PRICES AND COSTS (refer to page 10 notes)

	Net Present Values of Future Net Revenue			
	Before Deducting Income Tax Discounted At 10% per annum:			
	Light and Medium Crude	**Gas and Associated Gas**	**NGL's**	**Total**
	$ million	$ million	$ million	$ million
Proved Developed Producing(2) (4)				
France	151.8	0.0	0.0	151.8
Indonesia	15.9	1.7	0.0	17.7
Netherlands	1.7	71.9	0.0	73.6
Norway	-2.2	-0.2	0.0	-2.4
Tunisia	-3.0	0.0	0.0	-3.0
UK	507.6	0.0	11.6	519.2
Venezuela	13.9	1.4	0.0	15.3
	685.7	74.9	11.6	772.2
Proved Undeveloped(2) (5)				
France	0.0	0.0	0.0	0.0
Indonesia	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	0.0	0.0
Norway	347.1	54.6	0.0	401.7
Tunisia	71.6	0.0	0.0	71.6
UK	4.0	0.0	0.2	4.2
Venezuela	10.2	0.2	0.0	10.4
	432.9	54.8	0.2	487.9
Total Proved(2)				
France	151.8	0.0	0.0	151.8
Indonesia	15.9	1.7	0.0	17.7
Netherlands	1.7	71.9	0.0	73.6
Norway	344.9	54.4	0.0	399.3
Tunisia	68.6	0.0	0.0	68.6
UK	511.6	0.0	11.8	523.5
Venezuela	24.0	1.6	0.0	25.6
	1118.6	129.7	11.8	1260.1
Total Probable(2)				
France	116.6	0.0	0.0	116.6
Indonesia	9.1	20.3	0.0	29.4
Netherlands	1.3	42.5	0.0	43.7
Norway	459.3	90.8	0.0	550.1
Tunisia	49.2	0.0	0.0	49.2
UK	521.2	0.0	11.6	532.8
Venezuela	17.0	0.5	0.0	17.6
	1173.7	154.1	11.6	1339.4
Total Proved Plus Probable(2)				
France	268.5	0.0	0.0	268.5
Indonesia	25.0	22.0	0.0	47.1
Netherlands	2.9	114.4	0.0	117.3
Norway	804.1	145.2	0.0	949.4
Tunisia	117.8	0.0	0.0	117.8
UK	1032.9	0.0	23.4	1056.3
Venezuela	41.1	2.1	0.0	43.2
	2292.3	283.8	23.4	2599.5

Reference: Item 2.2(3)(c) of Form 51-101F1

Notes:

1. “Gross Reserves” are Lundin’s working interest (operating or non-operating) share before deducting royalties, local levy taxes and domestic market obligations, except for Indonesia where the reserves are quoted on an entitlement basis before deducting domestic market obligations. “Net Reserves” are Lundin’s working interest (operating or non-operating) share after deduction of royalties, local levy taxes and domestic market obligations, except for Indonesia where the reserves are quoted on an entitlement basis after deducting domestic market obligations. The Tunisian asset pays royalty and a proportion of the production is required to be sold to the domestic market at a discount to market prices. The French assets pay royalty and a local levy tax. The Indonesian assets are required to sell a proportion of their production to the domestic market at a discount to market prices.

2. “Proved” reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. “Probable” reserves are those 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.

3. “Developed” reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g. when compared to the cost of drilling a well) to put the reserves on production.

4. “Developed Producing” reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

5. “Undeveloped” reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

6. As at the reporting date Lundin does not have Proved Developed Non Producing Reserves. This therefore has not been included in the tables

7. Production Taxes include Royalties and local Levies.

PRICING ASSUMPTIONS

Constant Prices Used in Estimates

The constant Brent reference price used is based on the December 31, 2005 Brent price of US $57.85 per barrel with the relevant crude differentials applied. Zero cost inflation is assumed.

Forecast Prices Used in Estimates

The price assumptions used for the forecasted price scenario are as follows:

Year	Brent Reference US $/bbl	Liquids UK Sales US $/bbl	Liquids France Paris Basin US $/bbl	Liquids France Cascogne US $/bbl	Liquids Tunisian Sales US $/bbl	Liquids Venezuela Sales US $/bbl	Liquids Indonesia Sales US $/bbl	Gas Norway US $/mcf	Gas Indonesia US $/mcf	Gas Netherlands US $/mcf
2006	56.00	56.94	54.57	55.90	56.35	23.09	55.02	7.1	2.6	6.79
2007	54.38	55.32	52.95	54.28	54.73	24.39	53.45	7.1	2.6	6.79
2008	50.53	51.47	49.10	50.43	50.88	25.74	49.71	7.1	2.6	6.80
2009	49.69	50.63	48.26	49.59	50.04	25.98	48.90	7.1	2.6	6.81
2010	50.72	51.66	49.29	50.62	51.07	26.41	49.90	7.1	2.6	6.82
2011	51.78	52.72	50.35	51.68	52.13	26.86	50.93	7.1	2.6	6.82
2012	52.85	53.79	51.42	52.75	53.20	27.33	51.96	7.1	2.6	6.82
2013	53.95	54.89	52.52	53.85	54.30	27.84	53.03	7.1	2.6	6.82
2014	55.07	56.01	53.64	54.97	55.42	28.37	54.12	7.1	2.6	6.78
2015	56.21	57.15	54.78	56.11	56.56	0.00	55.22	7.1	2.6	6.79
2016	57.38	58.32	55.95	57.28	57.73	0.00	56.36	7.1	2.6	6.80
2017	58.56	59.49	57.13	58.46	58.91	0.00	57.50	7.1	2.6	6.76
2018	59.73	60.66	58.30	59.63	60.08	0.00	58.64	7.1	2.6	6.70
2019	60.93	61.86	59.50	60.83	61.28	0.00	59.80	7.1	2.6	6.91
2020	62.14	63.07	60.71	62.04	62.49	0.00	60.98	7.1	2.6	6.91
2021	63.39	64.32	61.96	63.29	63.74	0.00	62.19	7.1	2.6	6.91
2022	64.65	65.58	63.22	64.55	65.00	0.00	63.42	7.1	2.6	7.00
2023	65.95	66.88	64.52	65.85	66.30	0.00	64.67	7.1	2.6	7.00
2024	67.27	0.00	65.84	67.17	67.62	0.00	65.95	7.1	2.6	7.01
2025	68.61	0.00	67.18	68.51	68.96	0.00	67.25	7.1	2.6	7.01
2026	69.98	0.00	68.55	69.88	70.33	0.00	68.59	7.1	2.6	7.21
2027	71.38	0.00	69.95	71.28	71.73	0.00	69.94	7.1	2.6	7.22
2028	72.81	0.00	71.38	72.71	73.16	0.00	71.33	7.1	2.6	0.00
2029	74.27	0.00	72.84	74.17	74.62	0.00	72.74	7.1	2.6	0.00
2030	75.75	0.00	74.32	75.65	76.10	0.00	74.18	7.1	2.6	0.00
2031	77.27	0.00	75.84	77.17	77.62	0.00	0.00	7.1	2.6	0.00
2032	78.81	0.00	77.38	78.71	79.16	0.00	0.00	7.1	2.6	0.00
2033	80.39	0.00	78.96	80.29	80.74	0.00	0.00	7.1	2.6	0.00
2034	82.00	0.00	80.57	81.90	82.35	0.00	0.00	7.1	2.6	0.00
2035	83.64	0.00	82.21	83.54	83.99	0.00	0.00	7.1	2.6	0.00
2036	85.31	0.00	83.88	85.21	85.66	0.00	0.00	7.1	2.6	0.00
2037	87.02	0.00	85.59	86.92	87.37	0.00	0.00	7.1	2.6	0.00

Reference: Item 3.2 of Form 51-101F1

The forecasted Brent reference price is adjusted for the various crude qualities to arrive at a forecasted sales price for France, Tunisia and Indonesia. In the UK, quality differentials have been adjusted in the sales oil profile. The premium to Brent shown in the table above is a marketing premium.

In Venezuela, the forecasted sales oil price is calculated in accordance with the service agreement fee structure.

The gas produced in Norway will be exported to the UK gas market. The gas sales price in Norway is based on the UK spot gas price of 40p/therm (US $7.1/mcf).

The gas sales price received in the Netherlands is the weighted average gas price from all fields in the Netherlands based on contracted gas prices as of December 2005.

Operating costs and capital expenditure are inflated by 2% per annum from 2007 onwards.

The following exchange rates were assumed throughout the evaluation period:

NOK/US$	6.5
US$/Euro	1.3
US$/GBP	1.75

RECONCILIATION of CHANGES in RESERVES and FUTURE NET REVENUE

The Corporation has not previously reported its reserves in accordance with NI 51-101 and consequently a reconciliation has not been included.

ADDITIONAL INFORMATION RELATING TO RESERVES DATA

Undeveloped Reserves

In certain producing assets in the UK and Venezuela, Lundin has identified infill opportunities. Lundin has assigned proved undeveloped reserves to these assets based on the following:

- if there is sufficient certainty (more than 90%) that these reserves will be recovered
- if the development expenditure is scheduled for 2006

Non producing probable reserves in producing assets have been assigned based on the following:

- if non producing proved reserves have been assigned
- if technical work clearly has identified the potential for additional development drilling or secondary recovery methods.
- if there is sufficient certainty (more than 50%) that these reserves will be recovered
- if the development expenditure is scheduled for the next years

Certain non producing assets in Tunisia and Norway have proved and proved plus probable undeveloped reserves. These reserves have been assigned based on the existence of an approved development plan and scheduled development expenditure. First production from the Tunisia asset is expected in the 2nd half of 2006. First production from the Norway asset is expected early 2007.

Lundin has non producing assets in Norway and Indonesia for which no proved undeveloped reserves have been assigned, but which do have probable reserves assigned. These assets are awaiting development plan approval. For the Indonesian asset a heads of agreement on gas sales has been signed and development approval is expected during 2006. First production is scheduled for mid 2008. For the Norwegian asset the submission of a development plan to the authorities is scheduled for Q3 2006 and approval is expected before the end of 2006. First production is scheduled for 2008.

Significant Factors or Uncertainties

Reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not actually be recovered, and if recovered, revenues therefrom and actual costs related thereto could be more or less than estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

The reserves were estimated using performance methods such as decline curve analysis and simulation modelling in those situations where the historical data indicated a definitive trend. In those situations where the historical data were insufficient to establish a definitive trend, or where there were no production data, reserves were estimated using the volumetric method, by analogy or by simulation modelling.

As a result of both economic and political forces there is significant uncertainty regarding the forecasting of future hydrocarbon prices. Recoverable reserves and the income attributable thereto have a direct relationship with hydrocarbon prices actually received; therefore, volumes of reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented.

During 2006 Lundin will be negotiating a mixed enterprise contract for its assets in Venezuela. It is likely that the as a result of a change in contract Lundin's net working interest will be changed into a net interest in a joint venture company that owns 100% of the working interest. In return the contract duration will be extended from its current expiry December 2014.

Early 2006 Lundin experienced production problems in their assets in the UK. Production problems on the Heather and Thistle platforms are related to the availability of water injection pumps and power generation. Both problems are being addressed and full injection capacity on the Thistle platform has been restored and will be restored shortly for the Heather platform. Sufficient water injection over capacity exists such that the recently experienced shortfall in injection and the resulting loss in production will not materially affect the presented December 31, 2005 Reserves and Net Present Value estimates.

Mid 2005 Lundin drilled a development well on the North Terrace structure which is part of the Broom field, a satellite development of the Heather platform. The well was brought on stream in November 2005 as per prognosis. During the first 5 months of 2006, a larger decline than expected was observed. The well now shows signs of water injection and/or aquifer support and the decline has been arrested. The impact on reserves is as yet uncertain, but immaterial to Lundin’s Reserves Base in the United Kingdom.

Future Development Costs

	2006 $ million	2007 $ million	2008 $ million	2009 $ million	2010 $ million	Total for all years undiscounted $ million	Total for all years discounted at 10% pa $ million
Total Proved (Constant Prices and Costs)							
France	3.0	0.1	0.0	0.0	0.0	3.1	3.0
Indonesia	3.1	0.7	0.7	0.7	0.7	11.7	7.4
Netherlands	2.0	0.1	0.0	0.1	0.0	2.5	2.1
Norway	71.1	11.7	2.0	0.1	0.0	88.9	81.0
Tunisia	25.4	0.0	0.0	0.0	0.0	25.4	24.2
UK	26.2	7.3	0.2	0.0	0.0	33.6	31.4
Venezuela	4.7	2.7	0.6	0.5	0.4	10.0	8.5
	135.5	22.4	3.4	1.4	1.1	175.2	157.6
Total Proved (Forecasted Prices and Costs)							
France	3.0	0.1	0.0	0.0	0.0	3.1	3.0
Indonesia	3.1	0.7	0.7	0.7	0.7	12.9	7.9
Netherlands	2.0	0.1	0.0	0.1	0.0	2.6	2.1
Norway	71.1	11.9	2.0	0.0	0.0	89.9	81.5
Tunisia	25.4	0.0	0.0	0.0	0.0	25.4	24.2
UK	26.2	7.4	0.2	0.0	0.0	33.8	31.5
Venezuela	4.7	2.7	0.7	0.6	0.5	10.3	8.7
	135.5	22.9	3.6	1.3	1.2	177.9	158.9
Total Proved Plus Probable (Forecasted Prices and Costs)							
France	15.5	4.4	0.1	0.1	0.1	20.0	18.7
Indonesia	3.1	7.8	6.0	0.7	2.8	38.0	21.9
Netherlands	1.9	0.4	0.0	0.1	0.0	2.9	2.4
Norway	73.8	58.6	45.2	19.4	0.2	202.4	172.8
Tunisia	25.4	0.0	0.0	0.0	0.0	25.4	24.2
UK	84.6	101.4	11.9	0.0	0.0	198.0	178.0
Venezuela	4.7	5.0	3.0	1.4	0.5	16.0	13.3
	209.1	177.5	66.2	21.7	3.6	502.7	431.2

Reference: Item 5.3(1) of Form 51-101F1

Lundin has a production base that it currently anticipates will allow it to fully finance future capital expenditure from future operating cash flow. Furthermore, at December 31, 2005 Lundin has a net debt position of US$27 mln and an agreed borrowing base facility of $US350 mln.

OTHER OIL AND GAS INFORMATION

Oil and Gas Properties and Wells

The following table sets forth the properties and number of wells in which Lundin held a working interest as at December 31, 2005:

Property	Reserves (Y/N)	Lundin Working Interest	Location	Status	Gross Producing Oil Wells	Gross Non Producing Oil Wells	Gross Producing Gas Wells	Gross Non Producing Gas Wells	Net Producing Oil Wells	Net Non Producing Oil Wells	Net Producing Gas Wells	Net Non Producing Gas Wells
France												
Courdemanges	Y	80.00%	Onshore	Production	3	1	0	0	2	1	0	0
Dommartin-Lettree	Y	43.01%	Onshore	Production	3	1	0	0	1	0	0	0
Fontaine au Bron (Partie sud + partie ouest)	Y	100.00%	Onshore	Production	4	3	0	0	4	3	0	0
Grandville	Y	80.00%	Onshore	Production	5	7	0	0	4	6	0	0
La Motte Noire	Y	100.00%	Onshore	Production	3	1	0	0	3	1	0	0
Merisier	Y	100.00%	Onshore	Production	2	2	0	0	2	2	0	0
Nemours	N	33.33%	Onshore	Exploration	0	0	0	0	0	0	0	0
Soudron	Y	80.00%	Onshore	Production	17	13	0	0	14	10	0	0
Val des Marais	N	80.00%	Onshore	Exploration	0	1	0	0	0	1	0	0
Vert-La-Gravelle	Y	80.00%	Onshore	Production	3	1	0	0	2	1	0	0
Villeperdue	Y	100.00%	Onshore	Production	83	89	0	0	83	89	0	0
Tamaris	N	50.00%	Onshore	Production	2	1	0	0	1	1	0	0
Courbey	Y	50.00%	Onshore	Production	3	4	0	0	2	2	0	0
Les Mimosas	Y	50.00%	Onshore	Production	1	1	0	0	1	1	0	0
Les Arbousiers (licence C54)	Y	50.00%	Onshore	Production	4	2	0	0	2	1	0	0
Les Pins (licence C56)	Y	50.00%	Onshore	Production	3	2	0	0	2	1	0	0
United Kingdom												
HeatherP242	Y	100.00%	Offshore	Production	62	40	0	0	62	40	0	0
Broom P242/P902	Y	55.00%	Offshore	Development	4	2	0	0	2	1	0	0
Thistle P236 same area as Deveron	Y	99.00%	Offshore	Production	26	23	0	0	26	23	0	0
Deveron P475	Y	99.00%	Offshore	Production	1	4	0	0	1	4	0	0
Solan/Strathsmore P164 (Block 205/26a)	N	100.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
Block 9/10c (P1206)	N	60.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
Block 3/1b (P1275)	N	100.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
Block 211/28b (PL1384)	N	60.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
Block 9/14C and 9/15c	N	37.50%	Offshore	Exploration	0	0	0	0	0	0	0	0
Norway												
Alvheim Unit PL203 **	Y	15.00%	Offshore	Production	0	0	0	0	0	0	0	0
Jotun Unit(PL103B & PL027B)	Y	7.00%	Offshore	Production	16	4	0	0	1	0	0	0
PL006c	N	100.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL036c **	N	15.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL088bs **	N	15.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL103B	N	70.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL148	N	50.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL150	Y	35.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL167 and 167b	N	20.00%	Offshore	Production	0	0	0	0	0	0	0	0
PL292	N	40.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL304	N	60.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL335	N	18.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL338	N	70.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL340	N	15.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL359 (block 16/1,4)	N	70.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
PL363 (block 25/5)	N	60.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
Tunisia												
Birsa	N	40.00%	Offshore	Production	0	6	0	0	0	2	0	0
Zelfa	N	62.50%	Offshore	Production	0	0	0	0	0	0	0	0
Isis	Y	40.00%	Offshore	Production	3	8	0	0	1	3	0	0
Oudna	Y	50.00%	Offshore	Production	0	4	0	0	0	2	0	0
Venezuela												
Colon Unit	Y	12.50%	Onshore	Production	59	465	0	0	7.4	58.1	0.0	0.0
Netherlands												
Gorredijk		7.75%	Onshore	Production	0	0	5	1	0	0	0	0
Leeuwarden		7.23%	Onshore	Production	0	0	42	2	0	0	3	0
Lemmer-Marknesse		10.00%	Onshore	Exploration	0	0	0	0	0	0	0	0
Oosterend		7.75%	Onshore	Production	0	0	3	0	0	0	0	0
Slootdorp		7.23%	Onshore	Production	0	0	2	3	0	0	0	0
Zuidwal		7.80%	Onshore	Production	0	0	9	1	0	0	1	0
E16a		1.44%	Offshore	Prod Application	0	0	0	0	0	0	0	0
E17a E17b		1.20%	Offshore	Prod Application	0	0	0	1	0	0	0	0
F6a (oil)		7.76%	Offshore	Production	0	0	0	0	0	0	0	0
F6a (gas)		4.65%	Offshore	Production	0	0	0	0	0	0	0	0
F12		10.00%	Offshore	Exploration	0	0	0	0	0	0	0	0
F15a/d		2.53%	Offshore	Production	0	0	5	0	0	0	0	0
K3b		3.84%	Offshore	Production	0	0	0	0	0	0	0	0
K3d		3.84%	Offshore	Production	0	0	0	0	0	0	0	0
K4b/K5a		2.03%	Offshore	Production	0	0	18	3	0	0	0	0
K6/L7		3.84%	Offshore	Production	0	0	14	3	0	0	1	0
L1 e		4.34%	Offshore	Production	0	0	0	0	0	0	0	0
L1f		6.00%	Offshore	Production	0	0	0	0	0	0	0	0
L4a		4.34%	Offshore	Production	0	0	11	4	0	0	0	0
Q16a		1.81%	Offshore	Production	0	0	1	1	0	0	0	0
Indonesia												
Banyumas	N	25.00%	Onshore	Exploration	0	0	0	0	0	0	0	0
Blora	N	43.30%	Onshore	Exploration	0	0	0	0	0	0	0	0
Lematang	Y	15.88%	Onshore	Exploration	4	6	0	2	1	1	0	0
Kepala Burung Block (Salawati Basin)	Y	25.94%	On/Offshore	Production	214	146	5	5	56	38	1	1
Salawati Kepala Burung Block (Salawati Island)	Y	14.51%	On/Offshore	Production	24	15	0	0	3	2	0	0
Sareba	N	100.00%	Onshore	Exploration	0	0	0	0	0	0	0	0

	Gross Producing Oil Wells	Gross Non Producing Oil Wells	Gross Producing Gas Wells	Gross Non Producing Gas Wells	Net Producing Oil Wells	Net Non Producing Oil Wells	Net Producing Gas Wells	Net Non Producing Gas Wells
Lundin Total	549	852	115	26	282	294	7	3

Reference: Item 6.1 of Form 51-101F1

Notes:

1. Gross wells include all wells in which Lundin has an ownership interest.

2. Net wells are calculated based on Lundin’s ownership interest

Properties With No Attributed Reserves

Property	Operator	Lundin Working Interest	Location	Gross Area, km2	Gross Area, Ha	Outstanding Work Commitments Nature	Gross Amount (MM USD$)	Comment
France								
Nemours	Lundin International 33.333%	33.33%	Onshore	192.3	1.92	none	0.00	
Val des Marais	Lundin International 80%	80.00%	Onshore	528.0	5.28	Financial	1.00	Drilling in 2006
Tamaris	Esso Rep 50%	50.00%	Onshore	10.0	0.10	none	0.00	
United Kingdom								
Solan/Strathsmore P164 (Block 205/26a)	Lundin UK Exploration Limited 100%	100.00%	Offshore	103.4	1.03	none	0.00	
Block 9/10c (P1206)	Lundin 60%*	60.00%	Offshore	82.5	0.83	none	0.00	
Block 3/1b (P1275)	Lundin 100%	100.00%	Offshore	91	0.91	seismic	0.74	
Block 211/28b (PL1384)	Lundin 60%*	60.00%	Offshore	178.5	1.79	seismic	0.74	
Block 9/14C and 9/15c	ConocoPhillips 45%	37.50%	Offshore	44.5	0.45	seismic	1.85	
Norway								
PL006c	Lundin 100%	100.00%	Offshore	93.2	0.93	none	0.00	
PL036c **	Marathon 65%	15.00%	Offshore	26.22	0.26	none	0.00	
PL088bs **	Marathon 65%	15.00%	Offshore	97.05	0.97	none	0.00	
PL103B	Lundin 70%	70.00%	Offshore	23.71	0.24	none	0.00	
PL148	Lundin 50%	50.00%	Offshore	50.12	0.50	none	0.00	
PL167 and 167b	Statoil ASA 80%	20.00%	Offshore	40.96	0.41	none	0.00	
PL292	BG 60% (option to go to 70%)	40.00%	Offshore	65.26	0.65	Well	15.00	
PL304	Lundin 60%	60.00%	Offshore	439.14	4.39	none	0.00	
PL335	BG 52%	18.00%	Offshore	207.58	2.08	Well	15.00	
PL338	Lundin Norway 70%	70.00%	Offshore	218.12	2.18	none	0.00	
PL340	Marathon 65%	15.00%	Offshore	164.44	1.64	none	0.00	
PL359 (block 16/1,4)	Lundin 70%	70.00%	Offshore	304.99	3.05	Financial	1.14	
PL363 (block 25/5)	Lundin 60%	60.00%	Offshore	167.94	1.68	Financial	1.00	
Tunisia								
Birsa	Lundin 40%	40.00%	Offshore	220	2.20	none	0.00	
Zelfa	Lundin 62.5%	62.50%	Offshore	100	1.00	none	0.00	
Netherlands								
Lemmer-Marknesse	Total E&P Nederland 60%	10.00%	Onshore	633	6.33	none	0.00	
E16a	Gaz de France 41.64%	1.44%	Offshore	29	0.29	none	0.00	
E17a E17b	Gaz de France 34.7%	1.20%	Offshore	114	1.14	none	0.00	
F6a (oil)	Total E&P Nederland 92.243254%	7.76%	Offshore	8	0.08	none	0.00	
F6a (gas)	Total E&P Nederland 55.346%	4.65%	Offshore	8	0.08	none	0.00	
F12	Total E&P Nederland 50%	10.00%	Offshore	401	4.01	Well	0.00	2006 Well Drille
K3b	Total E&P Nederland 56.158987%	3.84%	Offshore	7	0.07	none	0.00	
K3d	Total E&P Nederland 56.158987%	3.84%	Offshore	26	0.26	none	0.00	
L1 e	Total E&P Nederland 55.6605%	4.34%	Offshore	12	0.12	none	0.00	
L1f	Total E&P Nederland 54%	6.00%	Offshore	17	0.17	none	0.00	
Indonesia								
Banyumas	Lundin Banyumas BV 25%	25.00%	Onshore	3973	39.73	none	0.00	
Blora	Lundin Blora BV 43.29744%*	43.30%	Onshore	3431.4	34.31	none	0.00	
Sareba	Lundin Sareba BV 100%	100.00%	Onshore	3607	36.07	none	0.00	
Albania								
Durresi	OMV 50%	50.00%	Offshore	4208	42.08	1 well / financia	3.70	
Sudan								
Block 5B	Petronas 39 % / Sudapet 13%	24.50%	Onshore	20119	201.19	3 Wells + Seism	33.00	
Nigeria								
OML 113	Lundin Nigeria Ltd (Tech advisor)	12.00%	Offshore	1821	18.21	none	0.00	
Ireland								
Donegal	Lundin Exploration BV 35%	35.00%	Offshore	408.29	4.08	Well	14.80	Drilling in 2006
Seven Heads Oil	Ramco 74%	12.5	Offshore	291.5	2.92	None	0.00	

Reference: Item 6.2 of Form 51-101F1

Forward Contracts

Lundin has the following hedging arrangements in place:

Lundin Petroleum AB
Hedging Contracts

Oil

Trade Date	Company	Counterparty	Barrels bopd	Period Start	Period End	Hedge Price $/bbl
22/3/2005	Heather Ltd	Macquarie	1,500	01/01/2006	31/12/2006	53.05
22/3/2005	Heather Ltd	Macquarie	1,000	01/01/2006	31/12/2006	53.25
22/3/2005	Heather Ltd	BNP	2,500	01/01/2006	31/12/2006	53.25
14/12/2005	Heather Ltd	BNP	2,500	01/01/2006	31/12/2006	61.30
15/12/2005	Heather Ltd	Macquarie	2,500	01/01/2006	31/12/2006	61.50

Reference: Item 6.3 of Form 51-101F1

Additional information concerning abandonment and reclamation costs

France Aquitaine

The abandonment costs for France Aquitaine were reviewed in consultation with Lundin staff based in France during 2005. A number of fields have already been abandoned in France, therefore there is a good regional database on which to base and calibrate our €10.8 million estimate.

In the Proved plus Probable assumptions, the only part of this expected to be paid in the next 3 years is the €0.44 million for Tamaris.

Venezuela

The production contract for the Colon Unit as of 01.01.2006 is an operating service agreement, expiring in December 2014, after which the property is returned to the Venezuelan state. Therefore no abandonment costs are liable under the terms of this contract.

United Kingdom

For the **Thistle** platform, no decommissioning costs are included as the arrangement is for the platform to be handed back to BP at the cessation of economic production.

For the **Heather** platform, the estimate of UK£65 million (100%) was provided by engineering estimates and reports from independent experts. Through an arrangement with previous owners Lundin only has a 37.5% interest in the Heather abandonment liability.

For the **Broom** subsea wells and subsea infrastructure, the estimate of UK£ 8.9 million (100%) was provided by the project team that managed the recent Broom development.

None of these costs will be incurred during the next three years.

Norway

The **Jotun** field is developed by an FPSO and a platform. The estimate provided for the decommissioning is NOK 625 million (100%), with the major items being the wells (NOK 170 million) and the platform (NOK 425 million).

For **Alvheim**, the decommissioning cost of NOK 480 million comes directly from the operators approved PDO.

For **Volund (Hamsun)** the figure of NOK 189 million has been provided by the operator.

None of these costs will be incurred during the next three years.

France Paris Basin

Detailed abandonment cost estimates for all of the onshore Paris Basin wells have been compiled by Lundin staff in France. There is a good basis for these costs as there are several wells abandoned each year.

As of year end 2005 there are a total of 196 wells remaining to be abandoned. The total estimated cost including both the well abandonment and civil works is €16.8 million for the fields where Lundin has a 100% interest, €5.14 million gross for the fields where Lundin has an 80% interest, and €0.66 million gross for the Dommartin-Lettree field where Lundin has a 43.01% interest.

The total Paris Basin abandonment cost is €21.2 million net to Lundin.

It is estimated that €0.43 million will be spent on abandonment in the next three years.

Indonesia

Under the terms of the Indonesia PSC all wells and facilities remain the property of the Indonesian government. As such, no decommissioning costs have been assumed for these assets.

Tunisia

The Isis field is budgeted to be shut in and subsequently abandoned in 2006. As such there have been detailed abandonment cost estimates and an abandonment plan which has been approved by the Tunisian government. Estimated cost is $12.1 million gross.

The Oudna field abandonment cost estimates are based on the Isis costs. Total estimated cost per well and flowline is $2.5 million for a total of $5 million gross.

Costs Incurred

No costs have been incurred for property acquisition. Exploration and Development costs are set out in the following tables:

2005 Exploration Expenditure

Quarterly Exploration Expenditure in USD

	Q1	Q2	Q3	Q4	2005
United Kingdom	1.0	0.0	0.5	0.8	2.3
France	0.3	0.1	0.5	1.4	2.3
Norway	1.7	1.6	3.2	2.8	9.3
Netherlands	0.0	0.1	0.9	1.2	2.2
Indonesia	1.6	1.3	2.1	3.2	8.2
Tunisia	0.1	0.0	0.0	0.2	0.3
Iran	0.0	0.6	0.1	0.1	0.8
Albania	0.1	0.3	0.1	2.8	3.3
Ireland	0.0	0.3	0.0	0.1	0.3
Sudan	0.3	0.0	0.1	0.7	1.0
Nigeria	9.6	0.2	10.4	0.9	21.2
Other	0.5	0.4	0.7	0.1	1.7
Total	15.1	4.9	18.8	14.2	53.0

Reference: Item 6.6(1)(b) of Form 51-101F1

2005 Development Expenditure

Quarterly Development Expenditure in USD

	Q1	Q2	Q3	Q4	2005
United Kingdom	13.9	15.5	32.4	21.4	83.1
France	1.2	0.7	0.4	0.9	3.2
Norway	14.7	15.5	25.3	24.5	80.0
Netherlands	1.1	1.2	1.8	2.4	6.6
Indonesia	2.9	2.0	2.4	0.7	8.0
Tunisia	0.5	0.4	3.6	5.2	9.7
Venezuela	1.4	1.2	1.0	1.1	4.8
Ireland	0.1	-0.1	0.0	0.0	0.0
Total	35.7	36.5	67.0	56.2	195.4

Reference: Item 6.6(1)(c) of Form 51-101F1

Exploration and Development Activities

2005 Gross Development Wells

Country	Oil	Gas	Service	Dry
Venezuela	3	0	0	0
France	0	0	0	0
Netherlands	0	1	0	0
Indonesia	21	0	0	0
Tunisia	0	0	0	0
Norway	0	0	0	0
UK	2	0	0	0

2005 Gross Exploration Wells

Country	Oil	Gas	Service	Dry
Venezuela	0	0	0	0
France	1	0	0	0
Netherlands	0	0	0	1
Indonesia	8	0	0	4*
Tunisia	0	0	0	0
Ireland	0	0	0	0
Norway	0	0	0	0
UK	0	0	0	0
Sudan	0	0	0	0
Albania	0	0	0	0
Nigeria	0	0	0	1

2005 Net Development Wells

Country	Oil	Gas	Service	Dry
Venezuela 12.5%	0.4	0	0	0
France	0	0	0	0
Netherlands	0	0.1	0	0
Indonesia 15-25%	5	0	0	0
Tunisia	0	0	0	0
Norway	0	0	0	0
UK (Broom) 55%	1.1	0	0	0

Reference: Item 6.7 of Form 51-101F1

2005 Net Exploration Wells

Country	Oil	Gas	Service	Dry
Venezuela	0	0	0	0
France	0.3	0	0	0
Netherlands	0	0	0	0.1
Indonesia 15- 25%	1.6	0	0	0.9*
Tunisia	0	0	0	0
Ireland	0	0	0	0
Norway	0	0	0	0
UK	0	0	0	0
Sudan	0	0	0	0
Albania	0	0	0	0
Nigeria	0	0	0	0.2

2006 planned wells (gross)

Country	Exploration	Development
Venezuela	0	2
France	1	4
Netherlands	1	3
Indonesia	6	9
Tunisia	0	2
Ireland	1	0
Norway	3	5
UK	0	3
Sudan	3	0
Albania	0	0
Nigeria	0	0

Reference: Item 6.7 of Form 51-101F1

2007 Planned Activity

In 2007 it is expected that the major drilling activities will be focussed on Norway (Alvheim development, together with appraisal and exploration in other areas).

In addition, further infill drilling is likely to occur on the Broom field in the UK and potentially a continuation of the rig campaign on the Heather platform. The rig is being re-activated on the Thistle platform, with some workover activity expected for 2007.

In France, the rig being mobilised for Villeperdue potentially will be used to drill further wells on other fields in the Paris Basin.

In Venezuela it is likely that a rig will be mobilised to continue the development drilling on La Palma.

The start up of exploratory drilling in Albania is likely for 2007.

2006 Production Estimates

	2006 Production Light and Medium Crude Oil		2006 Production Gas and Associated Gas		2006 Production NGL's		2006 Production Oil Equivalent	
	Total mmbbls	Of which Broom*	Total mmboe	Of which Broom*	Total mmbbls	Of which Broom*	Total mmboe	Of which Broom*
Total Proved								
France	1.3	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Indonesia	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.0
Netherlands	0.0	0.0	0.8	0.0	0.0	0.0	0.9	0.0
Norway	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Tunisia	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0
UK*	6.9	4.3	0.0	0.0	0.2	0.1	7.1	4.5
Venezuela	0.6	0.0	0.0	0.0	0.0	0.0	0.6	0.0
	10.5	4.3	0.9	0.0	0.2	0.1	11.6	4.5
Total Probable								
France	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Indonesia	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Tunisia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
UK	0.8	0.2	0.0	0.0	0.0	0.0	0.8	0.2
Venezuela	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
	1.3	0.2	0.0	0.0	0.0	0.0	1.4	0.2
Total Proved Plus Probable								
France	1.4	0.0	0.0	0.0	0.0	0.0	1.4	0.0
Indonesia	1.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0
Netherlands	0.0	0.0	0.9	0.0	0.0	0.0	0.9	0.0
Norway	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Tunisia	0.8	0.0	0.0	0.0	0.0	0.0	0.8	0.0
UK	7.7	4.6	0.0	0.0	0.2	0.1	7.9	4.7
Venezuela	0.6	0.0	0.0	0.0	0.0	0.0	0.7	0.0
	11.8	4.6	1.0	0.0	0.2	0.1	13.0	4.7

*
The Broom field in UK is the only field in the Company's world wide portofolio that produces in excess of 20% of total production

Reference: Item 6.8 of Form 51-101F1

Production History

2005 Production before royalties

	Q1	Q2	Q3	Q4	2005
Oil mbopd					
France	4,435	4,116	4,169	4,091	4,202
Indonesia	2,346	2,200	2,115	2,157	2,204
Tunisia	1,283	1,039	850	724	972
Venezuela	1,929	2,395	1,841	1,692	1,963
UK	21,311	20,084	19,432	18,351	19,786
Norway	1,075	934	783	903	923
Total	**32,378**	**30,769**	**29,190**	**27,918**	**30,049**
NGLs mtpd					
Indonesia	0	3	3	1	2
UK	46	32	21	28	32
Total	**46**	**35**	**23**	**29**	**33**
Gas mcfpd					
Netherlands	16,506	14,283	11,331	14,181	14,061
Indonesia	172	297	249	201	230
Venezuela	933	901	865	780	869
Ireland	1,257	460	0	0	908
Norway	332	334	387	482	384
Total	**19,199**	**16,275**	**12,833**	**15,643**	**16,453**
Production boepd					
France	4,435	4,116	4,169	4,091	4,202
Netherlands	2,751	2,381	1,889	2,363	2,344
Indonesia	2,377	2,280	2,187	2,201	2,261
Tunisia	1,283	1,039	850	724	972
Venezuela	2,084	2,545	1,985	1,822	2,108
UK	21,866	20,474	19,681	18,685	20,166
Ireland	209	77	0	0	151
Norway	1,130	989	847	984	987
Total	**36,135**	**33,901**	**31,607**	**30,871**	**33,190**

Ngl	12 boe:1 mt
Gas	6 mcf:1 boe

Reference: Item 6.9 (1)(a)of Form 51-101F1

2005 Oil Average per Unit of Volume ($/bls)

	France	Indonesia	Tunisia	Venezuela	UK	Norway
Q105						
(i) Price Received*	43.06	43.53	48.92	26.53	46.37	46.03
(ii) Royalties Paid	2.28	0.00	0.00	0.00	0.00	0.00
(iii) Production Costs **	12.11	14.86	20.98	4.37	11.65	5.93
(iv) Netback	28.67	28.67	27.94	22.16	34.72	40.11
Q205						
(i) Price Received*	42.63	51.16		27.19	48.91	51.60
(ii) Royalties Paid	2.82	0.00		0.00	0.00	0.00
(iii) Production Costs **	14.40	11.24	25.37	3.91	15.50	6.44
(iv) Netback	25.41	39.92	-25.37	23.28	33.41	45.16
Q305						
(i) Price Received*	46.54	55.39	68.38	19.67	51.59	63.55
(ii) Royalties Paid	3.03	0.00	1.04	0.00	0.00	0.00
(iii) Production Costs **	8.55	14.23	32.73	3.85	9.12	24.85
(iv) Netback	34.96	41.17	34.61	15.82	42.47	38.70
Q405						
(i) Price Received*	43.86	50.69		25.75	49.93	57.06
(ii) Royalties Paid	2.86	0.00		0.00	-0.08	0.00
(iii) Production Costs **	10.72	4.53	32.99	6.39	13.83	21.85
(iv) Netback	30.28	46.16	-32.99	19.35	36.18	35.21
2005						
(i) Price Received*	43.98	49.79	62.76	24.80	49.16	54.04
(ii) Royalties Paid	2.73	0.00	0.77	0.00	-0.02	0.00
(iii) Production Costs **	11.44	11.26	27.00	4.55	12.51	14.03
(iv) Netback	29.82	38.54	35.00	20.26	36.67	40.01

* Based on sales and after hedging
** Net of tariff income and excluding depletion & inventory movements

Reference: Item 6.9 (1)(b)of Form 51-101F1

2005 Gas Average per Unit of Volume ($/mcf)

	Netherlands	Indonesia	Venezuela	Norway	Ireland
Q105					
(i) Price Received*	5.78	1.80	4.42	1.71	5.51
(ii) Royalties Paid	0.00	0.00	0.00	0.00	0.00
(iii) Production Costs **	0.90	0.00	0.00	0.00	1.31
(iv) Netback	4.88	1.80	4.42	1.71	4.20
Q205					
(i) Price Received*	5.73	1.80	4.53	1.68	5.51
(ii) Royalties Paid	0.00	0.00	0.00	0.00	0.00
(iii) Production Costs **	1.08	0.00	0.00	0.00	1.31
(iv) Netback	4.65	1.80	4.53	1.68	4.20
Q305					
(i) Price Received*	5.70	1.80	3.28	1.67	
(ii) Royalties Paid	0.00	0.00	0.00	0.00	
(iii) Production Costs **	2.13	0.00	0.00	0.00	
(iv) Netback	3.57	1.80	3.28	1.67	
Q405					
(i) Price Received*	6.77	1.80	4.29	1.63	
(ii) Royalties Paid	0.00	0.00	0.00	0.00	
(iii) Production Costs **	1.66	0.00	0.00	0.00	
(iv) Netback	5.10	1.80	4.29	1.63	0.00
2005					
(i) Price Received*	6.00	1.80	4.13	1.67	5.51
(ii) Royalties Paid	0.00	0.00	0.00	0.00	0.00
(iii) Production Costs **	1.39	0.00	0.00	0.00	1.31
(iv) Netback	4.61	1.80	4.13	1.67	4.20

* Based on sales
** Assumed by by-product unless gas field. Excluding depletion.

Reference: Item 6.9 (1)(b)of Form 51-101F1

2005 NGL Average per Unit of Volume ($/mt)

	UK	Indonesia
Q105		
(i) Price Received*	384.73	337.21
(ii) Royalties Paid	0.00	0.00
(iii) Production Costs **	0.00	0.00
(iv) Netback	384.73	337.21
Q205		
(i) Price Received*	392.21	367.45
(ii) Royalties Paid	0.00	0.00
(iii) Production Costs **	0.00	0.00
(iv) Netback	392.21	367.45
Q305		
(i) Price Received*	437.85	406.39
(ii) Royalties Paid	0.00	0.00
(iii) Production Costs **	0.00	0.00
(iv) Netback	437.85	406.39
Q405		
(i) Price Received*	509.43	502.61
(ii) Royalties Paid	0.00	0.00
(iii) Production Costs **	0.00	0.00
(iv) Netback	509.43	502.61
2005		
(i) Price Received*	423.00	390.83
(ii) Royalties Paid	0.00	0.00
(iii) Production Costs **	0.00	0.00
(iv) Netback	423.00	390.83

* Based on sales
** Assumed by-product. Excluding depletion.

Reference: Item 6.9 (1)(b)of Form 51-101F1

APPENDIX II

FORM 51-101F2

REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

This is the form referred to in item 2 of section 2.1 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("*NI 51-101*").

1. Terms to which a meaning is ascribed in *NI 51-101* have the same meaning in this form.[1]

2. The report on *reserves data* referred to in item 2 of section 2.1 of *NI 51-101*, to be executed by one or more *qualified reserves evaluators or auditors independent* of the *reporting issuer*, shall in all material respects be as follows:

Report on Reserves Data

To the board of directors of Lundin Petroleum AB (the "Company"):

1. We have audited the Company's reserves data as at 31st December 2005. The reserves data consist of the following:

(a) (i) Proved and Proved plus Probable oil and gas reserves estimated as at 31st December 2005 using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) Proved oil and gas reserves estimated as at 31st December 2005 using constant prices and costs; and

(ii) the related estimated future net revenue.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our audit.

We carried out our audit in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An audit also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to Proved plus Probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company audited by us for the year ended 31st December 2005, and identifies the respective portions thereof that we have audited and reported on to the Company's management:

[1] For the convenience of readers, Appendix 1 to Companion Policy 51-101CP sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F3* or the Companion Policy.

Independent Qualified Reserves Auditor	Description and Preparation Date of Audit Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue in Million US$ (before income taxes, 10% discount rate) Audited[2]
William B. Cline	16 June 2006	France	268.5
William B. Cline	16 June 2006	Indonesia	47.1
William B. Cline	16 June 2006	Netherlands	117.3
William B. Cline	16 June 2006	Norway	949.4
William B. Cline	16 June 2006	Tunisia	117.8
William B. Cline	16 June 2006	United Kingdom	1056.3
William B. Cline	16 June 2006	Venezuela	43.2

5. In our opinion, the reserves data respectively audited by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

William B. Cline,
Gaffney, Cline and Associates – Senior Partner
Bentley, Hampshire, England

(signed) William B. Cline
Signed

June 20, 2006
Dated

[2] This amount should be the amount disclosed by the *reporting issuer* in its statement of *reserves data* filed under item 1 of section 2.1 of *NI 51-101*, as its *future net revenue* (before deducting *future income tax expenses*) attributable to *proved* plus *probable reserves*, estimated using *forecast prices and costs* and calculated using a discount rate of 10 percent (required by section 2 of Item 2.2 of *Form 51-101F1*).

APPENDIX III

FORM 51-101F3

**REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION**

Management of Lundin Petroleum AB (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

(a) (i) proved and proved plus probable oil and gas reserves estimated as at 31st December 2005 using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) proved oil and gas reserves estimated as at 31st December 2005 using constant prices and costs; and

(ii) the related estimated future net revenue.

An independent qualified reserves auditor has audited the Company's reserves data.
The report of the independent qualified reserves auditor will be filed with securities regulatory authorities concurrently with this report.

The Reserves Committee of the board of directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves auditor;

(b) met with the independent qualified reserves auditor to determine whether any restrictions affected the ability of the independent qualified reserves auditor to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves auditor.

The Reserves Committee of the board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved, on the recommendation of the Reserves Committee:

(a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;

(b) the filing of the report of the independent qualified reserves auditor on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) Ashley Heppenstall
Ashley Heppenstall, Chief Executive Officer

(signed) Alex Schneiter
Alex Schneiter, Chief Operating Officer

(signed) Ian H. Lundin
Ian H. Lundin, Director

(signed) Magnus Unger
Magnus Unger, Director

Date: June 20, 2006

APPENDIX IV

The following is extracted from the Lundin Petroleum 2005 Annual Report, the full text of which is available at www.lundin-petroleum.com.

DIRECTORS' REPORT

Formation

Lundin Petroleum AB was formed in connection with the SEK 4 billion take-over of Lundin Oil AB by Talisman Energy Inc. during 2001. As a result of the transaction Lundin Oil AB shareholders received SEK 36.50 in cash plus one share in Lundin Petroleum AB for each share held in Lundin Oil AB.

On 6 September 2001 the shares of Lundin Petroleum AB started trading on the Nya Marknaden (New Market) administered by Stockholmbörsen. On 2 October 2003 the shares in Lundin Petroleum AB were listed on the O-list of Stockholmbörsen. On 1 July 2004 the shares in Lundin Petroleum AB were transferred to the Attract 40 list.

On 19 September 2002 the Company completed the acquisition of 95.3% of the outstanding shares of Lundin International SA (formerly Coparex International SA) from BNP Paribas. On 13 January 2003 the Company completed the acquisition of 75.8% of OER oil AS. OER oil AS subsequently acquired interests in two producing fields offshore Norway and a 100% interest in OER energy AS (formerly called Aker Energy AS). On 23 November 2004, Lundin Petroleum divested its shareholding in OER oil AS to Endeavour International.

On 13 February 2004, Lundin Petroleum completed the acquisition from DNO ASA of its UK and Irish oil and gas interests. On 17 June 2004, Lundin Petroleum completed the acquisition of certain Norwegian assets from DNO ASA.

The address of Lundin Petroleum AB registered office is Hovslagargatan 5, Stockholm, Sweden.

Operations

The main business of Lundin Petroleum is the exploration for, the development of and the production of oil and natural gas.

In accordance with Lundin Petroleum's stated objective of increasing reserves through a strategy of acquisitions and exploration, reserves were acquired during 2002 through the acquisition of Lundin International SA (formerly Coparex International SA). Further reserves were acquired during 2003 in Norway through OER oil AS. During 2004, reserves were acquired through the purchase of all of the UK and Irish assets and substantially all of the Norwegian assets of DNO ASA. Lundin Petroleum maintains a portfolio of oil and gas production assets and development projects in various countries with exposure to further exploration opportunities.

The Group does not carry out any research and development and maintains branches in most of its areas of operation. The Parent Company has no foreign branches.

Production and Development

United Kingdom

The net production to Lundin Petroleum for the year ended 31 December 2005 amounted to 20,165 bopd representing over 60 percent of the total production for the Group. Production during the fourth quarter of 2005 was 18,685 bopd and was adversely affected by the Thistle shutdown and by the lack of water injection on the Heather and West Heather fields as a result of pump capacity issues. The Thistle field resumed production in mid-December at production rates in excess of 5,000 bopd. Net production during the fourth quarter of 2005 for Broom amounted to 15,606 bopd, for Heather 2,349 bopd and for Thistle 730 bopd.

During 2005 Lundin Petroleum entered into an alliance with Petrofac Facilities Management Limited ("Petrofac") for the provision of production operations services on the Heather and Thistle platforms. The deal was completed successfully with the transfer of duty holder responsibility for the facilities to Petrofac on 1 May 2005.

The performance of the Broom field (Lundin Petroleum Working Interest (WI) 55%) has exceeded expectations and resulted in a 24% reserve increase at the year end of 2005. Net production from the Broom field averaged 14,100 bopd for the year. Phase 1 of the Broom development was successfully completed during 2005 with the completion of the second water injection well. This was followed by the successful completion of Phase 2 of the Broom development which included the sidetrack of the original West Heather 2/05-18 well and the completion of the first North Terrace well 2/05-23 which are now both producing via the Broom subsea manifold and tied back to the Heather platform.

Production from the existing Broom production wells is declining in line with expectations as water production has begun. However it is likely that following the acquisition of 3D seismic over the Broom field in 2006 a further infill drilling programme will be undertaken.

Production from the Thistle field (WI 99%) averaged 3,400 bopd during the year. The three month shutdown of Thistle in the second half of 2005 was successful in debottlenecking production and separation capacity. Further work is ongoing to increase the life of Thistle field production particularly related to drilling operations and power generation.

Production from the Heather field (WI 100%) averaged 2,650 bopd during the year and was adversely impacted by the limitations on water injection capacity due to pump related issues. New pump capacity has been installed in the first quarter of 2006 which has allowed water injection to recommence. A capital investment programme to reinstall the Heather platform drilling rig commenced in 2005 and will be completed in the first half of 2006 following which a drilling programme of new wells and workovers will commence.

Lundin Petroleum has acquired new exploration licences in the United Kingdom 23rd Licensing Round where interests in three new blocks were awarded.

Norway

The production from the Jotun field (WI 7%) offshore Norway averaged 987 bopd for the year 2005. In 2005 the Jotun field partners sold their interests in the Jotun floating, production, storage and offloading vessel (FPSO) to Bluewater/Exxon Mobil. Under a separate agreement the Jotun field partners have leased back the vessel for up to fifteen years.

The development of the Alvheim field (WI 15%) offshore Norway has progressed well during 2005. The Alvheim FPSO conversion was completed in the fourth quarter of 2005 in Singapore and the vessel is currently en-route to Norway for topsides installation. Development drilling on Alvheim will commence in the first half of 2006. It is still anticipated that first production from Alvheim will take place in early 2007 at a forecast gross rate of 85,000 boepd. The proposed Alvheim drilling programme includes further exploration drilling on the existing fields and new prospects which has the potential to increase the current 180 million barrels of oil equivalent forecast for the field.

The Hamsun field (renamed Volund) (WI 35%) to the south of Alvheim will submit a plan of development to the Norwegian government in 2006. Further studies in 2005 have resulted in reserve increases in the 2005 year end reserve study. Commercial discussions are ongoing regarding the development options with a tie back to the nearby Alvheim facilities being the most likely option.

Lundin Petroleum has agreed, subject to Norwegian government approval, to reduce its interest in PL338 from 100% to 50% through agreements with Revus Energy and RWE. An exploration well will be drilled on PL338 in the second half of 2006 and Lundin Petroleum will pay a lower percentage of costs related to the well than its 50% working interest.

Lundin Petroleum continues to be actively involved in Norway in respect of new exploration activity. Two new licences were awarded in the fourth quarter of 2005 in the APA 2005 round and a further application is pending in the 19th Licensing Round. Three exploration wells will be drilled in 2006 for which rig slots are already secured.

France

In the Paris Basin the net production for 2005 was 2,845 bopd. The La Tonelle-1 exploration well is on a long term production test. Temporary production facilities have been constructed and the well is now producing at limited rates on a long term production test basis to determine the appraisal/development plan for the field. During 2006 a four well infill drilling programme will be completed in the Villeperdue field (WI 100%). In the Aquitaine Basin (WI 50%) the net production for 2005 was 1,357 bopd. In 2006 full development of the Mimosa field will be completed.

Indonesia

Salawati Island and Basin (Papua)

The net production from Salawati (Salawati Island WI 14.5% and Salawati Basin WI 25.9%) was 2,261 boepd in 2005. First production from the TBA field offshore Salawati Island is now expected in 2006 following the conversion of a FPSO currently being completed in Singapore. The field will add 1,000 boepd net to Lundin Petroleum. An ongoing programme of development and exploration drilling on Salawati Basin and Island has, despite some exploration success, yielded disappointing results in 2005.

Banyumas (Java)

The Jati-1 exploration well (WI 25%) was spudded in 2005 and is testing a large exploration prospect in an under explored basin onshore Southern Java. The well has reached a total depth of 4,023 meters. Due to drilling problems the well is currently being sidetracked and Lundin Petroleum decided to plug and abandon the well. Lundin Petroleum’s partner, Star Energy, has opted, under sole risk provisions, to continue drilling. In the event of a successful discovery Lundin Petroleum has the option to buy back into the well by paying a disproportionate level of the Star Energy costs.

Blora (Java)

An exploration well Tengis-1 (WI 43.3%) will be drilled in 2006 following the resolution of certain land related issues necessary to commence the site preparation operations.
Lematang (South Sumatra)

A heads of agreement in relation to the sale of gas from the Singa gas field (WI 15.88%) has been signed with state gas distribution company PT Persusahaan Gas Negara (PGN) to supply gas to PGN customers in West Java for 10 years starting in 2008. A development plan for the Singa project has been agreed and will be initiated once the gas sales arrangements have been finalised.

The Netherlands

Gas production from the Netherlands for 2005 was 2,344 boepd.

The Luttelgeest-1 exploration well in the onshore Lemmer-Marknesse exploration licence (WI 10%) was tested with unsatisfactory results during the third quarter of 2005 and the well was plugged and abandoned.

The exploration well drilled on Block F-12 (WI 10%) has been plugged and abandoned as a dry hole in January 2006.

Tunisia

The net oil production from the Isis field (WI 40%) for 2005 continues to decline as anticipated as the field approaches the end of its economic life. The field will stop production in the second quarter of 2006 when the Ikdam FPSO currently employed on the Isis field is redeployed on the Oudna field.

The development drilling on the Oudna field (WI 50%) offshore Tunisia commenced in early 2006. The Ikdam FPSO will undergo upgrade and re-classification works in drydock and will then be redeployed on the Oudna field where production is scheduled to start in the fourth quarter of 2006. Initial net production from the Oudna field is forecast at 10,000 bopd.

Venezuela

Production from the Colón Block (WI 12.5%) was 2,108 boepd during 2005. Development drilling on the La Palma field is ongoing. During 2005 one of the new development wells was deepened and tested oil from new reservoirs below the existing producing La Palma field.

In 2005 the Venezuelan government decided to restructure all operating services agreements in the country. Lundin Petroleum and its partners have signed a Transitional Agreement with Venezuelan national oil company PDVSA Petròleo SA relating to entering into good faith negotiations for conversion of the Operating Services Agreement into a joint venture company. Whilst Lundin Petroleum and its partners have been assured by the Venezuelan Ministry of Energy and Petroleum that the new regime will preserve our asset value under the Operating Services Agreement the final effect of this transition on Lundin Petroleum's Venezuelan assets and values remains uncertain.

Ireland

Lundin Petroleum completed the sale of its 12.5% interest in the Seven Heads gas project plus certain other Irish licence interests to Island Oil & Gas plc during 2005. The consideration for the sale was four million shares of Island Oil & Gas plc corresponding to a current market value in excess of GBP 3 million.

During 2005 Lundin Petroleum acquired a new exploration licence in the Donegal Basin (WI 30% operator). A rig has been secured to drill a large gas prospect called Inishbeg in 2006.

Operation - Exploration

Albania

A 400 km^2 3D seismic acquisition programme on the Durresi Block (WI 50%) was completed in 2005. Following the processing and interpretation of the acquired seismic exploration drilling is expected to commence in 2007.

Nigeria

In early 2005 Lundin Petroleum acquired a 22.5% net revenue interest in OML 113 offshore Nigeria containing the Aje oil and gas discovery. The Aje-3 appraisal well was drilled in the third quarter of 2005. The two main reservoirs which tested hydrocarbons successfully in both Aje-1 and Aje-2 were found to be down dip from the discovery well as well as below the existing oil water contact defined on the Aje-2 well at the Cenomanian reservoir. The Turonian reservoir was above the gas water contact but the presence of gas in the reservoir was not tested due to poor reservoir properties at the Aje-3 well location. Technical and commercial studies are ongoing to determine whether a further Aje field appraisal well will be drilled. A six month extension has been granted by the Aje field operator Yinka Folawiyo Petroleum (YFP) such that the decision to drill will be made in the fourth quarter of 2006.

Sudan

A comprehensive peace agreement was signed in Sudan in early 2005 between the government and the Sudan People's Liberation Army (SPLA). A new government has been formed containing representatives of the major political factions. In addition a National Petroleum Commission has been formed comprising of the President of Sudan, representatives of the National government and the government of Southern Sudan and representatives of the local area where oil activity is taking place. The National Petroleum Commission will oversee petroleum activities in Sudan.

Mobilisation of equipment for a 1,100 kilometre 2D seismic acquisition is currently underway. Exploration drilling will commence in 2006 with a three well initial drilling programme to test the large prospectivity of Block 5B.

Future Outlook

The Company is actively pursuing opportunities to further expand its oil and gas portfolio and increasing its reserves through acquisition of producing properties, exploration activity and exploitation of existing assets.

Environment

Lundin Petroleum and its international exploration and production affiliates conduct their international exploration and production operations, at a minimum, in accordance with all applicable environmental procedures and programmes. The Group has no operations in Sweden.

The Group

Result and Cash Flow

Lundin Petroleum reports a net result for the year ended 31 December 2005 of MSEK 994.0 (MSEK 605.3) representing earnings per share on a fully diluted basis of SEK 3.87 (SEK 2.37) for the year ended 31 December 2005. Operating cashflow for the year ended 31 December 2005 amounted to MSEK 2,627.4 (MSEK 1,502.8). Operating cashflow per share on a fully diluted basis amounted to SEK 10.22 (SEK 5.89) for the year ended 31 December 2005.

Revenue

Net sales of oil and gas for the year ended 31 December 2005 amounted to MSEK 3,995.5 (MSEK 2,344.0). Production for the period amounted to 12,083,451 (9,755,455) barrels of oil equivalent (boe) representing 33,190 (28,921) boe per day (boepd). The average price achieved for a barrel of oil equivalent for the year ended 31 December 2005 amounted to USD 52.93 (USD 37.67).

The average Dated Brent price for the year ended 31 December 2005 amounted to USD 54.54 (USD 38.27) per barrel resulting in a charge to the income statement for the post-tax negative hedge settlement of MSEK 261.7 (MSEK 97.1).

Other operating income for the year ended 31 December 2005 amounted to MSEK 194.7 (MSEK 124.3). This amount includes tariff income from the United Kingdom, France and the Netherlands and income for maintaining strategic inventory levels in France. Tariff income has increased from the comparative period of 2004 primarily due to the increased production from the Broom field in the United Kingdom.

Sales for the year ended 31 December 2005 were comprised as follows:

Sales **Average price per barrel *** **expressed in USD**	**Group 2005**	**Group 2004**
United Kingdom		
- Quantity in boe	7,240,996	3,674,000
- Average price per boe	54.56	41.75
France		
- Quantity in boe	1,563,840	1,563,576
- Average price per boe	53.75	36.90
Norway		
- Quantity in boe	372,356	870,746
- Average price per boe	51.45	37.92
Netherlands		
- Quantity in boe	855,397	948,548
- Average price per boe	37.45	25.43
Indonesia		
- Quantity in boe	495,852	579,522
- Average price per boe	48.90	34.79
Tunisia		
- Quantity in boe	328,627	677,923
- Average price per boe	62.53	38.65
Ireland		
- Quantity in boe	24,107	121,371
- Average price per boe	33.31	26.24
Total		
- Quantity in boe	**10,881,175**	8,435,686
- Average price per boe	**52.93**	37.67

* The average sales price per barrel is excluding the result on the hedge settlement.

Income from Venezuela is derived by way of a service fee and interest income. For the year ended 31 December 2005, the service fee earned by Lundin Petroleum amounted to USD 22.16 (USD 18.67) per barrel for the 771,146 boe (837,648 boe) that were sold.

Production Cost

Production	**Group 2005**	**Group 2004**
United Kingdom		
- Quantity in boe	7,360,726	3,973,761
- Quantity in boepd	20,165	12,341
France		
- Quantity in boe	1,533,674	1,561,409
- Quantity in boepd	4,202	4,266

Production	Group 2005	Group 2004
Norway		
- Quantity in boe	360,175	898,519
- Quantity in boepd	987	3,189
Netherlands		
- Quantity in boe	855,397	948,548
- Quantity in boepd	2,344	2,592
Venezuela		
- Quantity in boe	769,364	827,492
- Quantity in boepd	2,108	2,261
Indonesia		
- Quantity in boe	825,099	840,167
- Quantity in boepd	2,261	2,296
Tunisia		
- Quantity in boe	354,794	574,042
- Quantity in boepd	972	1,568
Ireland		
- Quantity in boe	24,222	131,517
- Quantity in boepd	151	408
Total		
- Quantity in boe	**12,083,451**	9,755,455
- Quantity in boepd	**33,190**	28,921
Number of days production		
UK	365	322
Ireland	160	322
DNO's Norwegian assets	365	197
OER	–	328

The number of barrels produced differs from the number of barrels sold for a number of reasons. There are timing differences between sales and production in field areas such as Tunisia and Norway where production is into a Floating Production Storage Offloading vessel (FPSO). Sales are recorded when a lifting takes place and these can be at varying intervals and will not always be equal to the production at the end of a financial quarter. The accounting effect of the timing differences between sales and production are reflected in the movements in the hydrocarbons inventory and the under/overlift position. Over time, the total sales will equal the production. There are permanent differences between production and sales in some of the field areas. The production reported for the UK is the platform production. This is the amount of crude oil that is produced from the field into the pipeline system that takes the crude to the onshore terminal. Once the field's crude enters the pipeline system it is commingled with the crude oil produced from other fields in the pipeline system that produce the blend of crude that is sold. The crude that is pumped into the pipeline system is tested against the blend of crude that arrives at the terminal and an adjustment is made to the number of barrels allocated to each field to reflect the relative quality of the crude oil input into the system. There is an approximate quality adjustment of minus five percent applied to the UK crude oil produced. In Indonesia, production is allocated under a Production Sharing Contract (PSC) where, as part of the commercial terms of the agreement, a part of the working interest production is allocated to the host country as a type of royalty payment.

Production costs for the year ended 31 December 2005 expressed in US dollars were comprised as follows:

Production cost and depletion in TUSD	**Group 2005**	**Group 2004**
Cost of operations	148,570	124,006
Tariff and transportation expenses	17,906	16,173
Direct production taxes	4,803	3,821
Changes in inventory/overlift	4,563	2,398
Total production costs	**175,842**	146,398
Depletion	101,064	51,946
Total	**276,906**	198,344

Production cost and depletion in USD per boe	**Group 2005**	**Group 2004**
Cost of operations	12.30	12.71
Tariff and transportation expenses	1.48	1.66
Direct production taxes	0.40	0.39
Changes in inventory/overlift	0.38	0.25
Total production costs	**14.56**	15.01
Depletion	8.36	5.32
Total cost per boe	**22.92**	20.33

Production costs for the year ended 31 December 2005 amounted to MSEK 1,310.9 (MSEK 1,074.5). The reported cost of operations amounted to USD 12.30 per barrel (USD 12.71 per barrel) for the year ended 31 December 2005.

Depletion

Depletion of oil and gas properties for the year ended 31 December 2005 amounted to MSEK 753.4 (MSEK 381.3). The depletion charge has increased from the comparative period following the inclusion of the UK assets acquired from DNO in 2004. The depletion cost per barrel has increased from 2004 following a revision of cost and reserve estimates used in the calculation of the depletion rate and because the UK was only included within the depletion charge for five months in 2004, distorting the average depletion rate for the year.

Write Off

Write off of oil and gas properties amounted to MSEK 208.1 (MSEK 150.1) for the year ended 31 December 2005. Whilst Lundin Petroleum retains an interest in Block OML 113 in Nigeria and is reviewing the information that was obtained from drilling the Aje-3 well, it was decided to write off all of the costs amounting to

MSEK 158.2 in 2005 following the disappointing well results as described within this report. The other material cost written off in 2005 relates to the Luttelgeest exploration well that was drilled in the Netherlands in 2004. After testing of the well in August 2005 the decision was made to plug and abandon the well and the costs incurred of MSEK 30.2 were written off. During 2004 the decision was made to write off the costs incurred in Iran as well as other exploration project costs resulting in a charge to the income statement for the year ended 31 December 2004 of MSEK 150.1.

Sale of Asset

On 1 July 2005 Lundin Petroleum entered into a sale and leaseback agreement for the Jotun vessel utilised in the Jotun field offshore Norway resulting in a pre-tax gain of MSEK 192.1 and a post tax gain of MSEK 24.0. The transaction has also resulted in a tax charge detailed below. On 23 November 2004, Lundin Petroleum completed the sale of its investment in the Norwegian company OER for MSEK 189.9 recording an accounting profit of MSEK 98.2 in the income statement for the year ended 31 December 2004.

Other Income

Other income for the year ended 31 December 2005 amounted to MSEK 6.4 (MSEK 17.7) and represents fees and costs recovered by Lundin Petroleum from third parties.

General, Administrative and Depreciation Expenses

General, administrative and depreciation expenses for the year ended 31 December 2005 amounted to MSEK 103.1 (MSEK 130.0). Included within the 2005 costs is an accounting charge of MSEK 19.0 for employee incentive warrants issued in 2004 and 2005 following the adoption of IFRS. The comparative period has been restated to include MSEK 10.7 in relation to the incentive warrants issued in 2004. Depreciation charges included in the general and administrative expenses amounted to MSEK 9.8 (MSEK 5.5) for the year ended 31 December 2005. The general and administration costs for the year of 2004 included an amount of MSEK 17.5 for OER. OER was sold in the fourth quarter of 2004.

Financial Income

Financial income for the year ended 31 December 2005 amounted to MSEK 44.0 (MSEK 58.5). Interest income for the year ended 31 December 2005 amounted to MSEK 31.2 (MSEK 11.5) and mainly comprises of interest received on bank accounts of MSEK 12.5 (MSEK 5.5), interest received on a loan to an associated company for an amount of MSEK 3.8 (MSEK 2.6), interest received in relation to tax repayments for an amount of MSEK 9.4 (MSEK –) and the interest fee received from Venezuela for an amount of MSEK 5.4 (MSEK 2.5). Dividend income received of MSEK 12.8 (MSEK 10.9) for the year ended 31 December 2005 relates to distributions received from an unconsolidated investment in a company owning an interest in the Dutch gas processing and transportation infrastructure (NOGAT).

Financial Expense

Financial expenses for the year ended 31 December 2005 amounted to MSEK 196.5 (MSEK 60.0). Interest expense for the year ended 31 December 2005 amounted to MSEK 45.0 (MSEK 53.1) and mainly relates to the bank loan facility. The impact of the change in market value of the interest rate hedge for the year ended 31 December 2005 amounted to a gain of MSEK 7.9 (MSEK 17.2).

The amortisation of financing fees amounted to MSEK 15.2 (MSEK 7.2) for the year ended 31 December 2005. The financing fees are in relation to the bank loan facility and are amortised over the life of the bank loan facility. Net exchange losses for the year ended 31 December 2005 amounted to MSEK 104.6 (MSEK -36.1). The exchange losses for the year ended 31 December 2005 are mainly the result of the revaluation of the USD loan outstanding into the EUR and NOK reporting currency of the entities in which the funds were drawn. During the year ended 31 December 2005 the devaluation of the NOK and the EUR against the USD amounted to approximately 12% and 13% respectively.

Tax

The tax charge for the year ended 31 December 2005 amounted to MSEK 866.7 (MSEK 241.6). The current corporation tax charge of MSEK 240.7 (MSEK -46.1) comprises current corporation tax charges in, primarily the United Kingdom, the Netherlands, France, Indonesia and Venezuela. During 2005 the tax losses carried forward in the UK have been fully utilised resulting in a current corporation tax charge of MSEK 209.1 (MSEK –). Corporation tax in Venezuela has historically been charged at 34% in accordance with the local tax legislation. During 2005, the Venezuelan tax authorities stated that companies utilising Operating Service Agreements (OSA) should pay tax under the hydrocarbon exploitation tax regime and issued tax assessments to all 32 OSA's operating in Venezuela for the period 2001 to 2004. The hydrocarbon exploitation regime carries a tax rate of 67% up to 2001 and 50% thereafter. Whilst Lundin Petroleum does not accept the retrospective change in tax regime, Lundin Petroleum has decided to comply with the demands of the Venezuelan tax authorities. Accordingly Lundin Petroleum has accrued and paid the tax assessed for the period up to 2004 of MSEK 15.0 and has accrued corporation tax at the higher rate for 2005 resulting in an additional charge for the year of MSEK 12.3.

The deferred corporate tax charge for the year ended 31 December 2005 of MSEK 647.1 (MSEK 295.6) comprises principally of a charge of MSEK 343.2 in the UK for the utilisation of tax losses acquired with the UK companies and capital allowances generated from the capitalised expenditure on the UK fields and a deferred tax charge in relation to the result on the sale and leaseback agreement for the Jotun vessel for an amount of MSEK 168.2. During 2004, a deferred tax asset was recorded for tax loss carry forwards in Tunisia to the extent that it was believed that they would be utilised. During the year ended 31 December 2005 the tax charge generated for Tunisia has exceeded the recorded tax asset necessitating the recording of a further deferred tax asset of MSEK 14.9 with a corresponding credit to the income statement to restore the deferred tax asset in relation to tax losses carry forward as at 31 December 2005.

The petroleum tax charge for the year ended 31 December 2005 amounts to MSEK 11.3 (MSEK -62.9). The deferred petroleum tax charge for the year ended 31 December 2005 amounts to MSEK -32.3 (MSEK 55.1).

The Group operates in various countries and fiscal regimes where corporate income tax rates are different from the regulations in Sweden. Corporate income tax rates for the Group vary between 28% and 78%. Currently the majority of the Group's profit is derived from the United Kingdom where the effective tax rate amounts to 40%. The effective tax rate for the Group for the year ended 31 December 2005 amounts to approximately 47%. The effective tax rate for the year ended 31 December 2005 excluding the Jotun sale and leaseback transaction and the cost relating to the write off for Nigeria amounts to approximately 38%.

Minority Interest

The net result attributable to minority interest for the year ended 31 December 2005 amounted to MSEK 0.5 (MSEK 7.0) and relates to the 0.14% of Lundin International SA that is owned by minority shareholders. The comparative period included the 25% of OER that was not owned by the Group. The investment in OER was sold in November 2004.

Balance Sheet

Tangible Fixed Assets

Tangible fixed assets as at 31 December 2005 amounted to MSEK 5,827.0 (MSEK 4,334.0) of which MSEK 5,732.9 (MSEK 4,296.0) relates to oil and gas properties and are detailed in Note 9 to the Financial Statements. Development and exploration expenditure incurred for the year ended 31 December 2005 can be summarised as follows:

Development Expenditure in MSEK	**Group 2005**	**Group 2004**
United Kingdom	619.8	702.3
France	24.2	85.1
Norway	596.2	81.2
Netherlands	49.0	44.3
Indonesia	59.8	22.9
Tunisia	72.5	3.9
Venezuela	35.5	12.7
Ireland	–	2.6
Development expenditure	**1,457.0**	955.0

Exploration Expenditure in MSEK	**Group 2005**	**Group 2004**
United Kingdom	17.2	2.0
France	16.8	41.1
Norway	69.6	30.6
Netherlands	16.6	24.7
Indonesia	61.2	63.6
Tunisia	2.0	–
Iran	6.0	51.9
Albania	24.5	4.1
Ireland	2.6	–
Sudan	7.8	5.6
Nigeria	158.2	–
Other	12.8	9.2
Development Expenditure	**395.3**	**232.8**

Other tangible fixed assets as at December 31, 2005 amounted to MSEK 94.7 (MSEK 38.0).

Financial Fixed Assets

Financial fixed assets as at 31 December 2005 amounted to MSEK 502.5 (MSEK 481.0). Restricted cash as at 31 December 2005 amounted to MSEK 23.8 (MSEK 35.7) and represents the cash amount deposited to support a letter of credit issued in support of exploration work commitments in Sudan. Restricted cash at 31 December 2004 included an additional amount of MSEK 15.9 deposited for the Iranian work commitments which was refunded during 2005. Shares and participations amount to MSEK 151.9 (MSEK 21.2) as at 31 December 2005. The increase during the period relates to the write up of book value of the investment in NOGAT to fair value in accordance with

IFRS and to the shares in Island Oil and Gas plc that the Group received as consideration in relation to the sale of the interest in the Seven Heads gas field offshore Ireland. Under IFRS an unconsolidated investment must be recorded at its estimated fair value with any increase in value being recorded against equity. During the period the investments in NOGAT and Island Oil and Gas plc were written up by MSEK 99.1. Deferred financing fees relate to the costs incurred establishing the bank credit facility and are being amortised over the period of the loan. The deferred tax asset comprises tax losses carried forward in the Tunisia, France and Norway. The deferred tax asset as at 31 December 2004 included an amount of MSEK 240.7 for corporate tax loss carry forwards in the UK. This amount was utilised during the first half of 2005. Deferred taxes on tax losses are only recorded when there is a reasonable certainty of utilising them against future taxable income. Hedging instruments valued at fair value amounted to MSEK 1.8 (MSEK nil) and relate to the interest rate hedging contracts. Other financial fixed assets amount to MSEK 8.2 (MSEK 6.0) and are funds held by joint venture partners in anticipation of future expenditures.

Current Receivables and Inventories

Current receivables and inventories amounted to MSEK 1,043.5 (MSEK 768.9) as at 31 December 2005. Inventories include hydrocarbons and consumable well supplies. Trade receivables have increased from 31 December 2004 to 31 December 2005 primarily due to the higher average sale prices achieved in the fourth quarter of 2005. Taxes receivable as at 31 December 2005 amounted to MSEK 117.3 (MSEK 117.6) and related to tax refunds due in Norway and the Netherlands. Joint venture debtors amounted to MSEK 181.0 (MSEK 74.1) reflecting the development activities in progress in Norway, Tunisia and Indonesia.

Cash and Bank

Cash and bank as at 31 December 2005 amounted to MSEK 389.4 (MSEK 268.4).

Non-Current Liabilities

Provisions as at 31 December 2005 amounted to MSEK 2,087.3 (MSEK 1,497.7). This amount includes a provision for site restoration of MSEK 329.2 (MSEK 296.0). The increase of this provision compared to 31 December 2004 is mainly caused by the devaluation of the SEK against the USD in addition to the unwinding of the provision during the year. The provision for deferred tax amounted to MSEK 1,735.1 (MSEK 1,166.1) and is mainly arising on the excess of book value over the tax value of oil and gas properties and the fair value of the hedging instruments.

Long term interest bearing debt amounted to MSEK 736.2 (MSEK 1,343.0) as at 31 December 2005. On 16 August 2004, Lundin Petroleum entered into a seven-year credit facility agreement to borrow up to MUSD 385.0 comprising MUSD 35.0 for Letters of Credit in support of future site restoration costs payable to former owners of the Heather field, offshore UK, and cash drawings of MUSD 350.0. The amount of cash drawings outstanding under the facility at 31 December 2005 amounted to MUSD 92.5.

Current Liabilities

Current liabilities as at 31 December 2005 amounted to MSEK 1,256.3 (MSEK 641.4). Tax payables increased from 31 December 2004 to 31 December 2005 primarily due to the fact that tax losses carry forward in the UK have been fully utilised resulting in a current corporation tax charge and corresponding liability. Following the adoption of IAS 39 as at 1 January 2005, a liability has been recorded to recognise the market value of financial instruments outstanding at the reporting date. As at 31 December 2005, an amount of MSEK 193.8 (MSEK 10.6) has been accounted for and is primarily relating to the oil price hedging contracts. Joint venture creditors amounted to MSEK 389.9 (MSEK 203.8) and mainly relates to the development activities in progress in Norway, Tunisia and Indonesia.

Parent Company

The business of the Parent Company is investment in and management of oil and gas assets. The net result for the parent company amounted to a gain of MSEK 6.3 (MSEK -28.7) for the year ended 31 December 2005.

The result included administrative expenses of MSEK 52.1 (MSEK 71.2) offset by net financial income and expenses of MSEK 39.6 (MSEK 30.8). Interest income derived from loans to subsidiary companies amounted to MSEK 37.2 (MSEK 29.9). Currency exchange gains amounted to MSEK 2.4 (MSEK 0.5).

No deferred tax asset has been recorded against the historic losses incurred by the Parent Company because of uncertainty as to the timing of their utilisation.

Dividend

The Directors propose that no dividend be paid for the year. For details of the dividend policy refer to the share information page.

Treatment of Result

The Board of Directors and the President propose that the net result of the Parent Company for the year of TSEK 6,265 will be added to the retained earnings.

Annual General Meeting

The Annual General Meeting will be held in Stockholm on 17 May 2006.

Financial Statements

The result of the Group and the Parent Company's operations and their financial position at the end of the financial year are shown in the following income statements, balance sheets, statements of cash flow, statement of changes in equity and related notes.

INCOME STATEMENT
CONSOLIDATED AND PARENT COMPANY INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

Expressed in TSEK	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Operating income					
Net sales of oil and gas	1	3,995,477	2,344,005	–	–
Other operating income	1	194,707	124,281	18,776	11,547
		4,190,184	2,468,286	**18,776**	11,547
Cost of sales					
Production costs	2	-1,310,905	-1,074,491	–	–
Depletion of oil and gas properties	3	-753,428	-381,252	–	–
Write off of oil and gas properties	4	-208,135	-150,065	–	–
Gross profit		**1,917,716**	862,478	**18,776**	11,547
Sale of assets		192,122	98,192	–	–
Other income		6,438	17,710	–	213
General, administration and depreciation expenses	5	-103,118	-129,978	-52,141	-71,228
Operating profit		**2,013,158**	848,402	**-33,365**	-59,468
Result from financial investments					
Financial income	6	44,012	58,492	39,846	30,795
Financial expenses	7	-196,461	-60,033	-216	–
		-152,449	-1,541	**39,630**	30,795
Profit before tax		**1,860,709**	846,861	**6,265**	-28,673
Corporation tax	8	-887,784	-249,470	–	–
Petroleum tax	8	21,050	7,867	–	–
		-866,734	-241,603	–	–
Net result		**993,975**	605,258	**6,265**	-28,673
Net result attributable to :					
Shareholders of the parent company		993,507	598,245	6,265	-28,673
Minority interest		468	7,013	–	–
Net result		**993,975**	605,258	**6,265**	-28,673
Earnings per share – SEK [1]	33	**3.89**	2.37	**0.02**	-0.11
Diluted earnings per share – SEK [1]	33	**3.87**	2.34	**0.02**	-0.11

[1] Based on net result attributable to shareholders of the parent company.

BALANCE SHEET
CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS AT 31 DECEMBER

TSEK	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
ASSETS					
Tangible fixed assets					
Oil and gas properties	9	5,732,871	4,296,024	–	–
Other tangible fixed assets	10	94,136	38,001	–	–
Total tangible fixed assets		**5,827,007**	4,334,025	**–**	–
Financial fixed assets					
Shares in subsidiaries	11	–	–	184,491	184,491
Shares in associated companies	12	–	–	–	–
Other shares and participations	13	151,928	21,153	–	–
Long term receivables	14	–	–	690,746	615,545
Restricted cash	15	23,827	35,722	–	–
Deferred financing fees	16	18,905	21,797	–	–
Deferred tax asset	17	297,788	396,347	–	–
Derivative instruments	18	1,825	–	–	–
Other financial fixed assets	19	8,201	6,022	–	–
Total financial fixed assets		**502,474**	481,041	**875,237**	800,036
Current assets					
Inventories	20	99,943	88,568	–	–
Trade receivables		523,315	366,105	–	2
Prepaid expenses and accrued income	21	27,276	11,790	37	158
Derivative instruments	18	13,430	–	–	–
Current receivables	22	379,513	302,407	11,099	3,294
Cash and bank		389,415	268,377	10,856	10,289
Total current assets		**1,432,892**	1,037,247	**21,992**	13,743
TOTAL ASSETS		**7,762,373**	5,852,313	**897,229**	813,779

TSEK	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
EQUITY AND LIABILITIES					
Equity					
Share capital *		2,571	2,537	2,571	2,537
Additional paid in capital		1,121,029	1,055,213	–	–
Statutory reserve *		–	–	861,306	824,163
Other reserves		212,376	-126,389	–	–
Retained earnings		1,350,133	837,676	23,118	10,712
Net Profit		993,507	598,245	6,265	-28,673
Shareholders equity		**3,679,616**	2,367,282	**893,260**	808,739
Minority interest		3,050	2,931	–	–
Total equity		**3,682,666**	2,370,213	**893,260**	808,739
Non-current liabilities					
Site restoration	23	329,173	296,024	–	–
Pension	24	13,810	14,518	–	–
Deferred tax	8	1,735,058	1,166,132	–	–
Other provisions	25	9,209	19,628	–	–
Derivative instruments	18	–	1,390	–	–
Bank loans	26	736,151	1,343,021	–	–
Total non-current liabilities		**2,823,401**	2,840,713	**–**	–
Current liabilities					
Trade payables		135,394	72,701	988	643
Liabilities to Group companies		–	–	–	93
Current tax liability	8	117,691	35,350	–	–
Derivative instruments	18	193,777	10,563	–	–
Accrued expenses and prepaid income	29	298,124	215,329	2,543	3,733
Other current liabilities	30	511,320	307,444	438	571
Total current liabilities		**1,256,306**	641,387	**3,969**	5,040
TOTAL EQUITY AND LIABILITIES		**7,762,373**	5,852,313	**897,229**	813,779
Pledged assets	31	1,128,763	1,124,388	1,128,763	1,124,388
Contingent liabilities	32	–	–	–	–

* Share capital and statutory reserve are part of the Parent Company's Restricted Equity. The remaining equity items of the Parent Company are unrestricted equity.

STATEMENT OF CASH FLOW

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

TSEK	Note	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Cash flow from operations					
Net result		993,975	605,258	6,265	-28,673
Adjustments for					
Change in other provisions		-1,286	-4,326	–	–
Write off of oil and gas properties		208,135	150,065	–	–
Depletion, depreciation and amortisation		763,209	381,252	–	33
Amortisation of deferred financing fees		3,737	7,224	–	–
Other non-cash items	34	656,679	381,971	18,981	10,712
Unrealised exchange gains		-2,200	2,037	-2,200	-1,389
Gain on sale of assets/investments		-192,122	-101,769	–	–
Changes in working capital					
Increase/decrease in current assets		-92,639	-288,916	-7,683	663
Decrease/increase in current liabilities		203,856	37,367	-1,381	-1,660
Total cash flow from/used for operations		**2,541,344**	1,170,163	**13,982**	-20,314
Cash flow used for investments					
Investment in subsidiary assets	35	-236	-1,220,191	–	–
Sale of assets/investments		192,122	182,091	–	–
Investment/divestment of real estate		-40,190	44,640	–	–
Change in other financial fixed assets		16,850	2,092	-72,911	-99,492
Other payments		-13,419	-1,219	–	–
Investment in oil and gas properties		-1,852,415	-1,628,813	–	–
Investment in office equipment and other assets		-16,137	-30,423	-	62
Total cash flow used for investments		**-1,713,425**	-2,651,823	**-72,911**	-99,430
Cash flow from/used for financing					
Changes in long-term bank loan		-822,240	1,464,797	–	–
Paid financing fees		–	-28,260	–	–
Proceeds from share issues		59,275	16,035	59,275	16,035
Total cash flow from/used for financing		**-762,965**	1,452,572	**59,275**	16,035
Change in cash and bank		64,954	-29,088	346	-103,709
Cash and bank at the beginning of the period		268,377	301,589	10,289	112,609
Currency exchange difference in cash and bank		56,084	-4,124	221	1,389
Cash and bank at the end of the year		**389,415**	268,377	**10,856**	10,289

The effects of acquisitions and divestments of subsidiary companies have been excluded from the changes in the balance sheet items. The effects of currency exchange differences due to the translation of foreign group companies have also been excluded as these effects do not affect the cash flow. Cash and bank comprise cash and short-term deposits maturing within less than three months.

Interest income received amounted to TSEK 28,773 (TSEK 7,638) for the Group and TSEK 82 (TSEK 114) for the Parent Company. Paid interest expenses amounted to TSEK 64,875 (TSEK 40,673) for the Group and TSEK - (TSEK -) for the Parent Company. Taxes paid amounted to TSEK 160,023 (TSEK 2,793) for the Group and TSEK - (TSEK -) for the Parent Company.

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Group						
Total Equity Comprises:	**Share Capital**	**Additional Paid-In Capital**	**Other Reserves**	**Retained Earnings**	**Net Result**	**Minority Interest**	**Total Equity**
Balance at 1 January 2004	2,515	1,039,200	-55,088	-103,265	930,229	20,036	1,833,627
Transfer of prior year net result	–	–	–	930,229	-930,229	–	–
Currency translation difference	–	–	-71,301	–	–	-136	-71,437
Net result	–	–	–	–	598,245	7,013	605,258
Total recognised income and expense for the period	**–**	**–**	**-71,301**	**–**	**598,245**	**6,877**	**533,821**
Issuance of shares	22	16,013	–	–	–	–	16,035
Share based payments	–	–	–	10,712	–	–	10,712
Disinvestment	–	–	–	–	–	-23,982	-23,982
Balance at 31 December 2004	**2,537**	**1,055,213**	**-126,389**	**837,676**	**598,245**	**2,931**	**2,370,213**
Change in accounting policy	–	–	-98,194	–	–	–	-98,194
Balance at 1 January 2005	**2,537**	**1,055,213**	**-224,583**	**837,676**	**598,245**	**2,931**	**2,272,019**
Transfer of prior year net result	–	–	–	598,245	-598,245	–	–
Transfer of hedge reserve	–	–	98,194	-98,194	–	–	–
Currency translation difference	–	–	301,587	–	–	531	302,118
Change in fair value	–	–	37,178	–	–	–	37,178
Income and expenses recognised directly in equity	**–**	**–**	**338,765**	**–**	**–**	**531**	**339,296**
Net result	–	–	–	–	993,507	468	993,975
Total recognised income and expense for the period	**–**	**–**	**338,765**	**–**	**993,507**	**999**	**1,333,271**
Issuance of shares	34	59,241	–	–	–	–	59,275
Transfer of share based payments	–	6,575	–	-6,575	–	–	–
Share based payments	–	–	–	18,981	–	–	18,981
Investments	–	–	–	–	–	-880	-880
Balance at 31 December 2005	**2,571**	**1,121,029**	**212,376**	**1,350,133**	**993,507**	**3,050**	**3,682,666**

Other reserves comprises:	Group			
	Available-For-Sale Reserve	Hedge Reserve	Currency Translation Reserve	Total Other Reserves
Balance at 31 December 2004	–	–	-126,389	-126,389
Change in accounting policy	–	-98,194	–	-98,194
Balance at 1 January 2005	**–**	**-98,194**	**-126,389**	**-224,583**
Change in fair value	99,109	-61,931	–	37,178
Transfer to retained earning	–	98,194	–	98,194
Currency translation difference	–	–	301,587	301,587
Balance at 31 December 2005	**99,109**	**-61,931**	**175,198**	**212,376**

	Parent Company				
	Restricted Equity		Unrestricted Equity		Total Equity
	Share Capital	Statutory Reserve*	Retained Earnings	Net Results	
Balance at 1 January 2004	2,515	958,297	–	-150,147	810,665
Transfer of prior year net result	–	-150,147	–	150,147	–
New share issuance	22	16,013	–	–	16,035
Share based payments	–	–	10,712	–	10,712
Net result	–	–	–	-28,673	-28,673
Balance at 31 December 2004	**2,537**	**824,163**	**10,712**	**-28,673**	**808,739**
Transfer of prior year net result	–	-28,673	–	28,673	–
New share issuance	** 34	59,241	–	–	59,275
Transfer of share based payments	–	6,575	-6,575	–	–
Share based payments	–	–	18,981	–	18,981
Net result	–	–	–	6,265	6,265
Balance at 31 December 2005	*****2,571**	**861,306**	**23,118**	**6,265**	**893,260**

* The share premium reserve as at 31 December 2004 has been reclassified to statutory reserve in line with the Swedish Company Act.

** Included in the amount of new shares issued at 31 December 2005 are 346,500 shares which had been issued but not registered.

*** Lundin Petroleum AB's share capital at 31 December 2005 amounts to SEK 2,571,402 represented by 257,140,166 shares with a quota value of SEK 0.01 each.

Accounting Principles

Introduction

In June 2002 the European Union (EU) adopted International Financial Reporting Standards (IFRS) for all companies listed on a stock exchange within the European Union with effect from 1 January 2005, the adoption date. Lundin Petroleum's Annual Report for 2005 has been prepared in full compliance with IFRS, including one year of comparative figures in line with IFRS 1. As a result, Lundin Petroleum's date of transition is 1 January 2004. The financial statements of the group have been prepared in accordance with prevailing IFRS standards and International Financial Reporting Standards Committee (IFRIC) interpretations adopted by the EU Commission at the end of December 2005. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of held for sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under the headline "Critical accounting estimates and judgements".

The financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RR 32 issued by the Swedish Financial Accounting Standards Council and the Annual Accounts Act. RR 32 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RR 32. The Parent Company's accounting principles deviate from the Group's in respect of Pensions where FAR 4 is applied and valuation of shares in subsidiaries, which are valued at cost.

IFRS Transition

IFRS 1 provides first time adopters of IFRS with exemptions from full retrospective application of the newly adopted standards. Lundin Petroleum has utilised the following exemptions:

IFRS 2 – Shared based payments. This standard will not be applied to the Group's incentive warrants programme granted before 7 November 2002. The 2004 programme granted after 7 November 2002 and not yet vested before 1 January 2005 will be recognised in line with this standard.

IFRS 3 – Business Combinations. This standard has not been applied to business combinations prior to 31 March 2004.

IFRS 5 – Non Current assets held-for-sale and discontinued operations. This standard has been adopted prospectively as from 1 January 2005 and therefore the comparative numbers have not been restated.

IAS 21 – The effect of changes in foreign exchange rates. At the date of transition to IFRS the cumulative historic translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS but will include translation differences arising after this date.

IAS 39 – Financial Instruments, as adopted by the EU, has been applied as from 1 January 2005 and therefore the comparative numbers have not been restated.

Changes in Accounting Principles on the Adoption of IFRS

IFRS 2 – Shared based payments

Under Swedish GAAP Lundin Petroleum did not recognise employee incentive warrants issued as compensation cost when the exercise price was equal to or at a premium to the market price at the time of issue. IFRS 2 requires a charge to be recorded in the income statement to record the issue of employee incentive warrants as well as a liability in relation to the employee incentive warrants programme. As a result of the transition to IFRS, shareholders equity as at 31 December 2004 included a credit of MSEK 10.7. The result for the year 2004 included a charge of MSEK 10.7 in the personnel costs.

IFRS 3 – Business combinations

This statement deals with the business combinations and the treatment of any excess purchase price over the allocated asset values. Under IFRS 3 the excess purchase price is recorded as goodwill whereas under Swedish GAAP the excess value was allocated to the acquired assets. There was no change required to the treatment of assets currently recorded by Lundin Petroleum.

IAS 1 – Presentation of financial statements

In accordance with this standard some classification and layout changes have been implemented in the annual report 2005. Below the significant ones are disclosed:

Minority interests are included in shareholders' equity as a separate component and are included in the net result for the year in the income statement. The shares in Associated companies has been removed from Other shares and participations and are shown on a separate line in the Balance Sheet.

Changes in fair values and revaluation of assets have been specified in the statement of changes in equity and in the notes.

IAS 21 – The effect of changes in foreign exchange rates

This statement deals with the effects of foreign exchange rates. The effects of recording a change in functional currency of certain subsidiaries within the Lundin Petroleum Group are in line with the requirements of this standard, related to the oil and gas assets recognised in these companies. The negative effect on shareholders' equity net of deferred tax at 1 January 2004 amounted to MSEK 11.5 and MSEK 4.6 at 31 December 2004. The positive effect net of deferred tax on the result for the year ended 31 December 2004 amounted to MSEK 8.2.

At the date of transition to IFRS the cumulative historic translation differences are deemed to be zero. The gain or loss on a subsequent disposal of any foreign operation will exclude translation differences that arose before the date of transition to IFRS but will include translation differences arising after this date.

IAS 36 – Impairment of assets

Under GAAP used for the preparation of the 2004 financial statements, Lundin Petroleum has based their impairment testing on a country by country cost pool basis under the full cost method of accounting.

In accordance with IAS 36 impairment testing is carried out on a field by field basis. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Exploration costs can no longer be carried as capitalised costs within a cost pool unless the capitalised costs can be supported by future cash flows from that cost pool. If there is no decision to continue with a field specific exploration programme then the costs will be expensed at the time the decision is made.

Lundin Petroleum has incurred exploration costs in France and Indonesia which under the adoption of IFRS have been expensed in the financial statements for 2004.

The effect on shareholders' equity amounted to MSEK -16.1 net of deferred tax at 1 January 2004 and the impact on the result for the year ended 31 December 2004 amounted to MSEK -19.4 net of deferred tax.

IAS 32 and 39 – Derivative financial instruments

IAS 32 and 39 deal with the recognition, measurement, disclosure and presentation of financial instruments. In accordance with IAS 39 all derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are re-measured at their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument. The Lundin Petroleum Groups' foreign exchange forward contracts are example of derivatives that do no qualify for hedge accounting.

Lundin Petroleum had in place in 2004 and 2005 cash flow hedges by means of interest rate hedging contracts and oil price hedging contracts. Under Swedish GAAP, Lundin Petroleum had treated the hedging contracts as off-balance sheet instruments, whereas IFRS requires these contracts to be recorded in the financial statements valuing these contracts at fair value. The impact on the opening balance of the hedging reserve within shareholders' equity at 1 January 2005 amounted to MSEK -98.2 net of deferred tax. The financial fixed assets increased with MSEK 64.5 mainly due to the related deferred tax assets, the current receivables increased with MSEK 1.9 relating to a short term hedge asset and the current liabilities increased with MSEK 162.3 in connection to short term hedge liabilities.

IFRS 6 Exploration for and Evaluation of Mineral Resources

This standard became effective at 1 January 2006. The group has elected to early adopt this Standard in 2005, with no effect on the net result or shareholders' equity. IFRS 6 permits an entity to develop an accounting policy for exploration and evaluation assets without specifically considering the requirements of paragraphs 11 and 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Thus, an entity adopting IFRS 6 may continue to use the accounting policies applied immediately before adopting the IFRS. This includes continuing to use recognition and measurement practices that are part of those accounting policies. IFRS 6 also sets the disclosure demands on the assets, liabilities, income and expenses arising from the exploration and evaluation of mineral resources.

Reconciliation from Swedish GAAP to IFRS

Net result in TSEK	**Group 2004**	**Parent Company 2004**
Net result under Swedish GAAP	620,154	-17,961
Reclassification of minority interest	7,013	–
Share based payments	-10,712	-10,712
Effects of changes in functional currency	8,230	–
Impairment of assets	-22,359	–
Taxes	2,932	–
Net result under IFRS	**605,258**	**-28,673**

Group equity in TSEK	**Jan 1, 2004**	**Dec 31, 2004**	**Jan 1, 2005**
Total equity under Swedish GAAP	1,841,195	2,407,375	2,407,375
Reclassification of minority interest	20,036	2,931	2,931
Change in functional currency	-11,547	-4,610	-4,610
Impairment of assets	-16,057	-35,483	-35,483
Adjustment for financial instruments	–	–	-98,194
Total equity under IFRS	**1,833,627**	**2,370,213**	**2,272,019**

Parent Company equity in TSEK	Jan 1, 2004	Dec 31, 2004	Jan 1, 2005
Total equity under Swedish GAAP	810,665	808,739	808,739
Reclassification of minority interest	–	–	–
Change in functional currency	–	–	–
Impairment of assets	–	–	–
Adjustment for financial instruments	–	–	–
Total equity under IFRS	**810,665**	**808,739**	**808,739**

Accounting Principles Adopted by The Group

Principles of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the sole right to exercise control over the operations and govern the financial policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing the Group's control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The consolidated financial statements of the Lundin Petroleum Group have been prepared using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The minority interest in a subsidiary represents the portion of the subsidiary not owned by the Company. The equity of the subsidiary relating to the minority shareholders is shown as a separate item within equity for the Group.

All intercompany profits, transactions and balances are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associated Companies

An investment in an associated company is an investment in an undertaking where the Group exercises significant influence but not control, generally accompanying a shareholding of at least 20% but not more than 50% of the voting rights. Such investments are accounted for in the consolidated financial statements in accordance with the equity method. The difference between the acquisition cost of shares in an associated company and the net fair value of the assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The Group's share in the post-acquisition results of the associated company is recognised in the income statement and the Group's share in post-acquisition movements in the equity of the associated company are recognised the Group's equity. When the Group's accumulated share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Other Shares and Participations

Investments where the shareholding is less than 20% of the voting rights are treated as financial instruments.

Jointly Controlled Entities

Oil and gas operations are conducted by the Group as co-licensees in unincorporated joint ventures with other companies. The Group's financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint venture applicable to the Group's interests.

Foreign Currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in SEK, which is the currency the Group has elected to use as the presentation currency.

Functional Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and recognised in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in the income statement.

Presentation Currency

The balance sheets and income statements of foreign subsidiary companies are translated for consolidation using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date rates of exchange, whereas the income statements are translated at weighted average rates of exchange for the year. The translation differences which arise are taken directly to the foreign currency translation reserve within shareholders' equity. On a disposal of a foreign operation the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences on long term intercompany loans, used for financing exploration activities, are taken directly to shareholders' equity.

For the preparation of the annual financial statements, the following currency exchange rates have been used.

	Average	**Period end**
1 Euro equals SEK	9.2800	9.3885
1 USD equals SEK	7.4550	7.9584

Classification

Fixed assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

General

Assets and liabilities are included at their acquisition cost and nominal amounts respectively unless stated otherwise. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Oil and Gas Properties

Oil and gas operations are recorded at historic cost less depletion. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalised on a field area cost centre basis.

Net capitalised costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas in accordance with the unit of production method. Depletion of a field area is charged to the income statement once production commences.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proceeds from the sale or farm-out of oil and gas concessions are offset against the related capitalised costs of each cost centre in the exploration stage with any excess of net proceeds over all costs capitalised included in the income statement. A gain or loss is recognised on the sale or farm-out of producing areas when the depletion rate is changed by more than 20 percent.

Impairment tests are carried out at least annually to determine that the net book value of capitalised cost within each field area cost centre less any provision for site restoration costs, royalties and deferred production or revenue related taxes is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in the related field areas. Capitalised costs can not be carried within a field cost pool unless those costs can be supported by future cash flows from that field. Provision is made for any impairment, where the net book value, according to the above, exceeds the estimated future discounted net cash flows using prices and cost levels used by Group management in their internal forecasting or fair value less costs to sell. If there is no decision to continue with a field specific exploration programme, the costs will be expensed at the time the decision is made.

Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated useful life.

The carrying amount is written down immediately to its recoverable amount when the carrying amount is higher. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Non-Current Assets Held for Sale

To classify as non-current asset held-for-sale the carrying amount needs to be assumed to be recovered through a sale transaction rather than through continuing use. It also must be available for immediate sale in its present condition and sale must be highly probable. If classified as non-current held-for-sale the assets will be valued at the lower of its carrying value and fair value less estimated cost of sale.

Financial Instruments

Lundin Petroleum recognises the following financial instruments:

- Loans and receivables are valued at the amounts they are expected to realise. Translation differences are reported in the income statement except for the translation differences on long term intercompany loans, used for financing exploration activities, which are taken directly in shareholders' equity.

- Other shares and participations (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in shareholders' equity until realised. Where the other shares and participations do not have a quoted market price in an active market and whose fair value cannot be measured reliably, they are accounted for at cost less impairment if applicable.

- Derivative instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

  The Group categorises derivatives as follows:

1. Fair value hedge
   Changes in the fair value of derivatives that qualify as fair value hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability.

2. Cash flow hedge
   The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in shareholders´ equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in shareholders´ equity are transferred to the income statement in the period when the hedged item will affect the income statement. When a hedging instrument no longer meets the requirements for hedge accounting, expires or is sold, any accumulated gain or loss recognised in shareholders´ equity is transferred to the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the accumulated gain or loss reported in equity is immediately transferred to the income statement.

3. Net investment hedge
   Hedges of net investments in foreign operations are accounted for in a similar manner as cash flow hedges. The gain or loss accumulated in equity is transferred to the income statement at the time the foreign operation is disposed of.

4. Derivatives that do no qualify for hedge accounting
   When derivatives do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement.

Restricted Cash

Restricted cash represents cash amounts that have a conditional restriction on their withdrawal and are shown as a financial fixed asset in the balance sheet.

Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a first in first out (FIFO) basis. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Under- or overlifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date. An underlift of production from a field is included in the current receivables and valued at the reporting date spot price or prevailing contract price and an overlift of production from a field is included in the current liabilities and valued at the reporting date spot price or prevailing contract price.

Cash and Bank

Cash and bank includes cash at bank, cash in hand and highly liquid interest bearing securities with original maturities of three months or less.

Equity

Share capital consists of the registered share capital for the parent company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess contribution in relation to the issuance of shares is accounted for in the item Additional paid-in-capital.

The change in fair value of shares and participations is accounted for in the fair value reserve. Upon the crystallisation of a change in value, the change in fair value recorded will be transferred to the income statement. The change in fair value of hedging instruments is accounted for in the hedge reserve. Upon settlement of the hedge instrument, the change in fair value is transferred to the income statement. The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the reporting currency.

Retained earnings contain the accumulated results attributable to the shareholders of the parent company.

Provisions

A provision is reported when the company has a formal or informal obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount.

On fields where the Group is required to contribute to site restoration costs, a provision is created to recognise the future liability. At the date of acquisition of the field or at first production, an asset, as part of oil and gas properties, is created to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively.

Revenue

Revenues from the sale of oil and gas are recognised in the income statement net of royalties taken in kind. Sales of oil and gas are recognised upon delivery of products and customer acceptance or on performance of services. Incidental revenues from the production of oil and gas are offset against capitalised costs of the related cost centre until quantities of proven and probable reserves are determined and commercial production has commenced.

Service income, generated by providing technical and management services to joint ventures, is recognised as other income.

The fiscal regime in the area of operations defines whether royalties are payable in cash or in kind. Royalties payable in cash are accrued in the accounting period in which the liability arises. Royalties taken in kind are subtracted from production for the period to which they relate.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending to be used for the qualifying asset is deducted from the borrowing costs eligible for capitalisation. This applies on the interest on borrowings to finance fields under development which is capitalised within oil and gas properties until production commences. All other borrowing costs are recognised in profit or loss in the period in which they occur. Interest on borrowings to finance the acquisition of producing oil and gas properties is charged to income as incurred.

Leases

For a lease to qualify as a finance lease, substantially all of the risks and benefits of ownership must pass to the lessee. In all other cases the lease will be classified as an operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Employment Benefits

Short Term Employee Benefits

Short-term employment benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension Obligations

Pensions are the most common long-term employee benefit. The pension schemes are funded through payments to insurance companies. The Group's pension obligations consist mainly of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense when they are due.

The Group has one obligation under a defined benefit plan. The relating liability recognised in the balance sheet is valued at the discounted estimated future cash outflows as calculated by an external actuarial expert. Actuarial gains and losses are charged to the income statement. The Group does not have any designated plan assets.

Share-Based Payments

Lundin Petroleum recognises cash-settled share-based payments in the income statement as expenses and as a liability in relation to the incentive warrants programme. The liability in relation to incentive warrants programmes is valued at fair value at grant date of the options using the Black & Scholes option pricing method. The fair value of the incentive warrant programme is charged to personnel costs over the vesting period. The fair value of the liability under the incentive warrant programme is remeasured at each reporting date recognising changes that affect the number of options expected to vest. At vesting date the liability is adjusted for the final number of options vested.

Income Taxes

The main components of tax are current and deferred. Current tax is tax that is to be paid or received for the year in question and also includes adjustments of current tax attributable to previous periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Lundin Petroleum divides the tax accounts between corporation tax and petroleum tax. Petroleum Revenue Tax (PRT) is classified as Petroleum tax and charged as a tax expense on taxable field profits included in the income statement.

Segment Reporting

The primary basis the Group uses for segmental reporting is at a country level due to the unique nature of each countries operations, commercial terms or fiscal environment. The secondary basis the Group uses for segmental reporting is oil and gas operations for which reference is made to the financial statements as a whole.

Related Party Transactions

Lundin Petroleum recognises the following related parties: associated companies, jointly controlled entities, members or the family of the key management personnel or other parties that are partly, direct or indirect, controlled by key management personnel or of its family.

Critical Accounting Estimates and Judgements

The management of Lundin Petroleum has to make estimates and judgements when preparing the Financial Statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's result. The most important estimates and judgements in relation thereto are:

Estimates in Oil and Gas Reserves

The business of the Group is the exploration for, development of and production of oil and gas reserves. Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Site Restoration Provision

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgment, actual results could differ from these estimates.

Events after the Balance Sheet Date

All events up to the date when the financial statements were authorised for issue and which have a material effect in the financial statements have been disclosed.

Coming IFRS Accounting Principles

The following new standards, amendments and interpretations to existing standards have been approved by the EU and are mandatory for the Group's accounting periods beginning on or after 1 January 2006.

- *IAS 1 Presentation of Financial Statements – Capital Disclosures*, effective from 1 January 2007. The IAS 1 amendment on capital requires that the following is disclosed: the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. The group will apply the amendment on Capital Disclosure on annual periods beginning 1 January 2007.

- *IAS 19 Employee Benefits - actuarial gains and losses,* amendment, effective from 1 January 2006. This standard introduces the option of an alternative recognition approach for actuarial gains and losses and adds new disclosure requirements. The group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and adoption of this amendment will only impact the disclosures. The Group will apply this amendment from annual periods beginning 1 January 2006.

- *IAS 39 Cash Flow Hedge Accounting of Forecast Intragroup Transactions,* amendment, effective from 1 January 2006. This amendment is not relevant to the Groups operations.

- *IAS 39 Financial instruments - The Fair Value Option,* amendment, effective from 1 January 2006. This amendment is not relevant to the Groups operations.

- *IFRS 4 Financial Guarantee Contracts,* amendment, effective from 1 January 2006. This amendment is not relevant to the Groups operations.

- *IFRS 7 Financial Instruments: Disclosures,* effective from 1 January 2007. IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The group will apply this standard from annual periods beginning 1 January 2007.

- *IFRIC 4 Determining whether an Arrangement contains a Lease,* effective from 1 January 2006. IFRIC 4 is not relevant to the Groups operations.

- *IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds,* effective from 1 January 2006. IFRIC 5 is not relevant to the Groups operations.

- *IFRIC 6 Liabilities arising from Participating in a Specific Market- Waste Electrical and Electronic Equipment,* effective from 1 December 2005. IFRIC 6 is not relevant to the Groups operations.

NOTES

NOTE 1 – SEGMENTAL INFORMATION (TSEK)

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Operating income				
Net sales of:				
Crude oil				
- United Kingdom	2,908,682	1,128,193	–	–
- France	629,842	426,457	–	–
- Norway	140,713	243,808	–	–
- Indonesia	179,673	149,645	–	–
- Tunisia	153,751	194,746	–	–
	4,012,661	2,142,849	**–**	–
Condensate				
- United Kingdom	36,527	20,007	–	–
- Norway	–	3,368	–	–
- Netherlands	3,467	10,143	–	–
- Indonesia	1,234	–	–	–
	41,228	33,518	**–**	–
Gas				
- Norway	1,746	2,851	–	–
- Netherlands	229,617	175,729	–	–
- Indonesia	1,328	4,129	–	–
- Ireland	5,776	23,372	–	–
	238,467	206,081	**–**	–
Service fee				
- Venezuela	127,408	114,797	–	–
Oil price hedging settlement	-424,287	-153,240	–	–
	3,995,477	2,344,005	**–**	–
Other income:				
- United Kingdom	146,931	74,624	–	–
- France	14,627	25,131	–	–
- Norway	14,276	7,074	–	–
- Netherlands	12,927	9,224	–	–
- Tunisia	–	7,179	–	–
- Other	5,946	1,049	18,776	11,547
	194,707	124,281	**18,776**	11,547
Total operating income	**4,190,184**	2,468,286	**18,776**	11,547
Operating profit contribution				
- United Kingdom	1,397,827	437,941	–	–
- France	277,100	151,547	–	–
- Norway	267,559	167,909	–	–
- Netherlands	62,206	81,487	–	–
- Venezuela	57,146	62,397	–	–
- Indonesia	119,655	58,168	–	–
- Tunisia	57,899	66,205	–	–
- Ireland	4,222	8,902	–	–

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
- Nigeria	-158,174	–	–	–
- Iran	-6,078	-132,051	–	–
- Other	-66,204	-54,103	-33,365	-59,468
Total operating profit contribution	**2,013,158**	848,402	**-33,365**	-59,468

Intercompany sales amounts to TSEK nil (TSEK nil) and intercompany purchases amounts to TSEK nil (TSEK nil).

	2005 SEK	2005 USD	2004 SEK	2004 USD
Average crude sales price, per barrel or boe				
- United Kingdom	406.74	54.56	306.42	41.75
- France	400.71	53.75	270.83	36.90
- Norway	383.56	51.45	278.31	37.92
- Netherlands	279.19	37.45	186.64	25.43
- Indonesia	364.55	48.90	255.34	34.79
- Tunisia	466.16	62.53	283.67	38.65
- Ireland	248.33	33.31	192.59	26.24
Combined	**394.59**	**52.93**	276.48	37.67
Average depletion cost, per barrel or boe				
- United Kingdom	69.11	9.27	44.21	6.02
- France	44.13	5.92	35.65	4.86
- Norway	74.03	9.93	42.66	5.81
- Netherlands	82.83	11.11	65.01	8.86
- Indonesia	19.61	2.63	10.60	1.44
- Tunisia	53.08	7.12	21.46	2.92
- Venezuela	58.15	7.80	34.67	4.72
Combined	**62.32**	**8.36**	39.05	5.32

Total assets	2005 TSEK	2004 TSEK
United Kingdom	3,124,289	2,667,129
France	1,146,890	1,063,666
Norway	1,560,495	709,501
Netherlands	789,338	746,330
Indonesia	429,200	144,049
Tunisia	197,018	132,277
Ireland	2,850	37,872
Venezuela	277,733	237,974
Albania	46,912	4,085
Nigeria	34,770	–
Iran	117	17,030
Sudan	54,758	41,250
Other	98,003	51,150
Group total	**7,762,373**	5,852,313

Total equity and liabilities	2005 TSEK	2004 TSEK
United Kingdom	1,951,801	1,585,790
France	323,613	293,576
Norway	1,156,224	497,594
Netherlands	248,260	892,170
Indonesia	189,030	100,093
Tunisia	62,445	33,093
Ireland	–	13,900
Venezuela	61,413	22,627
Albania	33,738	–
Nigeria	25,721	–
Iran	438	13,057
Sudan	2,195	1,702
Other	24,829	28,498

Total equity and liabilities	2005 TSEK	2004 TSEK
Total liabilities	**4,079,707**	3,482,100
Shareholders' equity	3,679,616	2,367,282
Minority interest	3,050	2,931
Total equity	**3,682,666**	2,370,213
Group total	**7,762,373**	5,852,313

NOTE 2 – PRODUCTION COSTS (TSEK)

Production costs comprise:	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Cost of operations	1,107,591	910,141	–	–
Tariff and transportation expenses	133,492	118,702	–	–
Direct production taxes	35,805	28,045	–	–
Change in lifting position	39,481	12,873	–	–
Inventory movement – hydrocarbons	-4,935	5,962	–	–
Inventory movement – well supplies	-529	-1,232	–	–
	1,310,905	1,074,491	**–**	–

NOTE 3 – DEPLETION OF OIL AND GAS PROPERTIES (TSEK)

Depletion of oil and gas properties per country:	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
United Kingdom	508,519	175,680	–	–
France	67,651	55,665	–	–
Norway	26,663	38,328	–	–
Netherlands	70,834	61,669	–	–
Indonesia	16,192	8,903	–	–
Tunisia	18,831	12,319	–	–
Venezuela	44,738	28,688	–	–
	753,428	381,252	**–**	–

NOTE 4 – WRITE-OFF OF OIL AND GAS PROPERTIES (TSEK)

Oil and gas properties written off were as follows:	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Nigeria	158,174	–	–	–
Netherlands	30,162	–	–	–
Iran	6,040	123,820	–	–
Indonesia	855	22,360	–	–
Other – project appraisal	12,904	3,885	–	–
	208,135	150,065	**–**	–

Whilst Lundin Petroleum retains an interest in Block OML 113 in Nigeria and is reviewing the information that was obtained from drilling the Aje-3 well, it was decided to write off all of the costs amounting to MSEK 158.2 in 2005 following the disappointing well results. The other material cost written off in 2005 relates to the Luttelgeest exploration well that was drilled in the Netherlands in 2004. After testing of the well in August 2005 the decision was made to plug and abandon the well and the costs incurred of MSEK 30.2 were written off. During 2004 the decision was made to write off the costs incurred in Iran as well as other exploration project costs resulting in a charge to the income statement for the year ended 31 December 2004 of MSEK 150.1.

NOTE 5 – REMUNERATION TO THE GROUP'S AUDITORS (TSEK)

Remuneration to the Group's auditors for	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Audit fees				
- PricewaterhouseCoopers	4,289	5,152	1,023	1,114
- Other	52	741	–	–
	4,341	5,893	**1,023**	1,114
Other				
- PricewaterhouseCoopers	498	879	498	206
- KPMG	–	9	–	–
- Other	47	1,418	–	–
	545	2,306	**498**	206
Total	**4,886**	8,199	**1,521**	1,320

NOTE 6 – FINANCIAL INCOME (TSEK)

Financial income comprise:	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Interest income	31,195	11,468	37,243	30,005
Dividends received	12,817	10,899	–	–
Foreign exchange gain, net	–	36,125	2,603	523
Other financial income	–	–	–	267
	44,012	58,492	**39,846**	30,795

Included in the interest income for the Parent Company is an amount of TSEK 37,161 (TSEK 29,944) received from Group companies.

NOTE 7 –FINANCIAL EXPENSES (TSEK)

Financial expenses comprise:	**Group 2005**	**Group 2004**	**Parent Company 2005**	**Parent Company 2004**
Loan interest expenses	45,003	53,092	–	–
Change in market value interest rate hedge	-7,949	-17,171	–	–
Unwind site restoration discount	17,082	14,503	–	–
Amortisation of deferred financing fees	15,182	7,224	–	–
Foreign exchange loss, net	104,575	–	216	–
Loss on currency rate hedge	17,396	–	–	–
Other financial expenses	5,172	2,385	–	–
	196,461	60,033	**216**	–

NOTE 8 – TAXES (TSEK)

The tax charge comprises:	**Group 2005**	**Group 2004**	**Parent Company 2005**	**Parent Company 2004**
Corporation tax – current				
- United Kingdom	-209,135	–	–	–
- France	-9,296	-5,393	–	–
- Norway	54,295	-5,821	–	–
- Netherlands	-19,332	78,883	–	–
- Indonesia	-1,153	-7,513	–	–
- Venezuela	-54,996	-12,778	–	–
- Switzerland	-1,036	-1,292	–	–
	-240,653	46,086	**–**	–
Corporation tax – deferred				
- United Kingdom	-343,221	-147,645	–	–
- France	-82,805	23,935	–	–
- Norway	-210,766	-77,299	–	–
- Netherlands	7,666	-69,012	–	–
- Indonesia	-17,460	-25,144	–	–
- Venezuela	-545	-391	–	–
	-647,131	-295,556	**–**	–
Total corporation tax	**-887,784**	-249,470	**–**	–
Petroleum tax - current				
- United Kingdom	–	59,572	–	–
- Netherlands	-11,270	3,367	–	–
	-11,270	62,939	–	–
Petroleum tax – deferred				
- United Kingdom	42,799	-59,122	–	–
- Netherlands	-10,479	4,050	–	–
	32,320	-55,072	–	–
Total petroleum tax	**21,050**	7,867	**–**	–
Total tax charge	**-866,734**	-241,603	**–**	–

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Sweden as follows:

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Profit before tax	**1,860,709**	846,861	**6,265**	-28,673
Tax calculated at the corporate tax rate in Sweden (28%)	-521,001	-237,121	-1,754	8,028
Effect of foreign tax rates	-302,208	-159,738	–	–
Tax effect of expenses non-deductible for tax purposes	-5,759	948	–	–
Tax effect of deduction for petroleum tax	32,831	3,798	–	–
Tax effect of income not subject to tax	18,634	62,180	–	–
Tax effect of utilisation of unrecorded tax losses	–	82,379	1,754	–
Tax effect of creation of unrecorded tax losses	-78,898	-7,991	–	-8,028
Adjustments to prior year deferred taxes	-14,863	-4,726	–	–
Adjustments to prior year tax assessments	-16,520	10,801	–	–
	-887,784	-249,470	**–**	–

Current tax liability	Group 2005	Group 2004
Corporation tax		
United Kingdom	63,550	–
France	–	1,867
Netherlands	–	1,934
Indonesia	2,413	–
Venezuela	44,917	15,146
Total corporation tax liability, current	**110,880**	18,947
Petroleum tax		
Netherlands	6,811	16,403
Total petroleum tax liability, current	**6,811**	16,403
Total current tax liability	**117,691**	35,350

Deferred tax liability	Group 2005	Group 2004
Corporation tax		
United Kingdom	912,695	683,659
France	129,197	89,775
Norway	436,294	157,290
Netherlands	148,663	136,714
Indonesia	88,723	37,302
Venezuela	-3,565	-3,447
Total corporation tax liability, deferred	**1,712,007**	1,101,293
Petroleum tax		
United Kingdom	12,264	53,835
Netherlands	10,787	11,004
Total petroleum tax liability, deferred	**23,051**	64,839
Total deferred tax liability	**1,735,058**	1,166,132

The wholly owned French companies have been consolidated for tax purposes within France from 1 January 2003. The taxation liability of a French company can be reduced wholly or in part by the surrender of losses from another French company. Losses incurred by a company prior to tax consolidation can only be carried forward and utilised against that company's income indefinitely.

During 2005 the Swedish taxation authority (Skatteverket) conducted a tax audit of Lundin Petroleum AB for the financial years 2002 to 2003. The tax authorities have disallowed a portion of expenses recharged to Lundin Petroleum AB by Lundin Oil Services SA for costs associated with services performed by the management of the Lundin Petroleum Group. As Lundin Petroleum AB is in a tax loss position, this disallowance of the expenses reduces the tax losses carried forward but does not result in a current tax charge. The tax losses incurred have not been recorded as deferred tax assets due to the uncertainty as to the timing of their utilisation. The tax authorities have charged penalties on the value of the taxable effect of the disallowed costs amounting to TSEK 5,038.1. The company is challenging the assessment of the penalties and the disallowance of the management costs as the company believes that they are a valid charge to the Parent Company of the Lundin Petroleum Group and as such, Lundin Petroleum has not made a provision in the accounts for the penalties charged.

A deferred tax benefit for the amount of TSEK 42,028 has been accounted for directly in equity. The deferred tax liability arises on the excess of book value over the tax value of oil and gas properties and the fair value of the derivate instruments.

Specification of deferred tax assets and tax liabilities	Group 2005	Group 2004
Deferred tax assets		
Unused tax loss carry forwards	172,705	361,669
Site restoration provision	68,509	27,657

Specification of deferred tax assets and tax liabilities	Group 2005	Group 2004
Royalties	5,060	4,862
Overlift	2,785	–
Fair value of derivative instruments	45,125	406
Other deductible temporary differences	3,603	1,753
	297,788	396,347
Deferred tax liabilities		
Accelerated allowances	1,723,501	1,129,549
Fair value of derivative instruments	3,097	–
Exchange gains and losses	–	30,246
Capitalised acquisition cost	8,360	6,262
Other taxable temporary differences	100	75
	1,735,058	1,166,132

Unrecognised Tax Losses

The Group has Swedish and Dutch tax loss carry forwards, including tax losses in the current financial year, of MSEK 420.8 which in part are not yet assessed. The tax losses can be utilised indefinitely. A deferred tax asset relating to the tax losses carry forward has not been recognised as at 31 December 2005 due to the uncertainty as to the timing and the extent of their utilisation. This treatment is consistent with the comparative year's accounts.

NOTE 9 – OIL AND GAS PROPERTIES (TSEK)

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Production cost pools	5,541,704	4,246,283	–	–
Non-production cost pools	191,167	49,741	–	–
	5,732,871	4,296,024	**–**	–

	Group								
2005 Production cost pools	**UK**	**France**	**Netherlands**	**Tunisia**	**Indonesia**	**Norway**	**Venezuela**	**Ireland**	**Total**
Cost									
1 January	2,193,340	985,066	624,948	76,555	107,707	564,521	233,829	31,419	4,817,385
Acquired on consolidation	–	–	–	–	–	-781	–	–	-781
Additions - production/ development	637,067	40,998	65,572	2	103,599	665,813	35,470	–	1,548,521
Disinvestments	–	-1,364	-1,980	–	–	–	–	-32,708	-36,052
Reclassifications	–	-993	–	–	195	–	–	–	-798
Currency translation difference	463,096	40,100	25,879	3,121	55,456	52,090	49,575	1,289	690,606
31 December	3,293,503	1,063,807	714,419	79,678	266,957	1,281,643	318,874	–	7,018,881
Depletion									
1 January	-158,520	-146,630	-138,326	-39,242	-29,362	-15,810	-43,212	–	-571,102
Depletion charge for the year	-508,519	-67,651	-70,834	-18,831	-16,192	-26,663	-44,738	–	-753,428
Write-offs	–	–	-30,162	–	–	–	–	–	-30,162
Disinvestments	–	1,364	1,978	–	–	–	–	–	3,342
Currency translation difference	-66,310	-6,152	-6,445	-1,819	-31,770	-1,590	-11,741	–	-125,827
31 December	-733,349	-219,069	-243,789	-59,892	-77,324	-44,063	-99,691	–	-1,477,177
Net book value	2,560,154	844,738	470,630	19,786	189,633	1,237,580	219,183	–	5,541,704

	Group								
2004 Production cost pools	**UK**	**France**	**Netherlands**	**Tunisia**	**Indonesia**	**Norway**	**Venezuela**	**Ireland**	**Total**
Cost									
1 January	–	850,740	555,507	80,532	52,014	160,038	240,220	–	1,939,051
Acquired on acquisition	1,663,419	–	–	–	–	458,429	–	30,024	2,151,872
Additions - production/ development	704,350	126,202	68,994	–	72,565	111,739	12,734	2,622	1,099,206
Disinvestment	–	-858	–	-3,787	-2,801	-190,077	–	–	-197,523
Changes in estimates	–	16,170	4,928	301	–	19,117	–	–	40,516
Currency translation difference	-174,429	-7,188	-4,481	-491	-14,071	5,275	-19,125	-1,227	-215,737
31 December	2,193,340	985,066	624,948	76,555	107,707	564,521	233,829	31,419	4,817,385
Depletion									
1 January	–	-92,978	-77,873	-27,242	-11,410	-23,176	-22,382	–	-255,061
Depletion charge for the year	-175,680	-55,665	-61,669	-12,319	-8,903	-38,328	-28,688	–	-381,252
Write-offs	–	–	–	–	-13,861	–	–	–	-13,861
Disinvestment	–	858	–	–	2,801	47,204	–	–	50,863
Currency translation difference	17,160	1,155	1,216	319	2,011	-1,510	7,858	–	28,209
31 December	-158,520	-146,630	-138,326	-39,242	-29,362	-15,810	-43,212	–	-571,102
Net book value	2,034,820	838,436	486,622	37,313	78,345	548,711	190,617	31,419	4,246,283

	Group				
2005 Non-production cost pools	**1 January**	**Additions**	**Write-offs**	**Currency translation difference**	**31 December**
Indonesia	14,657	17,469	-855	11,543	42,814
Tunisia	3,760	74,493	–	1,045	79,298
Albania	4,085	24,476	–	1,708	30,269
Nigeria	–	158,174	-158,174	–	–
Iran	–	6,040	-6,040	–	–
Sudan	20,802	7,798	–	157	28,757
Other	6,437	15,444	-12,197	345	10,029
	49,741	303,894	-177,266	14,798	191,167

2004 Non-production cost pools					
Indonesia	14,199	13,972	-8,499	-5,015	14,657
Tunisia	–	3,805	–	-45	3,760
Albania	–	4,132	–	-47	4,085
Iran	70,965	51,717	-123,820	1,138	–
Sudan	17,261	5,576	–	-2,035	20,802
Other	1,265	9,232	-3,885	-175	6,437
	103,690	88,434	-136,204	-6,179	49,741

Acquired on acquisition includes the values assigned to the oil and gas properties acquired through the purchase of the shares in Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) and certain Norwegian assets from DNO ASA during 2004. Acquired on consolidation relate to adjustments made in 2005 to the values assigned to the oil and gas assets acquired through this acquisition.

Capitalised Interest

The capitalised interest costs included within the costs of oil and gas properties amounts to MSEK 13.7 (MSEK -) and relates to oil and gas assets in Norway.

Exploration Expenditure Commitments

The Group participates in joint ventures with third parties in oil and gas exploration activities. The Group is contractually committed under various concession agreements to complete certain exploration programmes. The Directors estimate the present commitments to be no more than MSEK 216.9 of which third parties who are joint venture partners have contractually agreed to contribute approximately MSEK 79.2.

Risk and Uncertainties

The Group faces a number of risks and uncertainties in the areas of operation which may have an adverse impact on its ability to successfully pursue its exploration, appraisal and development plans as well as on its production of oil and gas.

- *Nature of oil and gas exploration and production.* Oil and gas exploration, development and production involve high operational and financial risks, which even a combination of experience, knowledge and careful evaluation may not be able to fully eliminate or which are beyond the Company's control. In addition, there is no assurance that commercial quantities of oil and gas will be recovered.

- *Property and/or border disputes.* The exact location and jurisdictions within which the Group's concessions exist could become the subject of dispute.

- *Military and political disturbances.* Certain of the countries in which the Group is operating have experienced military or political difficulties in the recent past.

- *Political uncertainties.* Certain aspects of the Group's operations require the consent or favourable decisions of governmental bodies.

- *Environmental impacts.* Exploration, development and production of oil and gas could cause harm to the environment. Under applicable laws and regulations as well as exploration and production sharing agreements, the Company may be held liable.

- *Liabilities and obligations under exploration and production agreements.* The Company and its partners in joint ventures for oil and gas exploration and production, are joint and several liable for obligations and liabilities under relating agreements. In case joint venture partners are not able to meet their liabilities and obligations, the agreement may be terminated.

Venezuela

In November 2002, Lundin Petroleum commenced arbitration proceedings against one of its partners in the Colón Unit in Venezuela in respect of a dispute over pre-emptive rights under the Colón Unit joint operating agreement. The arbitration hearing was completed in 2004 and as a result Lundin Petroleum's working interest in the Colón Unit has remained at 12.5%.

In 2005 the Venezuelan government decided to restructure all operating services agreements in the country. Lundin Petroleum and its partners have signed a Transitional Agreement with Venezuelan national oil company PDVSA Petròleo SA. This agreement is relating to entering into good faith negotiations for conversion of the Operating Services Agreement into a joint venture company. The final effect of this transition on Lundin Petroleum's Venezuelan assets and values remains uncertain although Lundin Petroleum and its partners have been assured by the Venezuelan Ministry of Energy and Petroleum that the new regime will preserve our asset value under the Operating Services Agreement.

NOTE 10 – OTHER TANGIBLE ASSETS (TSEK)

	2005			2004		
Other tangible fixed assets:	**Assets under construction (real estate)**	**Office equipment and other assets**	**Total**	**Assets under construction (real estate)**	**Office equipment and other assets**	**Total**
Group						
Cost						
1 January	10,905	39,365	50,270	41,614	24,005	65,619
Acquired on acquisition	–	–	–	–	1,617	1,617
Disinvestments	–	–	–	-41,821	–	-41,821
Additions	40,190	16,453	56,643	12,088	19,518	31,606
Write-off	–	-9	-9	–	-2,286	-2,286
Reclassification	–	798	798	–	–	–
Currency translation difference	4,912	6,860	11,772	-976	-3,489	-4,465
31 December	56,007	63,467	119,474	10,905	39,365	50,270
Depreciation						
1 January	–	-12,269	-12,269	-754	-9,509	-10,263
Disinvestments	–	–	–	758	–	758
Depreciation charge for the year	–	-9,781	-9,781	–	-5,287	-5,287
Write-off	–	–	–	–	1,445	1,445
Currency translation difference	–	-3,288	-3,288	-4	1,082	1,078
31 December	–	-25,338	-25,338	–	-12,269	-12,269
Net book value	**56,007**	**38,129**	**94,136**	10,905	27,096	38,001
Parent Company						
Cost						
1 January	–	–	–	–	158	158
Additions	–	–	–	–	131	131
Write-offs	–	–	–	–	-289	-289
31 December	–	–	–	–	–	–
Depreciation						
1 January	–	–	–	–	-63	-63
Depreciation charge for the year	–	–	–	–	-33	-33
Write-offs	–	–	–	–	96	96
31 December	–	–	–	–	–	–
Net book value	**–**	**–**	**–**	–	–	–

Depreciation charge for the year reflects depreciation according to plan which is based on cost and an estimated useful life of 10 years for real estate and 3 to 5 years for office equipment and other assets. Depreciation is included within the general, administration and depreciation line in the income statement.

Acquired on acquisition includes the values assigned to the office equipment and other fixed assets acquired through the purchase of the shares in Lundin Britain Ltd (formerly DNO Britain Ltd) during 2004.

NOTE 11 – SHARES IN SUBSIDIARIES (TSEK)

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Book amount 31 Dec 2005	Book amount 31 Dec 2004
Directly owned							
Lundin Energy AB	556619-2299	Stockholm, Sweden	10,000,000	100	SEK 0.01	100	100
Lundin Investment Ltd	EC-14476	Hamilton, Bermuda	12,000	100	USD 1.00	585	585
Lundin Petroleum B.V.	BV 1216140	The Hague, Netherlands	180	100	EUR 100.00	183,806	183,806
						184,491	184,491
Indirectly owned							
Lundin Britain Ltd	3628497	London, United Kingdom	24,265,203	100	GBP 1.00		
- Lundin Heather Ltd	2748866	London, United Kingdom	9,701,000	100	GBP 1.00		
- Lundin (Heather Oilfield) Ltd	1216554	London, United Kingdom	101	100	GBP 1.00		
- Lundin Thistle Ltd	4487223	London, United Kingdom	100	100	GBP 1.00		
- Lundin UK Ltd	1006812	London, United Kingdom	5,004	100	GBP 1.00		
- Lundin UK Exploration Ltd	999917	London, United Kingdom	502,501	100	GBP 1.00		
Lundin Sudan B.V.	BV 1225619	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Sudan Ltd	EC 15676	Hamilton, Bermuda	12,000	100	USD 1.00		
Lundin Block 5B B.V.	BV 1225618	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Sudan (Block 5B) Ltd	EC-30543	Hamilton, Bermuda	12,000	100	USD 1.00		
Lundin Norway AS	986 209 409	Oslo, Norway	1,320,000	100	NOK 100.00		
Lundin Nigeria Ltd	RC 615830	Lagos, Nigeria	10,000,000	100	N 1.00		
Lundin Oil Services SA	1731/1999	Geneva, Switzerland	1,000	100	CHF 100.00		
Lundin New Ventures B.V.	BV 1272860	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Exploration B.V.	BV 1303454	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Services B.V.	BV 1229867	The Hague, Netherlands	180	100	EUR 100.00		
Lundin Sudan (Halaib) Ltd	EC-16775	Hamilton, Bermuda	12,000	100	USD 1.00		
Lundin Holdings SA	Nanterre B442423448	Montmirail, France	1,853,700	100	EUR 10.00		
- Lundin International SA	Nanterre B572199164	Montmirail, France	1,660,662	99.86	EUR 15.00		
- Lundin Latina de Petroleos SA	N 6 Volume 8-A-Qto	Caracas, Venezuela	8,047,951	100	Bs 1,000		
- Lundin Gascogne SNC	Nanterre B419619077	Montmirail, France	100	100	EUR 152.45		

	Registration number	Registered office	Number of shares	Percentage	Nominal value per share	Book amount 31 Dec 2005	Book amount 31 Dec 2004
- Lundin Netherlands Holding B.V.	BV 87466	The Hague, Netherlands	150	100	EUR 450.00		
- Lundin Netherlands B.V.	BV 86811	The Hague, Netherlands	30,000	100	EUR 450.00		
- Lundin Indonesia B.V.	BV 471132	The Hague, Netherlands	1,065	100	EUR 450.00		
- Lundin Munir B.V.	BV 1225617	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Lematang B.V.	BV 547158	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Oil & Gas B.V.	BV 547156	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Blora B.V.	BV 561660	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Sareba B.V.	BV 608284	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin South Sokang B.V.	BV 614572	The Hague, Netherlands	40	100	EUR 450.00		
- Lundin Behara B.V.	BV 1102917	The Hague, Netherlands	182	100	EUR 100.00		
- Lundin Banyumas B.V.	BV 1140222	The Hague, Netherlands	182	100	EUR 100.00		
- Lundin Marine B.V.	BV 1310579	The Hague, Netherlands	180	100	EUR 100.00		
- Lundin Albania B.V.	BV 1310581	The Hague, Netherlands	180	100	EUR 100.00		

The following companies were entered into liquidation during the year ending 31 December 2005:
- Lundin Petroleum Holdings Ltd
- Lundin Technical Services Ltd
- Lundin Ireland Ltd
- Lundin Munir Ltd

Lundin Ile-de-France SA was merged with Lundin International SA on 1 January 2005.

There were no movements in shares in subsidiaries of the Parent Company in the year ending 31 December 2005.

NOTE 12 – SHARES IN ASSOCIATED COMPANIES (TSEK)

	Group			
Associated companies comprise:	**Number of shares**	**Share %**	**Book amount 31 December 2005**	**Book amount 31 December 2004**
- Ikdam Production SA	1,600	40.00	–	–

The net result of Ikdam Production SA for the year ended 31 December 2004 amounted to TSEK 151,159 and total equity amounted to TSEK -77,343. As Lundin Petroleum has no obligation to cover for its interest in the negative total equity, the investment has been written off to TSEK nil.

31 December 2005 Aggregated balance sheet information of associated companies	**Total assets**	**Net result 2005**	**Equity, excl. net result 2005**	**Liabilities**	**Total equity and liabilities**
- Ikdam Production SA	178,200	74,757	-54,508	157,951	178,200

NOTE 13 – OTHER SHARES AND PARTICIPATIONS (TSEK)

	Group			
Other shares and participation comprise:	**Number of shares**	**Share %**	**Book amount 31 December 2005**	**Book amount 31 December 2004**
- Noorderlijke Aardgas Transportmij B.V.	11,098,015	1.81	105,769	18,383
- Cofraland B.V.	31	7.75	2,841	2,728
- Aardgas Verkoopmij Leeuwarden	–	7.23	–	15
- Island Oil and Gas plc	4,000,000	6.76	43,286	–
- Maison de la géologie	2	1.25	32	27
			151,928	21,153

The fair value amounted to MSEK 88.3 as at 31 December 2004.

The fair value of Island Oil & Gas plc is calculated using the quoted share price at the London Stock Exchange and the fair value of the shares in NOGAT is based on the discounted expected cash flow.

As at 31 December 2005, the other shares and participations include MSEK 2.9 recognised at cost because their fair value can not be measured reliably since there is no quoted share price and due to the uncertainty of the timing of the future cash flows from these companies.

NOTE 14 – LONG TERM RECEIVABLES (TSEK)

Long term receivables comprises:	**Group 31 December 2005**	**Group 31 December 2004**	**Parent Company 31 December 2005**	**Parent Company 31 December 2004**
Long term receivables from subsidiaries	–	–	690,746	615,545
	–	–	**690,746**	615,545

Long term receivables due from subsidiaries represents funding of operations within the subsidiaries for which repayment is not foreseen within an agreed repayment schedule.

NOTE 15 – RESTRICTED CASH

Restricted cash includes cash amounts deposited to support letters of credit issued in support of exploration work commitments. The amount as at 31 December 2005 relates to the bank guarantee outstanding issued to the Minister of Energy and Mining, representing the Republic of Sudan, in relation to the first commitment period in Block 5B, Sudan. The bank guarantee has been supported by a cash deposit that can not be withdrawn whilst the guarantee remains outstanding. As at 31 December 2004 an additional bank guarantee was issued to Edison as operator of the Munir concession in Iran in relation to work commitments on this concession. The amount has been refunded during 2005 following the fulfillment of the work commitments.

NOTE 16 – DEFERRED FINANCING FEES (TSEK)

The deferred financing fees relate to the costs of the bank credit facility and are being amortised over the period of the loan. Amortisation expenses amounted to TSEK 15,182 (TSEK 7,224).

NOTE 17 – DEFERRED TAX ASSET (TSEK)

The deferred tax asset is primarily relating to loss carry forwards in Norway for an amount of TSEK 163,895 (TSEK 110,078), France for an amount of TSEK 37,691 (TSEK 28,235) and Tunisia for an amount of TSEK 15,917 (TSEK 15,867). As at 31 December 2004, a deferred tax asset was included for the United Kingdom amounting to TSEK 240,661. Deferred tax assets in relation to tax loss carry forwards are only recognised in so far that there is a reasonable certainty as to the timing and the extent of their realisation.

NOTE 18 – DERIVATIVE INSTRUMENTS (TSEK)

As an international oil and gas exploration and production company operating globally, Lundin Petroleum is exposed to financial risks such as fluctuations in currency rates, oil price, interest rates as well as credit financing. The Company shall seek to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price hedges and interest rate hedges. Lundin Petroleum uses financial instruments solely for the purpose of minimising risks in the Company's business.

Currency Risk

Lundin Petroleum's policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US dollar currencies to US dollars in advance so that future US dollar cost levels can be forecasted with a reasonable degree of certainty. The Company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Oil Price Risk

Lundin Petroleum's policy is to adopt a flexible approach towards oil price hedging, based on an assessment of the benefits of the hedge contract in specific circumstances. Based on analysis of the circumstances Lundin Petroleum will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contract will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

Interest Rate Risk

Lundin Petroleum will assess the benefits of interest rate hedging on borrowings on a continuous basis. If the hedging contract provides a reduction in the interest rate risk at a price that is deemed acceptable to the Company, then Lundin Petroleum may choose to enter into an interest hedge.

Credit Risk

Lundin Petroleum's policy is to limit credit risk by limiting the counter-parties to major banks and oil companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take back possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due.

Liquidity Risk

On 16 August 2004, the Group entered into a MUSD 385 loan facility to fund the DNO acquisition and to provide further funds for corporate purposes. The MUSD 385 loan facility has been used to provide Letters of Credit in the amount of MUSD 35 as security for the payment of future site restoration costs to former owners of the Heather field, offshore UK, and to provide funds for corporate purposes. The amount of cash drawings outstanding at 31 December 2005 amounted to MUSD 92.5. The Group has entered into oil price, interest rate and currency hedges to remove a portion of market risk from the future cash flows. It is expected that the Group's operating cash flows will be sufficient to meet the Group's current development and exploration expenditure requirements, but if the cash flow should be insufficient the Group can utilise the undrawn portion of the loan facility.

Fair value of outstanding derivative instruments in the balance sheet:	31 December 2005		31 December 2004	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	15,255	4,373	–	8,408
Oil hedge contracts	–	170,833	–	3,545
Foreign exchange forward contracts	–	18,571	–	–
Total	**15,255**	**193,777**	–	11,953
Non-current	1,825	–	–	1,390
Current	13,430	193,777	–	10,563
Total	15,255	193,777	–	11,953

As at 31 December 2004, the fair value of the derivative instruments amounted to MSEK 167.7. As IAS 39 has been applied as from 1 January 2005, this fair value has not been recorded at 31 December 2004.
The Group has entered into the following oil price hedges:

Contract Date	USD Per Barrel Dated Brent	Barrels Per Day	Start Date	End Date
3/2004	28.40	3,000	1/1/2005	31/12/2005
4/2004	29.60	3,000	1/2/2005	31/12/2005
1/2005	45.00	5,000	1/2/2005	31/12/2005
3/2005	51.00	5,000	8/3/2005	31/12/2005
3/2005	53.19	5,000	1/1/2006	31/12/2006
12/2005	61.40	5,000	1/1/2006	31/12/2006

Under the criteria of IAS 39, the oil price hedges are effective and qualify for hedge accounting. Changes in fair value of these contracts are charged directly to the shareholders' equity. Upon settlement the relating part of the reserve is released to the income statement.

The Group has entered into the following interest rate hedging contracts to tie the LIBOR based floating rate part of the Company's USD borrowings to a fixed LIBOR rate of interest.

Contract Date	USD Libor Interest Rate	Amount Hedged	Start Date	End Date
10/2002	3.49%	85,000,000	4/1/2005	5/7/2005
10/2002	3.49%	75,000,000	5/7/2005	3/1/2006
10/2002	3.49%	65,000,000	3/1/2006	3/7/2006
10/2002	3.49%	55,000,000	3/7/2006	2/1/2007
3/2004	2.32%	40,000,000	1/4/2004	2/4/2007

The 3.49% interest rate contract had been entered into in relation to a previous credit facility, which was repaid and cancelled in 2003. As of 1 January 2004, this contract has been recorded at fair value with changes in fair value being recorded in the income statement.

The 2.32% interest rate contract relates to the current credit facility. As from 1 January 2005, the contract met the conditions of IAS 39 to qualify for hedge accounting with changes in fair value being charged directly to shareholders' equity. Following the repayment of the underlying portion of the loan in 2005, the 2.32% interest rate contract became ineffective in the fourth quarter of 2005 and hedge accounting could no longer be applied. As from this date, changes in fair value of this contract are therefore charged to the income statement.

The Group has entered into the following currency hedging contracts:

Buy	Sell	Average Contractual Exchange Rate	Settlement Period
MGBP 35.2	MUSD 66.2	1.8795	20 Jan 2005 – 20 Nov 2005
MEUR 13.2	MUSD 17.6	1.3330	20 Jan 2005 – 20 Nov 2005
MCHF 10.2	MUSD 8.8	0.8665	20 Jan 2005 – 20 Nov 2005
MNOK 35.0	MUSD 5.7	0.1628	15 Feb 2005 – 15 Nov 2005
MGBP 36.0	MUSD 63.3	1.7588	20 Dec 2005 – 20 Nov 2006
MEUR 14.4	MUSD 18.3	1.2716	20 Dec 2005 – 20 Nov 2006
MCHF 10.0	MUSD 7.7	0.7711	20 Dec 2005 – 20 Nov 2006

The currency hedging contracts are treated as being ineffective and therefore do not qualify for hedge accounting under IAS 39. Changes in fair value of these contracts are directly charged to the income statement.

NOTE 19 – OTHER FINANCIAL FIXED ASSETS (TSEK)

This item mainly relates to funds held by joint venture partners in anticipation of future expenditures for an amount of TSEK 8,201 (TSEK 5,924).

NOTE 20 – INVENTORIES (TSEK)

Inventories comprise:	Group 31 December 2005	Group 31 December 2004	Parent Company 31 December 2005	Parent Company 31 December 2004
Hydrocarbon stocks	62,485	53,557	–	–
Drilling equipment and consumable materials	37,458	35,011	–	–
	99,943	88,568	**–**	–

NOTE 21 – PREPAID EXPENSES AND ACCRUED INCOME (TSEK)

Prepaid expenses and accrued income comprises:	**Group 31 December 2005**	**Group 31 December 2004**	**Parent Company 31 December 2005**	**Parent Company 31 December 2004**
Prepaid rent	4,538	400	–	–
Joint venture balances	478	5,179	–	–
Prepaid insurances	1,902	2,517	–	–
Accrued income	14,883	1,279	–	–
Other	5,475	2,415	37	158
	27,276	11,790	**37**	158

NOTE 22 – CURRENT RECEIVABLES (TSEK)

Current receivables comprises:	**Group 31 December 2005**	**Group 31 December 2004**	**Parent Company 31 December 2005**	**Parent Company 31 December 2004**
Underlift	49,482	35,073	–	–
Current tax asset	117,283	117,587	–	–
Joint venture debtors	180,989	74,055	–	–
Due from Group companies	–	–	9,881	2,333
VAT recoverables	17,363	18,438	1,218	927
Other current assets	14,396	57,254	–	34
	379,513	302,407	**11,099**	3,294

NOTE 23– SITE RESTORATION (TSEK)

	Group 2005	**Group 2004**	**Parent Company 2005**	**Parent Company 2004**
1 January	296,024	110,643	–	–
Acquired on acquisition	–	195,403	–	–
Unwinding of discount (Note 7)	17,082	14,503	–	–
Payments	-254	–	–	–
Changes in estimates	–	40,516	–	–
Disinvestments	-11,187	-57,531	–	–

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Currency translation difference	27,508	-7,510	–	–
31 December	**329,173**	296,024	**–**	–

NOTE 24 – PENSION (TSEK)

In May 2002 the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved that a pension to be paid to Mr Adolf H. Lundin upon his resignation as Chairman of the Board of Directors and his appointment as Honorary Chairman. The pension amount agreed consists of monthly payments totalling an annual amount of TCHF 206 (TSEK 1,236) for the duration of his life. It was further agreed that upon the death of Mr Adolf H. Lundin, monthly payments totalling an annual amount of TCHF 138 (TSEK 827) would be paid to his wife, Mrs Eva Lundin for the duration of her life. The Company may, at its option, buy out the obligation to make the pension payments through a lump sum payment in the amount of TCHF 2,000 (TSEK 11,986). With the adoption of the Swedish recommendation RR29 a provision has been accounted for resulting in a reduction to the 2004 retained earnings brought forward of MSEK 15.7.

Pension provision	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
1 January	14,518	–	–	–
Adoption of RR 29	–	15,737	–	–
Instalments paid	-1,236	-1,219	–	–
Currency translation difference	528	–	–	–
31 December	**13,810**	14,518	**–**	–

NOTE 25 – OTHER PROVISIONS (TSEK)

	Group		
Other provisions comprises:	**Termination indemnity provision**	**Other**	**Total**
1 January 2005	4,865	14,763	19,628
Additions	1,111	–	1,111
Payments	–	-13,039	-13,039
Currency translation difference	981	528	1,509
31 December 2005	**6,957**	**2,252**	**9,209**

The termination indemnity provision represents Lundin Petroleum's share of the provision for employment termination costs within the Salawati joint ventures in Indonesia. This provision is supported in full by cash deposits held by the joint venture that are included within financial fixed assets.

As at 31 December 2004 an amount of MSEK 12.7 was accounted for in relation to transfer taxes on certain French assets originating before the time of acquisition of the Coparex group by Lundin Petroleum.

NOTE 26 – BANK LOANS (TSEK)

Bank loans comprises:	Group 31 December 2005	Group 31 December 2004	Parent Company 31 December 2005	Parent Company 31 December 2004
Current				
Repayment within one year	–	–	–	–
Long term				
Repayment within 2 – 5 years	736,151	629,147	–	–
Repayment after five years	–	713,874	–	–
	736,151	1,343,021	**–**	–

Loan repayments are made based upon a net present value calculation of the assets future cash flows. No loan repayments are currently forecasted under this calculation. The loan repayments as shown in the table are driven by the loan reduction schedule. The effective interest rate, after consideration taken to interest rate swaps, at the balance sheet date was 4.21% (4.85%). The fair value as at 31 December 2005 amounted to MSEK 746.5 (MSEK 1,352.0), based on the borrowing rate of 5.3%.

The Group's credit facility agreement provides that an "event of default" occurs where the Group does not comply with certain material covenants or where certain events occur as specified in the agreement, as are customary in financing agreements of this size and nature. If such an event of default occurs and subject to any applicable cure periods, the external lenders may take certain specified actions to enforce their security, including accelerating the repayment of outstanding amounts under the credit facility.

NOTE 27 – FINANCE LEASE (TSEK)

There are no finance leases within the Group.

NOTE 28 – OPERATING LEASE (TSEK)

Operating lease payments in the income statement amounts to MSEK 2.3 (MSEK -) and relates to the sale and leaseback transaction of a vessel in Norway. The payments for the coming years have been based on the assumption of a 7% interest in the vessel. The operating lease expires on 1 July 2010. Lundin Petroleum has an option to lease the vessel for a further 10 years.

Lease payments during 2006 and forward	Group 31 December 2005	Group 31 December 2004
Under 1 year	36,601	–
2 – 5 year	115,841	–
Total	**152,442**	–

NOTE 29 – ACCRUED EXPENSES AND PREPAID INCOME (TSEK)

Accrued expenses and prepaid income comprises:	Group 31 December 2005	Group 31 December 2004	Parent Company 31 December 2005	Parent Company 31 December 2004
Holiday pay	6,496	3,996	–	–
Operating costs	277,255	190,208	–	–
General and administrative costs	747	1,119	–	–
Social security charges	6,000	328	442	467
Salaries and wages	413	7,121	–	1,000
Other	7,213	12,557	2,101	2,266
	298,124	215,329	**2,543**	3,733

NOTE 30 – OTHER CURRENT LIABILITIES (TSEK)

Other current liabilities comprises:	Group 31 December 2005	Group 31 December 2004	Parent Company 31 December 2005	Parent Company 31 December 2004
Overlift	67,911	45,562	–	–
Acquisition liabilities	38,615	37,102	–	–
Joint venture creditors	389,896	203,819	–	–
VAT payable	5,201	4,942	–	–
Social charges payable	7,744	9,595	–	–
Other	1,953	6,424	438	571
	511,320	307,444	**438**	571

NOTE 31 – PLEDGED ASSETS

During 2004, the Group had entered into a MUSD 385 loan facility under which an amount of MUSD 92.5 was outstanding as at 31 December 2005. This facility was secured by a pledge over the shares of the asset holding companies of the Group and future cash flows generated from the pledged companies.

The amount stated for pledged assets of TSEK 1,128,763 as at 31 December 2005, represents the net asset book values of the pledged companies.

NOTE 32 – CONTINGENT LIABILITIES

During 2002 the Group completed the acquisition of 95.3% of the outstanding shares in Lundin International SA (formerly Coparex International SA) for a cash payment of MUSD 172.5 and a deferred consideration of up to MUSD 27.5 payable depending upon the performance of certain Tunisian assets. An amount of TSEK 38,615 has been recorded against the purchase price of the shares for Lundin Petroleum’s estimate of the amount payable under the deferred consideration. The contingent liability to pay the deferred consideration continued up to 31 December 2005 and after that the deferred consideration has been fully accrued.

NOTE 33 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the result of the Group attributable to the shareholders of the Parent Company by the weighted average number of shares for the year.

	2005	2004
The result of the Groups attributable to the shareholders of the Parent Company (in SEK)	993,506,862	598,244,995
Weighted average number of shares for the year	255,685,730	252,727,926
Earnings per share	**3.89**	2.37

Diluted earnings per share is calculated by adjusting the weighted average number of shares for the year with the dilution effect of outstanding warrants and to divide the result of the Group attributable to shareholders of the Parent Company by the diluted weighted shares.

	2005	2004
The result of the Groups attributable to the shareholders of the Parent Company (in SEK)	993,506,862	598,244,995
Weighted average number of shares for the year	255,685,730	252,727,926
Dilution effect of outstanding warrants	1,288,393	2,406,329
Weighted average number of shares for the year after considering the dilution effect of outstanding warrants.	256,974,123	255,134,255
Earnings per share (diluted)	**3.87**	2.34

NOTE 34 – CASH FLOW ANALYSIS – OTHER NON CASH ITEMS (TSEK)

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Deferred tax	618,610	350,628	–	–
Site restoration discount	17,085	14,503	–	–
Share based payments	18,981	10,712	18,981	10,712
Other non-cash items	2,003	6,128	–	–
	656,679	381,971	**18,981**	10,712

NOTE 35 – CASH FLOW ANALYSIS - INVESTMENTS IN SUBSIDIARY ASSETS (TSEK)

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Oil and gas assets	–	1,734,720	–	–
Other fixed assets	–	1,791	–	–
Financial fixed assets	–	269,611	–	–

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Other current assets	–	172,280	–	–
Provisions	–	-722,259	–	–
Long term liabilities	–	-	–	–
Current liabilities	–	-221,295	–	–
Minority interest	–	–	–	–
Shares in subsidiary	236	–	–	–
Purchase price	**236**	1,234,848	**–**	–
Cash in acquired company	–	-14,657	–	–
	236	1,220,191	**–**	–

2005

The amount recorded for 2005 relates to the purchase of shares in Lundin International SA. If this investment had been done in 2004 the effect on the Group's result for 2004 would not have been material.

2004

The values shown in the table represent the values assigned to the assets and liabilities of Lundin Britain Ltd (formerly DNO Britain Ltd) and Lundin Ireland Ltd (formerly Island Petroleum Developments Ltd) as at the date of acquisition by Lundin Petroleum for the purposes of consolidating into the Group accounts of Lundin Petroleum AB. If the acquisitions had occurred on 1 January 2004, the effect on net sales and net result would not have been material.

NOTE 36 – RELATED PARTY TRANSACTIONS

The Group has entered into transactions with related parties on an arms length basis as described below:

The Group paid TSEK 402 (TSEK 345) to Namdo Management Services Ltd., a private corporation owned by Lukas H. Lundin, a director of the Company, pursuant to a services agreement. Namdo has approximately 12 employees and provides administration and financial services to a number of public companies. Accordingly, there is no basis for allocating the amounts paid to Namdo to Mr Lukas H. Lundin directly. The outstanding payable amount at balance date amounts to TSEK 185.

The Group received TSEK 2,334 (TSEK 2,412) from Vostok Nafta Investment Ltd. and related companies, for the provision of office and accounting services. Vostok Nafta is considered a related party because the Honorary Chairman of Lundin Petroleum AB, Mr Adolf H. Lundin has significant investment within this company. The outstanding receivable at balance date amounts to TSEK 80.

NOTE 37 – AVERAGE NUMBER OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS (TSEK)

	2005		2004	
Average number of employees per country	**Total employees**	**of which men**	**Total employees**	**of which men**
Parent company				
Sweden	–	–	2	–
Total parent company	**–**	**–**	2	–
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	62	55	149	132
France	50	40	51	41
Norway	16	12	25	20
Switzerland	35	23	31	20
Netherlands	6	3	5	3
Indonesia	16	11	16	11
Tunisia	12	9	10	6
Albania	–	–	1	1
Total subsidiary companies	**197**	**153**	288	234
Total Group	**197**	**153**	290	234

For the Group, a total of 20 persons held senior management and board positions (2004: 19 persons and 2003: 15 persons). Two women are included in these positions in 2005 (One woman during 2004, 2003 and 2002).

	2005		2004	
Salaries, other remuneration and social security costs per country	**Salaries and other remuneration**	**Social security costs**	**Salaries and other remuneration**	**Social security costs**
Parent company				
Sweden	5,268	1,243	4,923	1,687
Total parent company	**5,268**	**1,243**	4,923	1,687
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				

	2005		2004	
Salaries, other remuneration and social security costs per country	**Salaries and other remuneration**	**Social security costs**	**Salaries and other remuneration**	**Social security costs**
United Kingdom	85,166	7,082	60,756	13,642
France	16,237	8,275	18,798	9,435
Norway	18,906	2,542	25,087	3,241
Switzerland	42,293	3,279	39,526	2,556
Netherlands	5,776	214	5,566	651
Indonesia	8,860	79	4,792	284
Tunisia	9,221	–	7,828	1,029
Albania	–	–	309	–
Total subsidiary companies	**186,459**	**21,471**	162,662	30,838
Total Group	**191,727**	**22,714**	167,585	32,525
of which defined contribution plan cost	8,450		11,321	
of which defined benefit plan cost	1,236		1,219	

	2005		2004	
Salaries, other remuneration per country split between the Board of Directors/MD and other employees	**Board of Directors and MD**	**Other employees**	**Board of Directors and MD**	**Other employees**
Parent company				
Sweden	5,268	–	4,151	772
Total parent company	**5,268**	**–**	4,151	772
Subsidiary companies in Sweden	**–**	**–**	–	–
Subsidiary foreign companies				
United Kingdom	2,684	82,482	6,826	53,930
France	–	16,237	–	18,798
Norway	2,237	16,669	4,532	20,555
Switzerland	8,451	33,842	10,806	28,720
Netherlands	1,873	3,903	3,189	2,377

	2005		2004	
Salaries, other remuneration per country split between the Board of Directors/MD and other employees	**Board of Directors and MD**	**Other employees**	**Board of Directors and MD**	**Other employees**
Indonesia	3,009	5,851	1,306	3,486
Tunisia	3,310	5,911	2,794	5,034
Albania	–	–	309	–
Total subsidiary companies	**21,564**	**164,895**	29,762	132,900
Total Group	**26,832**	**164,895**	33,913	133,672

NOTE 38 – REMUNERATION TO BOARD OF DIRECTORS' AND MANAGEMENT

The Board of Directors of Lundin Petroleum has established a Compensation Committee to administer the Company's executive compensation programme. The Committee is composed of four non-management directors and meets at least annually to receive information on and determine matters regarding executive compensation, in accordance with policies approved by the Board. The guiding philosophy of the Committee in determining compensation for executives is the need to provide a compensation package that is competitive and motivating; will attract and retain qualified executives; and encourages and motivates performance. Performance includes achievement of the Company's strategic objective of growth and the enhancement of shareholder value through increases in the stock price resulting from advances in the Company's business, continued low cost operations and enhanced cash flow and earnings. In establishing compensation for executive officers, the Committee takes into consideration individual performance, responsibilities, length of service and levels of compensation provided by industry competitors. The committee can recommend bonus payments to executive management in respect of work related to individual projects or in special circumstances. There is no policy for the guaranteed payment of an annual bonus.

Salaries and other remuneration to non-executive directors (TSEK)	**Fees**	**Other[1]**	**Benefits**	**Pension payments[2]**	**Total 2005**	**Total 2004**
Ian H. Lundin	700	2,280	–	–	2,980	3,804
Adolf H. Lundin	20	–	–	1,236	1,256	1,239
Magnus Unger	438	–	–	–	438	904
Carl Bildt	350	–	–	–	350	293
Kai Hietarinta	375	–	–	–	375	303
Lukas Lundin	385	–	–	–	385	303
William Rand	525	–	–	–	525	313
Viveca Ax:son Johnson	195	–	–	–	195	–

[1] Other remuneration paid during 2005 relates to fees paid for special projects undertaken on behalf of the Group. The payment of such fees was in accordance with fees approved at the 2004 AGM.
[2] The pension payment to Adolf H. Lundin is described in more detail in Note 24 – Pensions.

There are no severance pay agreements in place for any of the Directors.

Salaries and other remuneration to Executive Management (TSEK)	Salary	Bonuses[4]	Benefits[1]	Total 2005	Total 2004	Pensions 2005[2]	Pensions 2004
C. Ashley Heppenstall	3,236	270	464	3,970	4,578	387	304
Other management[3]	8,622	765	757	10,144	10,995	1,142	932

1 Benefits paid include school fees and health insurance.
2 Pension contributions are payments to non-contributory pension funds of approximately five times above the minimum Swiss statutory levels.
3 Other management comprise the 6 Vice Presidents in office during the year.
4 In December 2005 the Compensation Committee awarded a bonus for 2005 of one month's salary to the CEO and to the Vice Presidents. In January 2006 the Compensation Committee met and reassessed the bonus payments made for 2005 considering the employee's contributions to the results of the Company and the achievement of personal targets. The committee awarded C. Ashley Heppenstall an additional bonus of TSEK 1,348 equal to five months salary and awarded bonuses to the 6 Vice Presidents of TSEK 1,744 equal to between one and three months salary. The additional bonuses are not included in the table above.

There are no severance pay agreements in place for any of the members of the executive management.

The following incentive warrants have been issued to the board of directors and executive management.

	Incentive warrants issued			Incentive warrants outstanding 31 December 2005		
Non-executive Directors	**2003 programme**	**2004 programme**	**2005 programme**	**2003 programme**	**2004 programme**	**2005 programme**
Ian H. Lundin	400,000	–	–	150,000	–	–

The non-executive directors received incentive warrants whilst employed in an executive management position.

	Incentive warrants issued			Incentive warrants outstanding 31 December 2005		
Executive Management	**2003 programme**	**2004 programme**	**2005 programme**	**2003 programme**	**2004 programme**	**2005 programme**
C. Ashley Heppenstall	600,000	350,000	400,000	–	150,000	400,000
Other management	795,000	500,000	650,000	50,000	380,000	650,000

For incentive warrants, see also note 39.

NOTE 39 – INCENTIVE WARRANTS PROGRAMME

The Company runs an incentive programme for employees whereby warrants are issued to employees enabling them to buy shares in the company. The warrants were issued at a price equal to or at a premium to the average share price for the ten trading days following the AGM. The warrants are valid for three years but can not be exercised within the first year of issue. Issued warrants to employees leaving the Company within the first year of issue, are forfeited.

Movements in the number of incentive warrants outstanding and their related weighted average exercise prices are as follows:

	2005		2004	
	Average weighted exercise price in SEK per share	**Incentive warrants outstanding**	**Average weighted exercise price in SEK per share**	**Incentive warrants outstanding**
At 1 January	24.11	5,249,800	4.15	5,247,300
Granted	60.20	2,900,000	45.80	2,250,000
Forfeited	–	–	45.80	-65,000
Exercised	17.48	-3,391,800	7.16	-2,182,500
Lapsed	45.80	-80,000	–	–
At 31 December	50.93	4,678,000	24.11	5,249,800

The weighted average share price relating to the incentive warrants exercised during 2005 amounted to SEK 68.77 per share.

The fair value of incentive warrants granted during the period using Black & Scholes method valuation model amounted to TSEK 21,286 based on an assessed volatility of 27% and the continuously compounded Swedish government bond interest rate of 2.38%. The total expense accounted for during the period amounted to TSEK 18,981.

Incentive warrants outstanding at the end of the year have the following expiry date and exercise prices:

	Issued 2003	Issued 2004	Issued 2005
Exercise price (SEK)	10.10	45.80	60.20
Exercise period	31 May 2004– 31 May 2006	31 May 2005– 31 May 2007	15 June 2006– 31 May 2008
Valuation per warrant [1]	2.53	7.97	7.34

[1] The valuation has been calculated using the Black & Scholes method.

NOTE 40 – SUBSEQUENT EVENTS

In the UK Budget 2006 dated 22 March 2006 it was announced that the oil and gas supplemental tax will be increased from 10% to 20% in 2006. This will increase the effective tax rate for the UK oil and gas properties from 40% to 50%. The effects of this increase will be accounted for during the year ended 31 December 2006.

At 7 April 2006, the Board of Directors and the President of Lundin Petroleum AB have adopted this annual report for the financial year ended 31 December 2005.

Stockholm, 7 April 2006

Ian H. Lundin Chairman of the Board	C. Ashley Heppenstall President & CEO	Carl Bildt
Adolf H. Lundin Honorary Chairman	Lukas H. Lundin	Kai Hietarinta
Viveca Ax:son Johnson	William A. Rand	Magnus Unger

AUDITORS' REPORT

To the annual meeting of the shareholders of Lundin Petroleum AB (publ)
Corporate identity number 556610-8055

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Lundin Petroleum AB for the year 2005. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Directors' report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 7 April 2006

Carl-Eric Bohlin	Klas Brand
Authorised Public Accountant	Authorised Public Accountant
PricewaterhouseCoopers AB	PricewaterhouseCoopers AB

APPENDIX V

The following is extracted from the Lundin Petroleum Report for the Three Months ended 31 March 2006, the full text of which is available at www.lundin-petroleum.com.

Income statement

Expressed in TSEK	Note	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Operating income				
Net sales of oil and gas	1	1,195,221	910,727	3,995,477
Other operating income		49,533	42,967	194,707
		1,244,754	953,694	4,190,184
Cost of sales				
Production costs	2	-280,626	-268,983	-1,310,905
Depletion of oil and gas properties	3	-201,073	-194,280	-753,428
Write off of oil and gas properties		-13,987	-8,559	-208,135
Gross profit		**749,068**	481,872	1,917,716
Sale of assets		–	–	192,122
Other income		1,963	2,722	6,438
General, administration and depreciation expenses		-31,833	-20,490	-103,118
Operating profit		**719,198**	464,104	2,013,158
Result from financial investments				
Financial income	4	42,968	6,879	44,012
Financial expenses	5	-22,626	-51,097	-196,461
		20,342	-44,218	-152,449
Profit before tax		**739,540**	419,886	1,860,709
Tax	6	-320,031	-169,844	-866,734
Net profit		**419,509**	250,042	993,975
Net profit attributable to:				
Shareholders of the parent company		419,306	249,339	993,507
Minority interest		203	703	468
Net profit		**419,509**	250,042	993,975
Earnings per share – SEK[1]		1.63	0.98	3.89
Diluted earnings per share – SEK[1]		1.62	0.97	3.87

[1] Based on net profit attributable to shareholders of the parent company.

Balance sheet

Expressed in TSEK	Note	**31 Mar 2006**	31 Dec 2005
ASSETS			
Tangible fixed assets			
Oil and gas properties	7	5,945,361	5,732,871
Other tangible fixed assets		101,369	94,136
Total tangible fixed assets		**6,046,730**	5,827,007
Financial fixed assets	8	510,739	502,474
Total fixed assets		**6,557,469**	6,329,481
Current assets			
Current assets receivables and inventories	9	1,106,736	1,043,477
Cash and bank		463,921	389,415
Total current assets		**1,570,657**	1,432,892
Total assets		**8,128,126**	7,762,373
EQUITY AND LIABILITIES			
Equity			
Shareholders´ equity		4,010,856	3,679,616
Minority interest		3,258	3,050
Total equity		**4,014,114**	3,682,666
Non-current liabilities			
Provisions	10	2,178,478	2,087,250
Bank loans		681,809	736,151
Total non-current liabilities		**2,860,287**	2,823,401
Current liabilities	11	**1,253,725**	1,256,306
Total equity and liabilities		**8,128,126**	7,762,373
Pledged assets		1,129,226	1,128,763
Contingent liabilities		–	–

Statement of cash flow

Expressed in TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Cash flow from operations			
Net profit	419,509	250,042	993,975
Adjustments for depletion and other non-cash related items	301,764	355,307	1,436,152
Changes in working capital	-193,312	-231,275	111,217
Total cash flow from operations	**527,961**	374,074	2,541,344
Cash flow used for investments			
Investment in subsidiary assets	–	–	-236
Sale of assets/investments	–	–	192,122
Investment/divestment of real estate	-8,570	–	-40,190
Change in other financial fixed assets	-1,583	-29,217	16,850
Other payments	-320	-302	-13,419
Investment in oil and gas properties	-398,280	-303,799	-1,852,415
Investment in other fixed assets	-3,205	-6,359	-16,137
Total cash flow used for investments	**-411,958**	-339,677	-1,713,425
Cash flow used for financing			
Changes in long-term bank loan	-38,899	-17,295	-822,240
Proceeds from share issues	5,169	7,219	59,275
Total cash flow used for financing	**-33,730**	-10,076	-762,965
Change in cash and bank	82,273	24,321	64,954
Cash and bank at the beginning of the period	389,415	268,377	268,377
Currency exchange difference in cash and bank	-7,767	18,057	56,084
Cash and bank at the end of the period	**463,921**	310,755	389,415

Statement of changes in equity

Expressed in TSEK	Share capital	Additional paid-in-capital/ Other reserves*	Retained earnings	Net profit	Minority interest	Total Equity
Balance at 1 January 2005	**2,537**	**830,630**	**837,676**	**598,245**	**2,931**	**2,272,019**
Transfer of prior year net profit	–	–	598,245	-598,245	–	–
Currency translation difference	–	49,943	–	–	33	49,976
Change in hedge reserve	–	-186,958	–	–	–	-186,958
Income and expenses recognised directly in equity	**–**	**-137,015**	**–**	**–**	**33**	**-136,982**
Net profit	–	–	–	249,339	703	250,042
Total recognised income and expense for the period	**–**	**-137,015**	**–**	**249,339**	**736**	**113,060**
Issuance of shares	12	7,207	–	–	–	7,219
Share based payments	–	–	4,266	–	–	4,266
Balance at 31 March 2005	**2,549**	**700,822**	**1,440,187**	**249,339**	**3,667**	**2,396,564**
Transfer of hedge reserve	–	98,194	-98,194	–	–	–
Currency translation difference	–	251,644	–	–	498	252,142
Change in hedge reserve	–	125,027	–	–	–	125,027
Change in fair value	–	99,109	–	–	–	99,109
Income and expenses recognised directly in equity	**–**	**475,780**	**–**	**–**	**498**	**476,278**
Net profit	–	–	–	744,168	-235	743,933
Total recognised income and expense for the period	**–**	**475,780**	**–**	**744,168**	**263**	**1,220,211**
Issuance of shares	22	52,034	–	–	–	52,056
Transfer of share based payments	–	6,575	-6,575	–	–	–
Share based payments	–	–	14,715	–	–	14,715
Investments	–	–	–	–	–880	-880
Balance at 31 December 2005	**2,571**	**1,333,405**	**1,350,133**	**993,507**	**3,050**	**3,682,666**
Transfer of prior year net profit	–	–	993,507	-993,507	–	–
Currency translation difference	–	-47,888	–	–	5	-47,883
Change in hedge reserve	–	-62,913	–	–	–	-62,913
Fair value adjustment	–	12,422	–	–	–	12,422
Income and expenses recognised directly in equity	**–**	**-98,379**	**–**	**–**	**5**	**-98 374**
Net profit	–	–	–	419,306	203	419,509
Total recognised income and expense for the period	**–**	**-98,379**	**–**	**419,306**	**208**	**321,135**
Issuance of shares	2	5,167	–	–	–	5,169
Transfer of share based payments	–	757	-757	–	–	–
Share based payments	–	–	5,144	–	–	5,144
Balance at 31 March 2006	**2,573**	**1,240,950**	**2,348,027**	**419,306**	**3,258**	**4,014,114**

- Other reserves comprises available-for-sale reserve, hedge reserve and currency translation reserve.

Notes

Note 1. Segmental information, TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Net sales of:			
Crude oil			
- United Kingdom	821,188	605,130	2,908,682
- France	190,133	140,374	629,842
- Norway	33,081	27,402	140,713
- Indonesia	35,935	43,294	179,673
- Tunisia	26,498	28,111	153,751
	1,106,835	844,311	4,012,661
Condensate			
- United Kingdom	14,171	11,069	36,527
- Netherlands	547	1,065	3,467
- Indonesia	109	–	1,234
	14,827	12,134	41,228
Gas			
- Norway	135	353	1,746
- Netherlands	78,154	59,410	229,617
- Indonesia	311	385	1,328
- Ireland	–	4,342	5,776
	78,600	64,490	238,467
Service fee			
- Venezuela	26,078	28,105	127,408
Oil price hedging settlement	-31,119	-38,313	-424,287
	1,195,221	910,727	3,995,477
Operating profit contribution			
- United Kingdom	501,428	309,548	1,397,827
- France	118,317	68,429	277,100
- Norway	17,398	20,127	267,559
- Netherlands	33,880	31,293	62,206
- Venezuela	5,239	13,714	57,146
- Indonesia	42,228	23,444	119,655
- Tunisia	22,538	19,539	57,899
- Ireland	–	2,145	4,222
- Nigeria	–	–	-158,174
- Iran	–	-4,534	-6,078
- Other	-21,830	-19,601	-66,204
Total operating profit contribution	**719,198**	464,104	2,013,158

Note 2. Production costs, TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Cost of operations	283,684	255,080	1,107,591
Tariff and transportation expenses	41,237	39,500	133,492
Direct production taxes	8,167	7,371	35,805
Changes in inventory/ overlift position	-52,462	-32,968	34,017
	280,626	268,983	1,310,905

Note 3. Depletion of oil and gas properties, TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
United Kingdom	135,942	130,894	508,519
France	17,777	16,494	67,651
Norway	7,628	6,993	26,663
Netherlands	18,544	19,878	70,834
Indonesia	3,610	4,207	16,192
Tunisia	4,403	5,688	18,831
Venezuela	13,169	10,126	44,738
	201,073	194,280	753,428

Note 4. Financial income, TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Interest income	7,690	3,431	31,195
Dividends received	3,385	3,448	12,817
Foreign exchange gain, net	31,893	–	–
	42,968	6,879	44,012

Note 5. Financial expenses, TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Loan interest expenses	9,644	14,299	45,003
Change in market value interest rate hedge	-715	-5,655	-7,949
Unwind site restoration discount	4,965	3,810	17,082
Amortisation of deferred financing fees	4,708	3,625	15,182
Foreign exchange loss, net	–	34,086	121,971
Other financial expenses	4,024	932	5,172
	22,626	51,097	196,461

Note 6. Tax, TSEK	**1 Jan 2006–** **31 Mar 2006** **3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Current corporation tax	245,527	18,836	240,653
Deferred corporation tax	58,508	153,259	647,131
Current petroleum tax	6,078	4,866	11,270
Deferred petroleum tax	9,918	-7,117	-32,320
	320,031	169,844	866,734

Note 7. Oil and gas properties, TSEK	**Book amount** **31 Mar 2006**	Book amount 31 Dec 2005
United Kingdom	2,437,132	2,560,154
France	852,382	844,738
Norway	1,373,589	1,237,580
Netherlands	478,584	470,630
Venezuela	204,584	219,183
Indonesia	259,127	232,339
Tunisia	262,509	99,085
Ireland	3,246	2,622
Sudan	30,039	28,865
Albania	31,020	30,269
Others	13,149	7,406
	5,945,361	5,732,871

Note 8. Financial fixed assets, TSEK	**Book amount** **31 Mar 2006**	Book amount 31 Dec 2005
Shares and participations	164,588	151,928
Restricted cash	23,330	23,827
Deferred financing fees	14,244	18,905
Deferred tax asset	298,964	297,788
Derivative instrument	–	1,825
Other financial fixed assets	9,613	8,201
	510,739	502,474

Note 9. Current receivables and inventories, TSEK	**Book amount 31 Mar 2006**	Book amount 31 Dec 2005
Inventories	71,149	99,943
Trade receivables	580,578	523,315
Underlift	103,221	49,482
Corporation tax	115,670	117,283
Joint venture debtors	143,933	180,989
Derivative instruments	17,206	13,430
Other current assets	74,979	59,035
	1,106,736	1,043,477

Note 10. Provisions, TSEK	**Book amount 31 Mar 2006**	Book amount 31 Dec 2005
Site restoration	408,662	329,173
Pension	14,345	13,810
Deferred taxes	1,745,713	1,735,058
Other	9,758	9,209
	2,178,478	2,087,250

Note 11. Current liabilities, TSEK	**Book amount 31 Mar 2006**	Book amount 31 Dec 2005
Trade payables	90,634	135,394
Overlift	37,538	67,911
Tax payables	281,478	117,691
Accrued expenses	265,193	298,124
Acquisition liabilities	38,792	38,615
Derivative instruments	228,881	193,777
Joint venture creditors	295,866	389,896
Other current liabilities	15,343	14,898
	1,253,725	1,256,306

Parent company

PARENT COMPANY INCOME STATEMENT IN SUMMARY

Expressed in TSEK	**1 Jan 2006–31 Mar 2006 3 months**	1 Jan 2005–31 Mar 2005 3 months	1 Jan 2005–31 Dec 2005 12 months
Service income	8,178	2,569	18,776
Gross profit	**8,178**	2,569	18,776
General and administrative expenses	-14,253	-8,666	-52,141
Operating loss	**-6,075**	-6,097	-33,365
Financial income	9,151	8,719	39,846
Financial expenses	-592	-166	-216
Net profit before tax	**2,484**	2,456	6,265
Tax	–	–	–
Net profit	**2,484**	2,456	6,265

PARENT COMPANY BALANCE SHEET IN SUMMARY

Expressed in TSEK	**31 Mar 2006**	31 Dec 2005
ASSETS		
Financial fixed assets	875,641	875,237
Total fixed assets	**875,641**	875,237
Current Assets		
Current receivables	15,067	11,136
Cash and bank	5,057	10,856
Total current assets	**20,124**	21,992
Total assets	**895,765**	897,229
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity including net profit for the period	891,877	893,260
Current liabilities	3,888	3,969
Total shareholders' equity and liabilities	**895,765**	897,229
Pledged assets	1,129,226	1,128,763
Contingent liabilities	–	–

PARENT COMPANY CASH FLOW STATEMENT IN SUMMARY

Expressed in TSEK	**1 Jan 2006– 31 Mar 2006 3 months**	1 Jan 2005– 31 Mar 2005 3 months	1 Jan 2005– 31 Dec 2005 12 months
Cash flow from operations			
Net profit	2,484	2,456	6,265
Adjustment for non cash related items	5,000	5,184	16,780
Changes in working capital	-4,235	-4,734	-9,063
Total cash flow from operations	**3,249**	2,906	13,982
Changes in loans to subsidiary companies	-14,295	-11,095	-72,911
Investment in subsidiaries	-149	–	–
Total cash flow used for investments	**-14,444**	-11,095	-72,911
Proceeds from share issue	5,169	7,219	59,275
Total cash flow from financing	**5,169**	7,219	59,275
Change in cash and bank	-6,026	-970	346
Cash and bank at the beginning of the period	10,856	10,289	10,289
Currency exchange difference Bank	227	-917	221
Cash and bank at the end of the period	**5,057**	8,402	10,856

STATEMENT OF CHANGES IN PARENT COMPANY EQUITY

	Restricted equity			**Unrestricted equity**		
	Share capital	Statutory reserve	Currency translation reserve	Retained Earnings	Net profit	Total equity
Balance at 1 January 2005	2,537	824,163	–	10,712	–28,673	808,739
Transfer of prior year net profit	–	-28,673	–	–	28,673	–
New share issuance	12	7,207	–	–	–	7,219
Share based payments	–	–	–	4,266	–	4,266
Net profit	–	–	–	–	2,456	2,456
Balance at 31 March 2005	**2,549**	**802,697**	**–**	**14,978**	**2,456**	**822,680**
New share issuance	22	52,034	–	–	–	52,056
Transfer of share based payments	–	6,575	–	-6,575	–	–
Share based payments	–	–	–	14,715	–	14,715
Net profit	–	–	–	–	3,809	3,809
Balance at 31 December 2005	**2,571**	**861,306**	**–**	**23,118**	**6,265**	**893,260**
Transfer of prior year net profit	–	–	–	6,265	-6,265	–
New share issuance	2	5,167	–	–	–	5,169
Transfer of share based payments	–	758	–	-758	–	–
Share based payments	–	–	–	5,145	–	5,145
Currency translation reserve	–	–	-14,181	–	–	-14,181
Net profit	–	–	–	–	2,484	2,484
Balance at 31 March 2006	**2,573**	**867,231**	**-14,181**	**33,770**	**2,484**	**891,877**

Exhibit C

Valuation and Fairness Opinion

RBC Dominion Securities Inc.
Park Place – Suite 2100
666 Burrard Street
Vancouver, B.C. V6C 3B1
Tel: (604) 257-7110

May 26, 2006

The Special Committee of the Board of Directors
Valkyries Petroleum Corp.
Suite 2101 – 885 West Georgia Street
Vancouver, BC V6C 3E8

To the Special Committee:

RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, understands that 6565654 Canada Inc., a wholly owned subsidiary of Lundin Petroleum AB ("Lundin Petroleum"), is proposing to acquire all of the issued and outstanding common shares (the "Valkyries Shares") of Valkyries Petroleum Corp. (the "Company") by way of a plan of arrangement (the "Arrangement"). RBC understands that Adolf H. Lundin, Ellegrove Capital Ltd., Abalone Capital Ltd., Lorito Holdings Ltd., Vostok Nafta Investment Ltd., the directors and senior officers of Lundin Petroleum (including, without limitation, Lukas H. Lundin, C. Ashley Heppenstall and William Rand) and any affiliate of the foregoing (collectively, the "Related Interests") in aggregate own 24.1% of the Valkyries Shares and 33.6% of the total issued and outstanding common shares of Lundin Petroleum (the "Lundin Shares"). Lundin Petroleum and the Company also have three directors in common. Under the Arrangement, holders of Valkyries Shares (the "Shareholders") would receive one Lundin Share for each Valkyries Share held. The terms of the Arrangement will be more fully described in a management information circular (the "Circular"), which will be mailed to Shareholders in connection with the Arrangement.

RBC also understands that a committee (the "Special Committee") of the board of directors (the "Board") of the Company who are independent of the Related Interests has been constituted to consider the Arrangement and make recommendations thereon to the Board. RBC was instructed by the Special Committee that the Arrangement is a related party transaction within the meaning of Rule 61-501 of the Ontario Securities Commission and Quebec Securities Commission Policy Statement Q-27 (collectively, the "Policies"). The Special Committee has retained RBC to prepare and deliver to the Special Committee a formal valuation of the Valkyries Shares (the "Valuation") in accordance with the requirements of the Policies and RBC's opinion as to the fairness of the consideration under the Arrangement from a financial point of view to the Shareholders, other than the Related Interests (the "Fairness Opinion"). RBC has not been retained to provide any advice to the Special Committee or the Company regarding the Arrangement or any other potential alternatives that might be available to the Company, or to advise the Special Committee or the Company whether to seek, evaluate or pursue any alternatives other than the Arrangement. The Valuation and Fairness Opinion have been prepared in accordance with the guidelines of the Investment Dealers Association of Canada.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

Engagement

The Special Committee initially contacted RBC regarding a potential advisory assignment in May 2006, and RBC was formally engaged by the Special Committee through an agreement between the Company and RBC (the "Engagement Agreement") dated May 5, 2006. The terms of the Engagement Agreement provide that RBC is to be paid $850,000 for the Valuation and Fairness Opinion. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Valuation and Fairness Opinion in their entirety and a summary thereof in the Circular and to the filing thereof, as necessary, by the Company with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of the Company, Lundin Petroleum or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, Lundin Petroleum or any of their respective associates or affiliates, within the past two years. There are no understandings, agreements or commitments between RBC and the Company, Lundin Petroleum or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, Lundin Petroleum or any of their respective associates or affiliates. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Valuation or the Fairness Opinion or the successful outcome of the Arrangement.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, Lundin Petroleum or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, Lundin Petroleum or the Arrangement.

Credentials of RBC Capital Markets

RBC is one of Canada’s largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Valuation and the Fairness Opinion expressed herein represent the opinions of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Scope of Review

In connection with our Valuation and Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated May 15, 2006, of the Circular (the “Draft Circular”);
2. the most recent draft, dated May 26, 2006, of the business combination agreement to be entered into between the Company and Lundin Petroleum regarding the Arrangement (the “Draft Business Combination Agreement”);
3. audited financial statements for each of the Company and Lundin Petroleum for each of the three years ended December 31, 2003, 2004 and 2005;
4. the unaudited interim report of Lundin Petroleum for the quarter ended March 31, 2006;
5. annual reports of each of the Company and Lundin Petroleum for each of the two years ended December 31, 2004 and 2005;
6. the Notices of Annual Meeting of Shareholders and Management Information Circulars of the Company for each of the two years ended December 31, 2004 and 2005;

7. internal management budgets for each of the Company and Lundin Petroleum on a consolidated basis and segmented by project for the year ending December 31, 2006;
8. unaudited projected financial information for each of the Company and Lundin Petroleum on a consolidated basis and segmented by project prepared by management of the Company and Lundin Petroleum, respectively, for the years ending December 31, 2006 through December 31, 2008;
9. the report (the "Caspian Field Reserve Report") of DeGolyer and MacNaughton dated April 24, 2006 regarding the Onshore Kalmykia Caspian Field (the "Caspian Field");
10. the report (the "Ashirovskoye Field Reserve Report") of DeGolyer and MacNaughton dated November 29, 2005 regarding the Onshore Orenburg Ashirovskoye Field (the "Ashirovskoye Field");
11. the report (the "Sotchemyu-Talyu Field Reserve Report") of Ryder Scott Company, L.P. ("Ryder Scott") dated March 8, 2006 regarding the Onshore Komi Sotchemyu-Talyu Field (the "Sotchemyu-Talyu Field");
12. the report (the "North Irael Field Reserve Report") of Ryder Scott dated May 12, 2006 regarding the Onshore Komi North Irael Field (the "North Irael Field");
13. the report (the "Lagansky Resource Report") of DeGolyer and MacNaughton dated May 12, 2006 regarding the Offshore Caspian Lagansky Block ("Lagansky");
14. a summary of effective Russian Federation ("Russia") taxes for oil and gas producing companies prepared by PricewaterhouseCoopers LLP dated April 10, 2006;
15. corporate presentations for the Company prepared by management of the Company dated February 2006 and March 2006 regarding the Company's Russian growth profile;
16. discussions with senior management of each of the Company and Lundin Petroleum;
17. discussions with the legal counsel of each of the Company and Lundin Petroleum;
18. discussions with representatives of DeGolyer and MacNaughton regarding the Caspian Field, the Ashirovskoye Field, Lagansky and the Russian tax regime;
19. discussions with representatives of Ryder Scott regarding the Sotchemyu-Talyu Field;
20. public information relating to the business, operations, financial performance and stock trading history of the Company, Lundin Petroleum and other selected public companies considered by us to be relevant;
21. public information with respect to other transactions of a comparable nature considered by us to be relevant;
22. public information regarding the oil and gas industry in general and the Russian market specifically;
23. representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of each of the Company and Lundin Petroleum as to the completeness and accuracy of the information upon which the Valuation and Fairness Opinion are based; and
24. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company or Lundin Petroleum to any information requested by RBC. As the auditors of both the Company and Lundin Petroleum declined to permit RBC to rely upon information provided by them as part of a due diligence review, RBC did not meet with the auditors of either the Company or Lundin Petroleum and has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of each of the Company and Lundin Petroleum and the reports of the auditors thereon.

Prior Valuations

The Company has represented to RBC that there have not been any prior valuations (as defined in Ontario Securities Commission Rule 61-501) of the Company or its material assets or its securities in the past twenty-four month period.

Assumptions and Limitations

With the Special Committee's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, senior management of the Company and Lundin Petroleum and their respective consultants and advisors (collectively, the "Information"). The Valuation and Fairness Opinion are conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information relating to the Company (the "Company Information") provided orally by, or in the presence of, an officer or employee of the Company or in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Valuation and Fairness Opinion was, at the date the Company Information was provided to RBC, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Company Information or any statement contained therein not misleading in light of the circumstances under which the Company Information was provided or any statement was made; and (ii) since the dates on which the Company Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Company Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation or Fairness Opinion.

Senior officers of Lundin Petroleum have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information relating to Lundin Petroleum (the "Lundin Petroleum Information") provided orally by, or in the presence of, an officer or employee of Lundin Petroleum or in writing by Lundin Petroleum or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Valuation and Fairness Opinion was, at the date the Lundin Petroleum Information was provided to RBC, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Lundin Petroleum, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of Lundin Petroleum, its subsidiaries or the Arrangement necessary to make the Lundin Petroleum Information or any statement contained therein not misleading in light of the circumstances under which the Lundin Petroleum Information was provided or any statement was made; and (ii) since the dates on which the Lundin Petroleum Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Lundin Petroleum or any of its subsidiaries and no material change has occurred in the Lundin Petroleum Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation or Fairness Opinion.

In preparing the Valuation and Fairness Opinion, RBC has made several assumptions, including that all of the conditions required to implement the Arrangement will be met and that the disclosure provided or incorporated by reference in the Draft Circular and the Draft Business Combination Agreement with respect to the Company, Lundin Petroleum and their respective subsidiaries and affiliates and the Arrangement is accurate in all material respects.

The Valuation and Fairness Opinion are rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company, Lundin Petroleum and their respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company and Lundin Petroleum, respectively. In its analyses and in preparing the Valuation and Fairness Opinion, RBC made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

The Valuation and Fairness Opinion have been provided for the use of the Special Committee and the Board and may not be used by any other person or relied upon by any other person other than the Special Committee and the Board without the express prior written consent of RBC. The Valuation and Fairness Opinion are given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation or Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation or Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Valuation or the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation or Fairness Opinion. The preparation of a valuation or fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. Neither the Valuation nor the Fairness Opinion are to be construed as a recommendation to any Shareholder as to whether to vote in favour of the Arrangement.

Overview of the Company

The Company is an upstream oil and gas company with exploration and producing interests in Russia. As at December 31, 2005 (adjusted to include the Ashirovskoye Field which was acquired on January 31, 2006), the Company's proven and probable reserves were approximately 29.1 million barrels of oil equivalent ("boe") and the Company's net production was 3,900 boe per day. For the year ended December 31, 2005, the Company reported a net loss from continuing operations of approximately \$14.7 million and operating cash flow of approximately \$3.0 million.

The Company's proven and probable reserves are contained in the following assets: (i) a 51% interest in the Caspian Field, (ii) a 50% interest in the Ashirovskoye Field and (iii) a 50% interest in the Sotchemyu-Talyu Field (collectively, the "Producing Assets"). The Company also owns a 70% interest in Lagansky. On May 8, 2006, the Company announced that it signed a binding agreement to purchase a 50% interest in the North Irael Field, which is expected to close by the end of June 2006. This acquisition is subject to all requisite regulatory approvals including the Russian Anti-Monopoly Agency.

Overview of Lundin Petroleum

Lundin Petroleum is a Swedish independent oil and gas exploration and production company with assets in Albania, France, Indonesia, Ireland, Netherlands, Nigeria, Norway, Sudan, Tunisia, United Kingdom and Venezuela. As at January 1, 2006, Lundin Petroleum had existing proven and probable reserves of 146.1 million boe. For the year ended December 31, 2005, Lundin Petroleum reported a net profit of approximately US\$133.3 million and operating cash flow of approximately US\$352.4 million.

Definition of Fair Market Value

For purposes of the Valuation, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. RBC has not made any downward adjustment to the value of the Valkyries Shares to reflect the liquidity of the Valkyries Shares, the effect of the Arrangement or the fact that the Valkyries Shares held by Shareholders, other than the Related Interests, do not form part of a controlling interest.

Valuation of the Valkyries Shares

Valuation Methods

RBC's primary valuation methodology in preparing the Valuation was a net asset value ("NAV") analysis. In conducting the NAV analysis, RBC distinguished between the Producing Assets and Lagansky. A precedent transactions analysis of oil and gas companies with operations in Russia and the other countries of the former Soviet Union was also considered, however RBC placed less reliance on this analysis for a number of reasons including those discussed below. RBC also reviewed the trading multiples of comparable public companies in the oil and gas industry from the perspective of whether a public market value analysis might exceed NAV or precedent transaction values for the Valkyries Shares. However, RBC concluded that public company multiples implied values that were below the NAV and precedent transaction values. Given the foregoing, and that public company values generally reflect minority discount values rather than "en bloc" values, RBC did not rely on this methodology in determining the value of the Valkyries Shares.

Net Asset Value Analysis

The NAV approach ascribes a separate value for each category of assets and liabilities, utilizing the methodology most appropriate in each case; the sum of total assets less total liabilities yields the NAV. This approach ascribes value to the proven, probable and possible reserves and the prospective resources existing at the time of the valuation on the basis of discounted future after-tax cash flows, and takes into account the amount, timing and relative certainty of projected cash flows. This approach is known as a "depletion" or "blow-down" evaluation and is a common method of evaluation of petroleum interests (reserves, prospective resources and related production facilities) in the oil and gas industry. As in the case of a typical discounted cash flow analysis, capital expenditures required to develop existing reserves and prospective resources are deducted from cash flows. The NAV approach requires that certain assumptions be made regarding, among other things, future cash flows and discount rates. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values.

In arriving at the equity value of the Valkyries Shares from the enterprise value that results from the discounted cash flow analysis, RBC made adjustments for the Company's net cash position at December 31, 2005 as adjusted for certain events subsequent to that date.

Producing Assets

In conducting our NAV analysis for the Producing Assets, RBC reviewed management's unaudited cash flow projections (the "Management Producing Assets Forecast") for the years ending December 31, 2006 to 2008, the Caspian Field Reserve Report, the Ashirovskoye Field Reserve Report and the Sotchemyu-Talyu Field Reserve Report. RBC reviewed the assumptions in the Management Producing Assets Forecast, the Caspian Field Reserve Report, the Ashirovskoye Field Reserve Report and the Sotchemyu-Talyu Field Reserve Report and determined that material adjustments were not necessary in preparing our base case cash flow forecast (the "RBC Base Case Producing Assets Forecast") other than as described below. The Management Producing Assets Forecast and the Sotchemyu-Talyu Field Reserve Report each assumes that there are no changes to existing commodity tax rates in

Russia. The Caspian Field Reserve Report, the Ashirovskoye Field Reserve Report and the RBC Base Case Producing Assets Forecast each assumes that certain changes to existing commodity tax rates in Russia will be implemented on January 1, 2007, as currently approved by the Russian Legislature. The Management Producing Assets Forecast is based on production of proven and probable reserves. The Caspian Field Reserve Report and the Ashirovskoye Field Reserve Report are based on production of proven, probable and possible reserves. The RBC Base Case Producing Assets Forecast is based on production of proven, probable and risked possible reserves. The RBC Base Case Producing Assets Forecast incorporates commodity price scenarios based on forward strip pricing and a constant Brent oil price per barrel of US$55. The RBC Base Case Producing Assets Forecast is summarized in Exhibit 1. RBC also reviewed the North Irael Field Reserve Report and the remaining conditions to completion of the acquisition of the North Irael Field to determine whether any adjustment to its NAV analysis should be made as a result of this pending acquisition.

Lagansky

In conducting our NAV analysis for Lagansky, RBC reviewed management's unaudited cash flow projections (the "Management Lagansky Forecast") for the years ending December 31, 2006 to 2044 and the Lagansky Resource Report. RBC reviewed the assumptions in the Management Lagansky Forecast and determined that material adjustments were not necessary in preparing our base case cash flow forecast (the "RBC Base Case Lagansky Forecast") other than as described below. The Management Lagansky Forecast assumes that there are no changes to the existing commodity tax rates in Russia. The Lagansky Resource Report and the RBC Base Case Lagansky Forecast each assumes that certain changes to existing commodity tax rates in Russia will be implemented on January 1, 2007, as currently approved by the Russian Legislature. The RBC Base Case Lagansky Forecast incorporates commodity price scenarios based on forward strip pricing and a constant Brent oil price per barrel of US$55. The RBC Base Case Lagansky Forecast is summarized in Exhibit 2.

Sensitivity Analysis

In completing our NAV analysis, RBC did not rely on any single series of projected cash flows but performed a variety of sensitivity analyses using the aforementioned RBC Base Case Producing Assets Forecast and the RBC Base Case Lagansky Forecast. Variables sensitized included commodity price assumptions, discount rates and commodity tax rates in Russia. In addition, RBC considered the low, high and best resource estimates contained in the Lagansky Resource Report. The results of these sensitivity analyses are reflected in our judgment as to the appropriate values resulting from the NAV approach.

Discount Rates

RBC selected appropriate discount rates to apply to our projected unlevered free cash flows by utilizing the Capital Asset Pricing Model ("CAPM") approach to determine an appropriate weighted average cost of capital ("WACC"). This approach calculates WACC based on an assumed optimal capital structure for the Company. The Company's optimal capital structure was chosen based upon a review of the capital structures of comparable companies and the risks faced by the Company and the Russian oil and gas industry. The CAPM approach calculates the cost of equity capital as a function of the risk-free rate of return, the volatility of equity prices in relationship to a benchmark ("beta") and a premium for equity and country specific risk. The CAPM approach calculates the cost of debt as a function of the risk-free rate of return plus an appropriate borrowing spread to reflect credit risk, assuming an optimal capital structure.

The assumptions used by RBC in estimating WACC for the Company are provided below:

Cost of Debt	
Risk free rate (10-year US Treasury bonds)	5.06%
Borrowing spread	2.75%
Country risk premium	1.50%
Pre-tax cost of debt	9.31%
Tax rate	24.00%
After Tax Cost of Debt	**7.08%**

Cost of Equity	
Risk free rate (10-year US Treasury bonds)	5.06%
Equity risk premium	5.00%
Unlevered beta	1.10
Levered beta (1)	1.25
Country risk premium	1.50%
After Tax Cost of Equity	**12.80%**
Optimal Capital Structure	15% debt / 85% equity
WACC Calculated From Above	**11.94%**

(1) Assuming 15% debt / 85% equity.

Based on the foregoing analysis, taking into account sensitivity analyses on the variables selected above, RBC utilized a discount rate of 11.0% to 13.0%.

Summary of NAV Analysis

The following table summarizes the results of the NAV analyses:

(US$ millions, unless stated otherwise)	**Low Value**	**High Value**
Producing Assets	$210	$280
Lagansky	460	740
Net Cash (Including Option Proceeds) (1)	18	19
Total Diluted Shareholders' Equity	**$688**	**$1,039**
NAV Per Diluted Valkyries Share (2)	**$12.00**	**$18.10**
NAV Per Diluted Valkyries Share (C$) (2)(3)	**$13.32**	**$20.09**

(1) December 31, 2005 balance sheet amounts adjusted to reflect the following subsequent events: (i) proceeds from the sale of certain assets, (ii) proceeds from a private placement, and (iii) the cost to acquire the Ashirovskoye Field.

(2) Low Value and High Value based on 57.3 million and 57.4 million diluted Valkyries Shares outstanding, respectively.

(3) Based on a C$:US$ exchange rate of $1.11.

Precedent Transactions Analysis

RBC reviewed the available public information regarding comparable company and asset transactions in the oil and gas industry in Russia and the other countries of the former Soviet Union.

In analyzing precedent transactions, RBC reviewed a number of parameters, including: (i) adjusted enterprise value ("AEV"), defined as enterprise value less any value for non-reserve assets, as a multiple of boe proven and proven plus probable reserves; and (ii) AEV as a multiple of then current daily boe production.

The following tables summarize the selected precedent transactions:

Announce. Date	Acquiror	Target	Deal Type	AEV (US$MM)	AEV / Proven Reserves (US$/boe)	AEV / Proven plus Probable Reserves (US$/boe)	AEV / Production (US$/boe)
May 2006 (Pending)	Valkyries Petroleum, Arawak Energy	Recher-Komi	Corporate	$18	$12.00	$3.75	$45,000
May 2006	LUKOIL	Marathon Oil	Asset	$787	$9.35	$1.97	$15,462
Apr. 2006	Urals Energy Public Company	Undisclosed	Asset	$148	n/a	$1.36	$148,000
Dec. 2005	RussNeft	BP, TNK-BP	Asset	$750	n/a	$4.60	$17,857
Dec. 2005	West Siberian Resources	ZAO Saneco	Corporate	$140	$8.05	$5.85	$24,501
Nov. 2005	LUKOIL	Neste Oy	Corporate	$322	n/a	$3.02	$21,433
Oct. 2005	Transmeridian Exploration	Bramex Management	Corporate	$168	$5.86	n/a	n/a
Sept. 2005	Valkyries Petroleum	CSC Oilgaztet, LLC Lanta Invest	Corporate	$9	$7.50	$1.29	n/a
Sept. 2005	LUKOIL	Nelson Resources	Corporate	$2,055	$10.39	$7.62	$55,553
Aug. 2005	CNPC	PetroKazakhstan	Corporate	$3,877	$8.54	$7.80	$29,442
July 2005	West Siberian Resources	Pechoraneft, Nenetsk-Belorussian Oil	Corporate	$115	n/a	$2.11	$16,429
June 2005	LUKOIL	Geoilbent, OAO NOVATEK	Corporate	$180	$0.53	n/a	$11,317
Mar. 2005	Valkyries Petroleum	Mintley Cyprus	Corporate	$21	$2.96	$0.94	$31,855
Sept. 2004	ConocoPhillips	Government of Russia, LUKOIL	Corporate	$2,737	$3.11	$1.48	$15,093
Sept. 2004	ConocoPhillips	LUKOIL	Corporate	$382	$1.06	n/a	$38,200
Aug. 2004	BP	Yukos, ZAO Rospan International	Corporate	$357	$0.59	n/a	$89,128
May 2004	Valkyries Petroleum	Vitol Russia BV	Asset	$39	$3.22	n/a	$11,471
Dec. 2003	CNPC	Stimul (joint venture company),Victory Oil Alfa Group Consortium	Asset	$200	$0.95	$0.74	n/a
Aug. 2003	BP	TNK-BP	Asset	$1,369	$5.47	$3.42	$18,543
Aug. 2003	BP	TNK-BP, Alfa Group Consortium	Corporate	$8,300	$4.05	$0.95	$13,507
Mar. 2003	LUKOIL	Urals Group	Corporate	$130	$1.02	$0.71	n/a
Mar. 2003	Tyumen Oil	Sibneft	Asset	$825	$1.89	n/a	n/a
Mar. 2003	Government of Hungary; MOL	Yukos	Asset	$100	$5.00	$1.11	n/a
Feb. 2003	Lukoil Overseas Cyprus LUKOIL	OAO PFPG Energy	Corporate	$398	$0.96	$0.78	n/a
Feb. 2003	RAO Rosneft	OAO Severnaya Neft	Corporate	$600	$0.68	n/a	$20,000

	Proven Reserves	Proven plus Probable Reserves	Production
Mean	**$4.44**	**$2.75**	**$34,600**
Mean (ex. High & Low)	**$4.25**	**$2.56**	**$28,967**
Mean (2005 to current)	**$7.24**	**$3.66**	**$37,896**
Mean Corporate (2005 to current)	**$6.98**	**$4.05**	**$29,441**

	Proven Reserves	Proven plus Probable Reserves	Production
Producing Assets – Low Value (1)	**$21.88**	**$7.22**	**$39,407**
Producing Assets – High Value (1)	**$28.13**	**$9.28**	**$50,666**

(1) DeGolyer and MacNaughton reclassified certain reserves from probable to possible in the Caspian Field Reserve Report. Management of the Company has indicated that they do not agree with this reclassification. If this reclassification had not occurred, AEV as a multiple of boe proven plus probable reserves for the Producing Assets would be US$5.10 and US$6.55 for the Low Value and High Value, respectively.

RBC placed less reliance on the precedent transaction analysis approach in valuing the Valkyries Shares for a number of reasons, including, among others: (i) few directly comparable precedent transactions exist and where such transactions do exist the public disclosure is limited as such transactions tend to involve either private companies or the sale of assets of a larger company, (ii) the limited number of transactions resulted in a wide range of implied multiples and (iii) each such transaction is unique and impacted by factors including type, production and reserve mix, asset quality, consideration, synergies and the point in the commodity cycle during which the transaction occurred.

Benefits of the Arrangement to Lundin Petroleum

In arriving at our opinion of the value of the Valkyries Shares, we reviewed and considered whether any distinctive material value will accrue to Lundin Petroleum through the acquisition of all the Valkyries Shares held by Shareholders as contemplated in the Arrangement. We concluded that there were no material specific operational or financial benefits that would accrue to Lundin Petroleum such as the earlier use of available tax losses, lower income tax rates, reduced operating costs, increased revenues, higher asset utilization or any other operational or financial benefits, other than the elimination of public company costs.

Valuation Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the fair market value of the Valkyries Shares is in the range of $13.50 to $20.00 per Valkyries Share.

Fairness Opinion

Factors Considered

In considering the fairness of the consideration under the Arrangement from a financial point of view to the Shareholders, other than the Related Interests, we principally considered and relied upon the following:

(i) an assessment of the value of the consideration per Valkyries Share under the Arrangement;

(ii) a comparison of the value of the consideration per Valkyries Share under the Arrangement to the range of fair market values of the Valkyries Shares under the Valuation; and

(iii) a comparison of the range of premiums offered under the Arrangement to premiums paid in recent Canadian going private transactions.

Assessment of the Value of the Consideration

RBC has relied on the trading price of the Lundin Shares for purposes of determining the value of the non-cash consideration being offered under the Arrangement and has not prepared a valuation of the Lundin Shares. In accordance with the Policies, a formal valuation of the non-cash consideration is not required, in the case of the Arrangement, for the following reasons:

(i) the non-cash consideration are securities of a reporting issuer for which there is a published market;

(ii) management of Lundin Petroleum has stated that they have no knowledge of any material information concerning Lundin Petroleum or the Lundin Shares, that has not been generally disclosed;

(iii) a liquid market (as defined under the Policies) exists for the Lundin Shares;

(iv) the Lundin Shares to be issued under the Arrangement constitute 25% or less of the number of Lundin Shares outstanding immediately before the Arrangement;

(v) the Lundin Shares to be issued under the Arrangement will be freely tradeable at the time the Arrangement is completed; and

(vi) RBC, in consultation with the Special Committee, is of the opinion that a valuation of the Lundin Shares is not required.

RBC is of the opinion that a valuation of the Lundin Shares is not required, given that, among other things: (i) under the Arrangement, Shareholders, other than the Related Interests, will be receiving a minority interest in Lundin Petroleum and will not be able to effect a sale of 100% of Lundin Petroleum, making it inappropriate to consider methodologies to assess the value of the Lundin Shares that are based on the assumption of a change of control transaction, (ii) the average total daily trading volume of the Lundin Shares was approximately 2.2 million shares during the 90 trading days ending May 26, 2006 and (iii) the Lundin Shares trade on a comparable basis and in a manner generally consistent with other comparable, publicly traded oil and gas companies.

Trading Price and Volume Analysis of the Lundin Shares

RBC reviewed the trading activity of the Lundin Shares on the Stockholm Stock Exchange (the ''SSE'') for the past twelve months to May 26, 2006 and analyzed the volume-weighted average trading prices and average daily trading volumes of the Lundin Shares over the past 30 trading days, as summarized below:

Period	Average Volume on SSE	Implied Value (1)	Days to Trade Lundin Shares Issued Pursuant to the Arrangement (2)
Closing Price on May 26, 2006 (3)	4,882,502	$13.54	9
5-Day Weighted Average (4)	4,917,542	$12.90	9
10-Day Weighted Average (4)	4,130,744	$13.65	11
20-Day Weighted Average (4)	3,212,878	$14.49	14
30-Day Weighted Average (4)	3,069,617	$14.80	14

(1) Based on one Lundin Share per Valkyries Share and the closing C$:SEK exchange rate.
(2) Based on fully diluted shares owned by Shareholders, other than the Related Interests, and the average volume for the period.
(3) Last trading day prior to announcement of the Arrangement.
(4) Volume weighted average trading price for the stated number of trading days prior to May 26, 2006.

Conclusion on Value of the Lundin Shares

RBC believes that it is most appropriate to use the closing price on May 26, 2006 of $13.54 per Lundin Share for purposes of assessing the value of the consideration per Valkyries Share under the Arrangement.

Comparison of Value per Valkyries Share Under the Arrangement to the Valuation

The value of the consideration per Valkyries Share under the Arrangement is within the range of fair market values of the Valkyries Shares under the Valuation.

Comparable Transaction Premiums

Our review of other transactions in the Canadian equity market where controlling shareholders successfully acquired publicly traded minority interests identified 22 such transactions with a value over $10 million over the past five years. Success was defined as acquiring at least one-half of the minority shares outstanding at the time of the transaction. Defining the premium for this purpose as the amount by which the value per share offered under the relevant transaction exceeded the closing price of the shares on the principal trading exchange on the day immediately prior to announcement of the transaction resulted in premiums as follows:

	Highest	Lowest	Mean	Median
1-Day Premium	53%	0%	26%	26%

The range of premiums paid in the above transactions is very wide. Although every transaction has its own particular circumstances and direct comparison of any single transaction to the Arrangement is difficult, we believe that the transactions reviewed, in the aggregate, provide a useful comparison benchmark.

The value per Valkyries Share under the Arrangement of $13.54 represents a premium of 8.2% to the $12.51 per share closing market price of the Valkyries Shares on May 26, 2006, the last trading day prior to announcement of the Arrangement, which is below the average premium but within the range of premiums for similar transactions over the past five years.

Fairness Conclusion

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the consideration under the Arrangement is fair from a financial point of view to the Shareholders, other than the Related Interests.

Yours very truly,

RBC Dominion Securities Inc.

RBC DOMINION SECURITIES INC.

Exhibit 1
RBC Base Case Producing Assets Forecast – Forward Strip Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31, 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020+
Forward Strip WTI Pricing (US$)	$72.64	$74.51	$72.81	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45
Caspian Field															
Risked 3P Reserves															
EBITDA (1)(2)(3)	$ 5	$ 20	$ 28	$ 40	$ 49	$ 48	$ 46	$ 41	$ 34	$ 28	$ 22	$ 18	$ 13	$ 10	$ 15
Capital Expenditures (4)	(9)	(7)	(29)	(7)	(6)	(6)	-	-	-	-	-	-	-	-	(2)
Corporate Tax	(1)	(5)	(6)	(9)	(10)	(10)	(10)	(9)	(7)	(6)	(5)	(4)	(3)	(2)	(3)
Unlevered After-Tax Free Cash Flow	$ (5)	$ 8	$ (7)	$ 25	$ 32	$ 32	$ 36	$ 32	$ 27	$ 22	$ 18	$ 14	$ 11	$ 8	$ 10
Ashirovskoye Field															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ -	$ 12	$ 19	$ 24	$ 24	$ 23	$ 21	$ 19	$ 16	$ 14	$ 12	$ 10	$ 8	$ 7	$ 33
Capital Expenditures (4)	(10)	(8)	(8)	(3)	(3)	(1)	-	-	-	-	-	-	(1)	-	(2)
Corporate Tax	-	(3)	(4)	(5)	(5)	(5)	(5)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(7)
Unlevered After-Tax Free Cash Flow	$ (10)	$ 1	$ 7	$ 16	$ 16	$ 17	$ 17	$ 15	$ 13	$ 11	$ 9	$ 8	$ 6	$ 5	$ 24
Sotchemyu-Talyu Field															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ 32	$ 47	$ 48	$ 34	$ 24	$ 18	$ 15	$ 14	$ 12	$ 10	$ 8	$ 7	$ 6	$ 5	$ 18
Capital Expenditures (4)	(8)	(4)	(5)	-	-	-	-	-	-	-	-	-	-	-	(1)
Corporate Tax	(6)	(11)	(11)	(7)	(5)	(4)	(3)	(3)	(3)	(2)	(2)	(1)	(1)	(1)	(4)
Unlevered After-Tax Free Cash Flow	$ 17	$ 32	$ 33	$ 27	$ 19	$ 14	$ 12	$ 10	$ 10	$ 8	$ 7	$ 5	$ 5	$ 4	$ 13
Total Producing Assets															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ 37	$ 79	$ 95	$ 98	$ 97	$ 90	$ 82	$ 73	$ 63	$ 51	$ 42	$ 34	$ 27	$ 22	$ 65
Capital Expenditures (4)	(28)	(20)	(41)	(10)	(9)	(7)	-	-	-	-	-	-	(1)	-	(4)
Corporate Tax	(7)	(18)	(21)	(21)	(21)	(19)	(18)	(16)	(13)	(11)	(9)	(7)	(5)	(4)	(15)
Unlevered After-Tax Free Cash Flow	$ 2	$ 41	$ 33	$ 67	$ 67	$ 63	$ 65	$ 57	$ 49	$ 40	$ 33	$ 27	$ 21	$ 17	$ 47

(1) Production as per applicable reserve reports and is net of working interests. Assumes all production is sold on the export market.
(2) Assumes changes to the Russian tax system become effective January 1, 2007.
(3) EBITDA calculated after allocated general and administrative expenses.
(4) Capital expenditures as per applicable reserve reports.
(5) Values may not add due to rounding.

RBC Capital Markets

Exhibit 1 (cont'd)
RBC Base Case Producing Assets Forecast – US$55 Brent Constant Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31, 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020+
US$55 Brent Constant Pricing	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00
Caspian Field															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ 5	$ 16	$ 24	$ 34	$ 41	$ 40	$ 39	$ 35	$ 29	$ 23	$ 18	$ 14	$ 11	$ 8	$ 11
Capital Expenditures (4)	(9)	(7)	(29)	(7)	(6)	(6)	-	-	-	-	-	-	-	-	(2)
Corporate Tax	(1)	(4)	(5)	(7)	(9)	(8)	(8)	(7)	(6)	(5)	(4)	(3)	(2)	(1)	(2)
Unlevered After-Tax Free Cash Flow	$ (5)	$ 5	$ (10)	$ 20	$ 27	$ 26	$ 31	$ 27	$ 23	$ 18	$ 15	$ 11	$ 9	$ 7	$ 7
Ashirovskoye Field															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ -	$ 9	$ 15	$ 20	$ 20	$ 19	$ 18	$ 15	$ 13	$ 11	$ 9	$ 8	$ 7	$ 5	$ 24
Capital Expenditures (4)	(10)	(8)	(8)	(3)	(3)	(1)	-	-	-	-	-	-	(1)	-	(2)
Corporate Tax	-	(2)	(3)	(4)	(4)	(4)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(1)	(5)
Unlevered After-Tax Free Cash Flow	$ (10)	$ (1)	$ 5	$ 13	$ 13	$ 14	$ 14	$ 12	$ 10	$ 9	$ 7	$ 6	$ 4	$ 4	$ 17
Sotchemyu-Talyu Field															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ 29	$ 39	$ 40	$ 29	$ 20	$ 15	$ 13	$ 11	$ 10	$ 8	$ 7	$ 6	$ 5	$ 4	$ 13
Capital Expenditures (4)	(8)	(4)	(5)	-	-	-	-	-	-	-	-	-	-	-	(1)
Corporate Tax	(6)	(9)	(9)	(6)	(4)	(3)	(3)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(3)
Unlevered After-Tax Free Cash Flow	$ 15	$ 26	$ 27	$ 23	$ 16	$ 12	$ 10	$ 9	$ 8	$ 7	$ 5	$ 4	$ 4	$ 3	$ 9
Total Producing Assets															
Risked 3P Reserves															
EBITDA (1) (2) (3)	$ 33	$ 64	$ 79	$ 82	$ 81	$ 75	$ 69	$ 61	$ 52	$ 42	$ 34	$ 28	$ 22	$ 17	$ 48
Capital Expenditures (4)	(28)	(20)	(41)	(10)	(9)	(7)	-	-	-	-	-	-	(1)	-	(4)
Corporate Tax	(6)	(14)	(17)	(17)	(17)	(16)	(14)	(13)	(11)	(9)	(7)	(5)	(4)	(3)	(10)
Unlevered After-Tax Free Cash Flow	$ (1)	$ 30	$ 21	$ 55	$ 55	$ 52	$ 54	$ 48	$ 41	$ 34	$ 28	$ 22	$ 17	$ 14	$ 33

(1) Production as per applicable reserve reports and is net of working interests. Assumes all production is sold on the export market.
(2) Assumes changes to the Russian tax system become effective January 1, 2007.
(3) EBITDA calculated after allocated general and administrative expenses.
(4) Capital expenditures as per applicable reserve reports.
(5) Values may not add due to rounding.

Exhibit 2
RBC Base Case Lagansky Forecast – Best Estimate Resource Case – Forward Strip Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31,														
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Forward Strip WTI Pricing (US$)	$72.64	$74.51	$72.81	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 128	$ 852	$1,389	$1,604	$1,572	$1,444	$1,327	$1,219	$1,120	$ 1,028	$ 944	$ 867	$ 796
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(16)	(189)	(318)	(370)	(364)	(335)	(308)	(283)	(260)	(239)	(220)	(202)	(185)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (496)	$ 572	$1,019	$1,216	$1,208	$1,109	$1,018	$ 936	$ 859	$ 789	$ 725	$ 665	$ 610

RBC Base Case Lagansky Forecast – Best Estimate Resource Case – US$55 Brent Constant Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31,														
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US$55 Brent Constant Pricing	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$ 55.00	$ 55.00	$55.00	$ 55.00	$ 55.00
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 103	$ 713	$ 1,166	$1,346	$1,320	$1,212	$1,113	$1,023	$ 939	$ 862	$ 791	$ 726	$ 666
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(9)	(155)	(264)	(309)	(304)	(279)	(257)	(236)	(217)	(199)	(183)	(168)	(154)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (516)	$ 467	$ 850	$1,021	$1,016	$ 933	$ 857	$ 787	$ 722	$ 663	$ 608	$ 558	$ 512

(1) The above table presents the unrisked cash flows associated with Lagansky. In determining the risked NAV of Lagansky, the present value of the unrisked cash flows was adjusted to reflect the assumed probability of geological and economic success of 15.7% as set out in the Lagansky Resource Report.
(2) Production as per management estimates and is net of working interest; forecast extends through 2044 but is presented only to 2020 in the table above. Assumes all production is sold on the export market.
(3) Assumes changes to the Russian tax system become effective January 1, 2007.
(4) EBITDA calculated after allocated general and administrative expenses.
(5) Capital expenditures as per management estimates.
(6) Values may not add due to rounding.

Exhibit 2 (cont'd)
RBC Base Case Lagansky Forecast – High Estimate Resource Case – Forward Strip Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31, 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Forward Strip WTI Pricing (US$)	$72.64	$74.51	$ 72.81	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 279	$1,678	$2,507	$2,698	$2,481	$2,280	$2,096	$1,927	$1,771	$1,627	$1,495	$1,374	$1,262
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(52)	(387)	(586)	(633)	(582)	(536)	(493)	(453)	(416)	(383)	(352)	(324)	(297)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (381)	$1,200	$1,869	$2,048	$1,898	$1,745	$1,604	$1,474	$1,354	$1,244	$1,143	$1,050	$ 965

RBC Base Case Lagansky Forecast – High Estimate Resource Case – US$55 Brent Constant Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31, 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US$55 Brent Constant Pricing	$55.00	$55.00	$ 55.00	$55.00	$55.00	$ 55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$ 55.00
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 228	$1,408	$2,107	$ 2,268	$ 2,084	$1,916	$1,761	$1,618	$1,487	$1,366	$1,255	$1,153	$ 1,059
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(39)	(322)	(490)	(530)	(487)	(448)	(412)	(379)	(348)	(320)	(294)	(270)	(249)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (420)	$ 995	$1,565	$ 1,721	$ 1,597	$1,468	$1,349	$1,239	$1,139	$1,046	$ 961	$ 882	$ 810

(1) The above table presents the unrisked cash flows associated with Lagansky. In determining the risked NAV of Lagansky, the present value of the unrisked cash flows was adjusted to reflect the assumed probability of geological and economic success of 15.7% as set out in the Lagansky Resource Report.
(2) Production as per management estimates and is net of working interest; forecast extends through 2044 but is presented only to 2020 in the table above. Assumes all production is sold on the export market.
(3) Assumes changes to the Russian tax system become effective January 1, 2007.
(4) EBITDA calculated after allocated general and administrative expenses.
(5) Capital expenditures as per management estimates.
(6) Values may not add due to rounding.

Exhibit 2 (cont'd)
RBC Base Case Lagansky Forecast – Low Estimate Resource Case – Forward Strip Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31,														
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Forward Strip WTI Pricing (US$)	$72.64	$74.51	$72.81	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$71.45	$ 71.45	$71.45
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 124	$ 747	$ 874	$ 802	$ 736	$ 676	$ 620	$ 569	$ 521	$ 478	$ 438	$ 401	$ 367
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(15)	(163)	(194)	(178)	(164)	(151)	(138)	(127)	(117)	(107)	(98)	(90)	(83)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (499)	$ 493	$ 628	$ 607	$ 573	$ 525	$ 482	$ 442	$ 405	$ 371	$ 340	$ 311	$ 285

RBC Base Case Lagansky Forecast – Low Estimate Resource Case – US$55 Brent Constant Pricing

(US$ millions, unless noted otherwise)	Year Ending December 31,														
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
US$55 Brent Constant Pricing	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00	$55.00
Lagansky															
Unrisked Resources [1]															
EBITDA [2] [3] [4]	$ (2)	$ (2)	$ 99	$ 625	$ 732	$ 672	$ 616	$ 565	$ 518	$ 475	$ 435	$ 399	$ 365	$ 334	$ 305
Capital Expenditures [5]	(7)	(21)	(609)	(91)	(52)	(17)	-	-	-	-	-	-	-	-	-
Corporate Tax	-	-	(9)	(134)	(160)	(147)	(135)	(124)	(114)	(105)	(96)	(88)	(81)	(74)	(68)
Unlevered After-Tax Free Cash Flow	$ (9)	$ (23)	$ (518)	$ 400	$ 520	$ 508	$ 481	$ 441	$ 404	$ 370	$ 339	$ 311	$ 284	$ 260	$ 238

(1) The above table presents the unrisked cash flows associated with Lagansky. In determining the risked NAV of Lagansky, the present value of the unrisked cash flows was adjusted to reflect the assumed probability of geological and economic success of 15.7% as set out in the Lagansky Resource Report.
(2) Production as per management estimates and is net of working interest; forecast extends through 2044 but is presented only to 2020 in the table above. Assumes all production is sold on the export market.
(3) Assumes changes to the Russian tax system become effective January 1, 2007.
(4) EBITDA calculated after allocated general and administrative expenses.
(5) Capital expenditures as per management estimates.
(6) Values may not add due to rounding.

Exhibit D

Plan of Arrangement

Under Section 192 of the Canada Business Corporations Act

ARRANGEMENT

IN THE MATTER OF THE ARRANGEMENT involving Valkyries, Lundin Petroleum and Lundin Subco pursuant to section 192 of the *Canada Business Corporations Act*.

ARTICLE I
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless the context otherwise requires:

"**Arrangement**" means the arrangement under section 192 of the CBCA on the terms and subject to the conditions set forth in this Plan of Arrangement subject to any amendments or variations thereto made in accordance with section 6.3 of this Plan of Arrangement and section 11.9 of the Business Combination Agreement or made at the discretion of the Court in the Final Order;

"**Articles of Arrangement**" means the articles of arrangement containing this Plan of Arrangement and containing such other provisions as are required under the CBCA, to be filed with the Director after the Final Order is made;

"**Business Combination Agreement**" means the business agreement made as of May 26, 2005 between Valkyries, Lundin Subco and Lundin Petroleum, providing for, among other things, the Arrangement;

"**Business Day**" means any day other than a Saturday, Sunday or other day on which banks located in the City of Stockholm, the City of Vancouver or the City of Toronto are required or permitted to close;

"**CBCA**" means the *Canada Business Corporations Act*, in effect on the date hereof and as amended from time to time prior to the Effective Date;

"**Certificate of Arrangement**" means the certificate of arrangement giving effect to the Arrangement, issued by the Director, pursuant to subsection 192(7) of the CBCA after the Articles of Arrangement have been filed with the Director;

"**Court**" means the Supreme Court of British Columbia;

"Depositary" means Computershare Investor Services Inc., being the depositary appointed by Valkyries for the purpose of, among other things, exchanging certificates representing Valkyries Shares for Lundin Shares in connection with the Arrangement;

“**Director**” means the Director appointed pursuant to section 260 of the CBCA;

“**Dissent Rights**” means the right of dissent in respect of the Arrangement Resolution that may be exercised by registered holders of Valkyries Shares provided in the Interim Order and in section 4.1 hereof;

“**Dissenting Shareholder**” means a registered holder of Valkyries Shares who dissents from the Arrangement Resolution in compliance with the Dissent Rights;

“**Effective Date**” means the date shown on the Certificate of Arrangement;

“**Effective Time**” means 12.01 a.m. (Toronto Time) on the Effective Date;

“**Final Order**” shall mean the final order of the Court approving the Arrangement, as such order may be amended by the Court at any time before the Effective Time or, if appealed, unless that appeal is withdrawn or denied, as affirmed or amended on appeal;

“**Former Valkyries Shareholders**” means the holders of the Valkyries Shares immediately prior to the Effective Time;

“**Governmental Entity**” shall mean: (a) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agent, domestic or foreign; (b) any subdivision, agent, commission, board or authority of any of the foregoing; or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under, or for the account of, any of the foregoing;

“**holders**” means, when used with reference to the securities in the capital of any Person, the holders of such securities shown from time to time on the register maintained by or on behalf of such Person in respect of such securities;

“**Information Circular**” means the Management Information Circular relating to the Valkyries Meeting to be prepared by Valkyries;

“**Interim Order**” shall mean an interim order of the Court, as may be amended, in respect of the Arrangement, providing for, among other things, the calling and holding of the Valkyries Meeting;

"**Lundin Petroleum**" means Lundin Petroleum AB, a corporation incorporated under the laws of Sweden;

"**Lundin Shares**" means common shares in the capital of Lundin Petroleum;

"**Lundin Subco**" means Lundin Petroleum Canada Inc., a corporation incorporated under the CBCA;

"**Lundin Subco Shares**" means common shares of Lundin Subco;

"**Person**" shall mean any corporation, partnership, limited liability company or partnership, joint venture, trust, unincorporated association or organization, business, enterprise or other entity; any individual; and any Governmental Entity;

“**Plan of Arrangement**” means this Plan of Arrangement, as such plan may be amended, modified or supplemented from time to time in accordance with the provisions hereof or section 11.9 of the Business Combination Agreement or at the direction of the Court in the Final Order;

“**Shareholders**” means, collectively, Persons who are holders of issued and outstanding Lundin Shares and Valkyries Shares;

“**Valkyries**” means Valkyries Petroleum Corp., a corporation existing under the CBCA;

“**Valkyries Arrangement Resolution**” means the special resolution of the holders of Valkyries Shares approving this Plan of Arrangement, as required by the Interim Order and applicable Law;

“**Valkyries Convertible Security**” means any security issued by Valkyries which by its terms allows or permits the holder thereof to convert such security into, or to acquire, Valkyries Shares;

“**Valkyries Meeting**” shall mean the special meeting of the holders of Valkyries Shares called and held in accordance with the Interim Order to consider and, if thought appropriate, approve the Arrangement Resolution and any and all adjournments or postponements of such meeting;

“**Valkyries Shares**” means the common shares in the capital of Valkyries.

1.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into Articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement.

1.3 Article References

Unless the contrary intention appears, references in this Plan of Arrangement to an Article, section, subsection or paragraph by number or letter or both refer to the Article, section, subsection or paragraph, respectively, bearing that designation in this Plan of Arrangement.

1.4 Number and Gender

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular number only shall include the plural and vice-versa, and words importing the use of any gender shall include all genders.

1.5 Date for Any Action

If the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.6 Governing Law

This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

ARTICLE II
PURPOSE AND EFFECT OF THE ARRANGEMENT

2.1 The Business Combination Agreement

The Arrangement is made pursuant to and subject to the provisions of the Business Combination Agreement.

2.2 The Effective Time

This Plan of Arrangement will, upon filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, become effective in the sequence set out in section 3.2 and will be binding from and after the Effective Time.

2.3 Conditions Precedent

The implementation of this Plan of Arrangement is expressly subject to the fulfilment or waiver, by the party or parties thereto entitled, of the conditions precedent set out in the Business Combination Agreement.

ARTICLE III
THE ARRANGEMENT

3.1 Effectiveness

Subject to the terms of the Business Combination Agreement, this Plan of Arrangement will become effective in the sequence set out in section 3.2 (except as otherwise provided therein) and will be binding from the Effective Time on: (i) Valkyries; (ii) Lundin Petroleum; (iii) Lundin Subco; (iv) all registered and beneficial owners of Valkyries Shares; and (v) all registered and beneficial owners of Lundin Subco Shares.

3.2 The Arrangement

On the Effective Date and commencing at the Effective Time, the following shall occur and be deemed to occur in the following order without further act or formality:

(a) all right, title and interest of the registered and beneficial holders of Valkyries Shares (other than Dissenting Shareholders), free and clear of any encumbrances, shall be transferred and assigned to Lundin Subco, in consideration for Lundin Shares, on the basis of one (1) Lundin Share for each Valkyries Share, with the result that Lundin Subco will be registered as beneficial owner of all Valkyries Shares;

(b) in consideration for Lundin Petroleum issuing Lundin Shares to holders of Valkyries Shares (other than Dissenting Shareholders) pursuant to Section 3.2(a), Lundin Subco shall issue to Lundin Petroleum that number of Lundin Subco Shares equal to the number of Lundin Shares issued to holders of Valkyries Shares (other than Dissenting Shareholders) pursuant to Section 3.2(a); and

(c) (i) each Valkyries Option shall entitle the holder thereof to receive (and such holder shall accept), upon the exercise thereof, in lieu of the number of Valkyries Shares otherwise issuable upon the exercise thereof, the number of Lundin Shares which the holder would have been entitled to receive as a result of the transactions contemplated by this Plan of Arrangement if, immediately prior to the Effective Time, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise and (ii) the exercise price of such Valkyries Option shall be converted to, and payable in, Swedish Krona based on the noon spot rate of exchange published by the Bank of Canada for Canadian dollars to Swedish Krona on the Effective Date.

3.3 Post Effective Time Procedures

On or promptly after the Effective Date, Lundin Petroleum shall deliver or arrange to be delivered to the Depositary certificates representing the Lundin Shares required to be issued to Former Valkyries Shareholders in accordance with the laws of Sweden and the provisions of Section 3.2 hereof, which certificates shall be held by the Depositary as agent and nominee for such Former Valkyries Shareholders for distribution to such Former Valkyries Shareholders in accordance with the provisions of Article III hereof.

3.4 No Fractional Lundin Shares

No fractional Lundin Shares shall be issued to Former Valkyries Shareholders. Any factional number of Lundin Shares shall be rounded up or down to the nearest whole number.

3.5 Further Acts

Notwithstanding that the transactions set out in Section 3.2 and 3.3 shall occur and shall be deemed to occur in the order set out therein without any further act or formality, each of Lundin Petroleum and Valkyries agree to make, do and execute or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required by it in order to further document or evidence any of the transactions or events set out in Sections 3.2 and 3.3 including, without limitation, any resolutions of directors authorizing the issue, transfer or cancellation of shares.

ARTICLE IV
RIGHTS OF DISSENT

4.1 Dissent Rights

Notwithstanding Article 3, each registered holder of Valkyries Shares is entitled to dissent from the Arrangement and to be paid by Valkyries the fair value of the Valkyries Shares held by such holder in respect of which such holder dissents, determined as of the day before the date on which the Arrangement Resolution is passed (and in the event that the Arrangement becomes effective) in connection with the Plan of Arrangement (the “Dissent Right”) provided that such holder complies with section 190 of the CBCA (as modified by the Interim Order, the Final Order and this section 4.1) as if section 190 (as so modified) were applicable to such registered holders.

Holders of Valkyries Shares who exercise Dissent Rights and who: (i) are ultimately determined to be entitled to be paid fair value for their Valkyries Shares shall be paid an amount equal to such fair value by Valkyries; or (ii) are ultimately determined not to be entitled, for any reason, to be paid fair value for their Valkyries Shares, shall have participated and shall be deemed to have participated in the Arrangement, as at the Effective Time, on the same basis as a non-Dissenting Shareholder and shall receive Lundin Shares in respect of their Valkyries Shares on the basis set forth in Article 3.

In no case shall Valkyries, Lundin Petroleum, Lundin Subco or any other Person be required to recognize a Dissenting Shareholder as a holder of Valkyries Shares after the Effective Time and the name of each Dissenting Shareholder shall be deleted from the register of holders of Valkyries Shares as at the Effective Time.

ARTICLE V
CERTIFICATES

5.1 Share Certificates

(a) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented one or more outstanding Valkyries Shares together with such other documents and instruments as would have been required to effect the transfer of the Valkyries Shares formerly represented by such certificate under the CBCA and the by-laws of Valkyries and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, confirmation that the holder is shown on the book entry system maintained by the Swedish Securities Centre as the holder of the Lundin Shares which such holder is entitled to receive in accordance with Section 3.2 hereof.

(b) From and after the Effective Time, until surrendered as contemplated by this Section 5.1, each certificate formerly representing Valkyries Shares shall represent and be deemed, at all times after the Effective Time, to represent only the right to receive upon surrender confirmation that the holder is shown on the book entry system maintained by the Swedish Securities Centre as the holder of one (1) Lundin Share for each Valkyries Share represented by such certificate.

5.2 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Valkyries Shares shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue to such Person the Lundin Shares that such Person would have been entitled to had such share certificate not been lost, stolen or destroyed. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom the Lundin Shares are to be issued shall, as a condition precedent to the payment thereof, give bonds satisfactory to Lundin Petroleum in such sums as Lundin Petroleum may direct or otherwise indemnify the Depositary, Lundin Petroleum in a manner satisfactory to each of them against any claim that may be made against the Depositary, Lundin Petroleum with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Distributions with Respect to Unsurrendered Certificates

No Dividend or other distribution declared or made after the Effective Time with respect to Lundin Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Valkyries Shares unless and until the holder of such certificate shall have complied with the provisions of Section 5.1 and Section 5.2 hereof. Subject to applicable law and to Section 5.4 hereof, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the Lundin Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to Lundin Shares.

5.4 Withholding Rights

Lundin Subco and the Depositary shall be entitled to deduct and withhold from all dividends or other distributions otherwise payable to any Former Valkyries Shareholder such amounts as Lundin Petroleum or the Depositary is required or permitted to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada), the Tax Code or any provision of any applicable federal, provincial, state, local or foreign tax law, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Former Valkyries Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

5.5 Limitation and Proscription

To the extent that a Former Valkyries Shareholder shall not have complied with the provisions of Section 5.1 or Section 5.2 hereof on or before the date which is six years after the Effective Date (the "**final proscription date**"), then the Lundin Shares which such Former Valkyries Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and such Lundin Shares shall be cancelled by Lundin Petroleum and the interest of the Former Valkyries Shareholder in such Lundin Shares shall be terminated as of such final proscription date.

ARTICLE VI
GENERAL

6.1 Effectiveness

No portion of this Plan of Arrangement shall take effect with respect to any Person until the Effective Time.

6.2 Paramountcy

From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Valkyries Shares issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of Valkyries Shares, any trustee or transfer agent therefor, shall be solely as provided for in this Plan of Arrangement; and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Valkyries Shares shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

6.3 Amendment

(a) Lundin Petroleum, Lundin Subco and Valkyries reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any such amendment, modification and/or supplement must be contained in a written document which is (i) agreed to by each of Lundin Petroleum, Lundin Subco and Valkyries pursuant to the Business Combination Agreement, (ii) filed with the Court and, if made following the Valkyries Meeting, approved by the Court, and (iii) if so required by the Court, communicated to holders of Valkyries Shares in the manner required by the Court.

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Lundin Petroleum, Lundin Subco or Valkyries at any time prior to or at the Meetings shall, with or without any prior notice or communication, and if so proposed and accepted by the Persons voting at the Valkyries Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification and/or supplement to this Plan of Arrangement that is approved by the Court following the Valkyries Meeting shall be effective only if: (i) it is agreed to by each of Lundin Petroleum, Lundin Subco and Valkyries pursuant to the Business Combination Agreement; and (ii) if required by the Court, it is consented to by holders of the Valkyries Shares voting in the manner directed by the Court.

(d) Any amendment, modification and/or supplement to this Plan of Arrangement may be made by Lundin Petroleum and Valkyries after the Effective Date without the approval of the holders of Valkyries Shares provided that: (i) it is agreed to by the parties pursuant to the Business Combination Agreement, and (ii) it concerns a matter which, in the reasonable opinion of Lundin Petroleum, Lundin Subco and Valkyries, is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of the holders of Valkyries Shares.

6.4 Termination

At any time up until the time the Final Order is made, but subject to the Business Combination Agreement, Valkyries and Lundin Petroleum may mutually determine not to proceed with this Plan of Arrangement, or to terminate this Plan of Arrangement, notwithstanding any prior approvals given at the Meetings.

6.5 Further Assurances

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and be deemed to have occurred in the order set out herein, without any further act or formality, each of the parties to the Business Combination Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to implement this Plan of Arrangement and to further document or evidence any of the transactions or events set out herein.

6.6 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Plan of Arrangement shall be in writing and shall refer to this Plan of Arrangement and may be made or given by the Person making or giving it or by any agent of such Person authorized for that purpose by personal delivery, by prepaid mail or by telecopier addressed to the respective Parties as follows:

(a) if to Lundin Petroleum:

5, chemin de la Pallanterie
1222 Vesenaz, Switzerland

Attention: Jeffrey Fountain, Vice President, Legal

Facsimile: 41 (0) 22 595-1005

(b) if to Valkyries:

2101 – 885 West Georgia Street
Vancouver, British Columbia
Canada V6C 3E8

Attention: Keith Hill, President

Facsimile: (604) 689-4250

(c) if to a holder of Valkyries Shares, to the last known address for such holder as shown on the books maintained by Valkyries or its transfer agent.

Any such notice, consent, waiver, direction or other communication shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if prior to 4:00 p.m. at the place of receipt on a Business Day or, if not, on the next Business Day) and if sent by facsimile transmission be deemed to have been given and received at the time of receipt unless actually received on a day other than a Business Day or after 4:00 p.m. at the place of receipt on a Business Day in which case it shall be deemed to have been given and received on the next Business Day. Any such address for service or facsimile number may be changed by notice given as aforesaid.

Exhibit E

ARRANGEMENT RESOLUTION
RESOLUTION OF THE HOLDERS OF COMMON SHARES AND OPTIONS OF VALKYRIES PETROLEUM CORP.

BE IT RESOLVED THAT:

1. The business combination agreement (the "Business Combination Agreement") dated May 26, 2006, between Valkyries Petroleum Corp. ("Valkyries") and Lundin Petroleum AB ("Lundin Petroleum") and Lundin Petroleum Canada Inc. ("Lundin Subco") with such amendments or variations thereto made in accordance with the terms of the Business Combination Agreement, and the actions of the directors of Valkyries in executing and delivery of the Business Combination Agreement, are hereby confirmed, ratified, authorized and approved.

2. The arrangement ("Arrangement") under section 192 of the *Canada Business Corporations Act*, R.S. 1985 c. c-44 substantially as set forth in the Plan of Arrangement as Schedule B to the Business Combination Agreement and all transactions contemplated thereby, be and are hereby ratified, authorized and approved.

3. Notwithstanding that this resolution has been duly passed and/or has received the approval of the Supreme Court of British Columbia, the board of directors of Valkyries may, without further notice to or approval of the holders of Valkyries securities or other interested or affected parties, subject to the terms of the Arrangement, amend or terminate the Business Combination Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement.

4. Any director or officer of Valkyries is hereby authorized, for and on behalf of Valkyries, to execute and deliver the Articles of Arrangement and to execute, with or without the corporate seal, and deliver all the documents and instruments and do all other things as in the opinion of such director or officer may be necessary or desirable to implement these resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

Exhibit "F"

Petition to the Court

No. ___________________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF
THE *CANADA BUSINESS CORPORATIONS ACT*, R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP. AND ITS SHAREHOLDERS

PETITION TO THE COURT

THIS IS THE PETITION OF:

VALKYRIES PETROLEUM CORP.
c/o 300-1168 Hamilton Street
Vancouver, B.C., V6B 2R9

ON NOTICE TO:

The securityholders of the Petitioner Valkyries Petroleum Corp. ("Valkyries") in the manner and to the extent provided by the *ex parte* Interim Order sought herein.

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the Petitioner applies to Court for the relief set out in this Petition.

IF YOU WISH TO BE HEARD at the hearing of this Petition or wish to be notified of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above Registry of this Court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the Petitioner's address for delivery, which is set out in this Petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the Registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the Petitioner may continue this application without further notice.

TIME FOR APPEARANCE

The time for appearance will be set by the Court.

(1)	The address of the Registry is: The Law Courts 800 Smithe Street Vancouver, B.C. V6Z 2E1
(2)	The Petitioner's ADDRESS FOR DELIVERY is: Valkyries Petroleum Corp. c/o 300 – 1168 Hamilton Street Vancouver, B.C., V6B 2R9 Attn: Patrick J. Sullivan Fax number for delivery: 604-687-7384
(3)	The name and OFFICE address of the Petitioner's solicitor is: Patrick J. Sullivan TAYLOR VEINOTTE SULLIVAN Barristers 300 – 1168 Hamilton Street Vancouver, B.C., V6B 2R9

ORDERS SOUGHT

The Petitioner applies to this Court for:

(a) An order pursuant to section 192 of the *Canada Business Corporations Act*, R.S. 1985 c. c-44 (the "Act") and Rule 10 of the Rules of Court (the "Interim Order") providing directions for:

(i) the convening and conduct by Valkyries of a Special meeting (the "Meeting") of the shareholders of Valkyries (the "Valkyries Shareholders"), to be held at Suite 2100 – 885 West Georgia Street, Vancouver, British Columbia, on July 25, 2006, at 12:00 p.m. (Pacific Daylight Time) (or such other date and time as the Court may direct), to consider and, if thought fit, to approve (with or without amendment) an arrangement (the "Arrangement") between Valkyries and the Valkyries Shareholders pursuant to a plan of arrangement (the "Plan of Arrangement") pursuant to section 192 of the Act, and to transact such other business as may properly come before the Meeting;

(ii) the giving of notice of the Meeting and the provision of materials regarding the Arrangement to the Valkyries Shareholders; and

(iii) service on the Valkyries Shareholders of notice of the Hearing of the Final Order approving the Plan of Arrangement.

(b) an order (the "Final Order") pursuant to section 192 of the Act, and the inherent jurisdiction of the Court that:

(i) the Arrangement be approved; and

(ii) the Arrangement be binding on the Petitioner and the Valkyries Shareholders on the Effective Date as set out in the Plan of Arrangement.

(c) such further and other relief as counsel may advise and this Honourable Court may deem just.

At the hearing of this Petition will be read the affidavit of Ian Gibbs, the Chief Financial Officer of Valkyries, copies of which are filed herewith, and such further and other material as counsel may advise and this Honourable Court may permit.

FACTS

The facts upon which this Petition is based are as follows (capitalized terms have the meanings given to them in the Plan of Arrangement):

Background of the Petitioner

1. Valkyries is a public federal company which was incorporated under the *British Columbia Companies Act* R.S.B.C. 1996, c.96 on August 27, 1979 as Lunco Resources Ltd. Valkyries was continued federally under the Act on October 25, 1994. Since the date of its incorporation, Valkyries has had several name changes, with the last name change occurring on April 24, 2002, from Santa Catalina Mining Corp. to Valkyries Petroleum Corp.

2. Valkyries is an oil and gas company with exploration and producing interests in Russia, including the Sotchemyu-Talyu Field in the Komi Republic; the Caspian Field in the Kalmykia Republic; the Ashirovskoye producing field in Orenburg and the Lagansky exploration block offshore in the Caspian Sea.

3. In 2005 Valkyries reached the decision to dispose of all of its oil and gas properties in the United States to focus exclusively on the acquisition, exploration and development of oil and gas properties located in Russia. The disposition closed in January 2006. Valkyries continued to expand Russian operations in 2005 by completing two corporate acquisitions and entering into a binding agreement for a third corporate acquisition, which closed in February 2006. In addition to Russian acquisitions, Valkyries invested significant funds for exploration and development in Russia during 2005.

4. As Valkyries' reputation has developed, the size of deals it is exposed to has increased dramatically. However, its ability to evaluate and participate in these opportunities is limited by a lack of technical and financial resources. Valkyries has relied heavily on private placements to raise funds required for acquisitions, development and general corporate purposes. For the foreseeable future, private placement funds would be Valkyries' primary source of capital.

5. Valkyries is exposed to a number of risks and uncertainties inherent in exploring for, developing and producing crude oil and natural gas in Russia. These risks and uncertainties include, but are not limited to, the following:

   (a) Cost of capital risks associated with securing needed capital at an acceptable rate to carry out Valkyries' operations and development;

   (b) Valkyries' operations in Russia make it subject to foreign currency fluctuations and such fluctuations may materially affect Valkyries' financial position and results;

   (c) The majority of Valkyries' market capitalization is associated with the offshore Caspian Lagansky exploration block. While all parties agree that this is a very prospective exploration block, it is still pure exploration and subject to considerable risk. Valkyries' reserve auditors, DeGolyer and MacNaughton, give the chance of success of these prospects based on geological risk to be on the order of 16%. While Valkyries' internal risk numbers may be higher (~30%), it should still be recognized that the probability of failure exceeds the probability of success;

   (d) The drilling of a dry hole on Lagansky would have a material negative impact on Valkyries share price; and

   (e) In addition to geological and economic risk factors associated with Lagansky, Valkyries is exposed to Russian political risk which is heightened in light of the upcoming 2008 Presidential election. If the transition of power is turbulent or if new nationalistic policies in the oil sector are enacted that are detrimental to foreign oil companies, the negative effect on Valkyries could be much more dramatic than the effect on a combined Valkyries/Lundin Petroleum entity.

6. For the year ended December 31, 2005, Valkyries reported a net loss from continuing operations of approximately $14.7 million.

7. Valkyries' head office address is Suite 2101-885 West Georgia Street, Vancouver, B.C., V6C 3E8.

8. Valkyries' authorized capital consists of an unlimited number of common shares, of which 55,780,414 are issued and outstanding (the "Valkyries Shares").

9. Certain shareholders of Valkyries have interests in the Arrangement that are different than the interests of Valkyries Shareholders generally (the "Related Interests") (as defined in the Management Information Circular). In particular, the Related Interests are either directors of Lundin Petroleum or as a group have a control block interest in Lundin Petroleum.

10. The Related Interests hold 24.1% of the Valkyries Shares and 33.6% of the shares of Lundin Petroleum. The remaining Valkyries Shares are held by disinterested shareholders (the "Disinterested Valkyries Shareholders").

11. Valkyries also has granted options (the "Valkyries Options") to purchase up to an aggregate of 1,819,500 Valkyries Shares until June 1, 2008.

Background of Lundin Petroleum AB

12. Lundin Petroleum AB ("Lundin Petroleum") is a publicly-traded company whose common shares are listed on the Stockholm Stock Exchange (the "Exchange").

13. Lundin Petroleum is a Swedish independent oil and gas exploration and production company with oil and gas interests in 11 different countries worldwide situated in Europe, South America, Asia and Africa.

14. For the year ended December 31, 2005, Lundin Petroleum reported a net profit of approximately SEK 993,975,000 (approximately $153 million).

15. Lundin Petroleum has a greater capacity then Valkyries to fund acquisition and development projects from cash flow and bank debt in an optimal manner.

16. Lundin Petroleum's head office address is Hovslagargatan 5, SE-111 48 Stockholm.

17. Lundin Petroleum's authorized capital consists of a minimum of SEK 1,000,000 and a maximum of SEK 4,000,000 of Lundin Petroleum shares of which 258,066,166 are issued and outstanding with a quota value of 0.01 SEK per Lundin Petroleum share (the "Lundin Petroleum Shares").

The Business Combination Agreement

18. Valkyries and Lundin Petroleum and Lundin Petroleum Canada Inc. (formerly 6565654 Canada Inc.) ("Lundin Subco") entered into a business combination agreement (the "Business Combination Agreement") dated May 26, 2006. The Plan of Arrangement is attached as Schedule "B" to the Business Combination Agreement.

19. Pursuant to the Business Combination Agreement, Lundin Subco will purchase all of the Valkyries Shares as at the Effective Date, in exchange for shares (the "Lundin Petroleum Shares"), on a one for one basis.

20. The principal steps of the Plan of Arrangement, and the order in which they are proposed to be effected on the Effective Date, are summarized as follows:

    (a) each issued and outstanding Valkyries Share shall be and shall be deemed to be acquired by Lundin Subco, free from any claims, in exchange for one Lundin Petroleum Share, provided that the aggregate number of Lundin Petroleum Shares payable to any Valkyries Shareholder, if calculated to include a fraction of a Lundin Petroleum Share, shall be rounded up or down to the nearest whole Lundin Petroleum Share;

    (b) each Valkyries Shareholder shall have transferred such Valkyries Shares held by him to Lundin Subco and Lundin Petroleum shall have issued Lundin Petroleum Shares in exchange therefor;

    (c) each Valkyries Shareholder shall cease to be a holder of Valkyries Shares and the name of each Valkyries Shareholder shall be removed from the central securities register of Valkyries as of the Effective Date;

    (d) the certificate representing each Valkyries Share shall be deemed to have been cancelled as of the Effective Date;

(e) each Valkyries Shareholder shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Arrangement;

(f) Lundin Subco shall be and shall be deemed to be the transferee of all Valkyries Shares, free of all liens, claims and encumbrances, and shall be entered in the central securities register of Valkyries as the holder of such Valkyries Shares as of the Effective Date; and

(g) each outstanding Valkyries Option shall entitle the holder thereof to receive (and such holder shall accept, upon the exercise thereof), in lieu of the number of Valkyries Shares otherwise issuable upon the exercise thereof, the number of Lundin Petroleum Shares which the holder would have been entitled to receive as a result of the transaction if, immediately prior to the Effective Date, such holder had been the registered holder of the number of Valkyries Shares to which such holder was theretofore entitled upon such exercise; the exercise price of such Valkyries Option shall be converted to, and payable in, Swedish Krona based on the noon spot rate of exchange published by the Bank of Canada for Canadian dollars to Swedish Krona on the Effective Date.

21. The Plan of Arrangement provides that the Valkyries Shareholders will be granted a right of dissent equivalent to the right of dissent required by the Act.

22. The primary motivation for the Arrangement is to give Valkyries Shareholders the opportunity to mitigate the risk associated with Valkyries Shares by exchanging them for Lundin Petroleum Shares, which have much less risk associated with them.

23. It is a term of the Business Combination Agreement that this Honourable Court approve the Arrangement.

Result of the Arrangement

24. On the Effective Date, Valkyries will become an indirect wholly-owned subsidiary of Lundin Subco.

Independent Committee

25. On May 1, 2006, an independent committee (the "Special Committee") of the Board of Directors of Valkyries was created to examine and review the Arrangement, to consider and advise the Board as to whether the Arrangement is in the best interests of Valkyries and its shareholders, and to report to the Board respecting its recommendations and conclusions.

26. The mandate of the Special Committee was to *inter alia*:

(a) examine and review the merits of a transaction whereby Lundin Petroleum would acquire all the outstanding Valkyries Shares by way of a plan of arrangement (the "Arrangement"); and

(b) to consider and advise the Valkyries Board as to whether the Arrangement is in the best interests of Valkyries and its shareholders and whether the Arrangement should be pursued by Valkyries and, if necessary or appropriate, recommended to its shareholders.

27. The Special Committee met several times and had continuous discussions with management of Valkyries. When it considered it advisable to do so, the Special Committee discussed matters with, and obtained advice from, its independent legal counsel (Blake Cassels).

28. In reaching its conclusions and formulating its recommendations, the Special Committee considered the expected benefits from the Arrangement as well as a number of factors including:

(q) that the Arrangement will give Valkyries Shareholders the opportunity to mitigate the risks, including political risks, associated with the Valkyries Shares by exchanging them for Lundin Petroleum Shares, which have much less risk associated with them;

(r) that the majority of the Corporation's market capitalization is associated with its offshore Caspian Lagansky exploration block which is an exploration target that is subject to considerable risk;

(s) the anticipated size and market liquidity of the combined company, subsequent to the Arrangement;

(t) that the Lundin Petroleum Shares offered in connection with the Arrangement provide Valkyries Shareholders with the opportunity to be shareholders of a larger, more diversified company with a greater capacity to fund acquisition and development projects from cash flow and bank debt, thus avoiding shareholder dilution;

(u) Valkyries Shareholders will retain their ability to benefit from the growth prospects represented by the combined company by receiving one Lundin Petroleum Share for each Valkyries Share held;

(v) the Exchange Ratio implied a price of $13.54 per Valkyries Share representing a premium of approximately 8.2% to Valkyries' Shareholders based on the respective closing prices of the Lundin Petroleum Shares and the Valkyries Shares on May 26, 2006, the date prior to the date on which the Arrangement was announced;

(w) the valuation (the "Valuation") (as defined in the Management Information Circular in accordance with Ontario Securities Commission Rule 61-501 and Policy Q-27), which concluded that, as at May 26, 2006, the fair market value of the Valkyries Shares was in the range of $13.50 to $20.00 per Valkyries Share;

(x) the fairness opinion (the "Fairness Opinion") (as defined in the Management Information Circular) which concluded that the consideration under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests;

(y) the Arrangement Resolution must be approved by (i) not less than two-thirds of the votes cast at the Meeting by the Valkyries Shareholders and (ii) a majority of the votes cast at the Meeting by the Disinterested Valkyries Shareholders (as defined in the Management Information Circular) in accordance with Ontario Securities Commission Rule 65-501 and subject to the exceptions set out therein;

(z) the Arrangement requires approval of the Court, which will consider, among other things, the fairness of the Arrangement to Valkyries Shareholders; and

(aa) under the Arrangement, registered Valkyries Shareholders will have dissent rights.

Valuation and Fairness Opinion

29. The Special Committee of Valkyries engaged RBC Dominion Securities Inc. (“RBC”) to prepare a formal valuation of the Valkyries Shares and to provide an opinion as to the fairness of the consideration under the Arrangement from a financial point of view to the Valkyries Shareholders, other than the Related Interests (the “Valuation and Fairness Opinion”).

30. RBC is one of Canada’s largest investment banking firms with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally.

31. Based upon and subject to the analyses and assumptions set out in the Valuation and Fairness Opinion, RBC is of the opinion that, as at May 26, 2006, the fair market value of the Valkyries Shares is in the range of $13.50 to $20.00 per Valkyries Share.

32. Based upon and subject to the analyses and assumptions set out in the Valuation and Fairness Opinion, RBC is of the opinion that, as at May 26, 2006, the consideration under the Arrangement is fair from a financial point of view to the Valkyries Shareholders, other than the Related Interests.

Fairness

33. The board of directors of the Petitioner has unanimously approved the Arrangement and determined that the Arrangement is fair and reasonable and in the best interests of the Valkyries Shareholders. In reaching its conclusion and formulating its recommendations, the Board of Directors considered a number of factors including the recommendation of the Special Committee, the expected benefits of the Arrangement as well as the factors considered by the Special Committee.

34. The Board of Directors believes that the Combination will have the following benefits for Valkyries Shareholders:

(a) the Combination offers a premium of approximately 8.2% to Valkyries’ Shareholders based on the respective closing prices of the Valkyries Shares and the Lundin Petroleum Shares on May 26, 2006, the date prior to the date on which the transaction was announced;

(b) the combined entity will have greater access to the technical expertise required to grow the Russian business;

(c) Lundin Petroleum is forecasting profits of US$160 million and operating cash flow of US$300 million for 2006, suggesting that the combined company will be well positioned for internal growth and have the financial strength and flexibility to take advantage of consolidation and acquisition opportunities in the oil and gas exploration and development industry;

(d) the transaction provides Valkyries Shareholders with liquid consideration that fairly values Valkyries’ asset base, including a significant value for exploration potential;

(e) Valkyries Shareholders will benefit from the size and liquidity of the combined entity, and will have gained the benefit of the growth that is provided by Lundin Petroleum;

(f) the combined company will have access to a greater level of financial capital which will provide a greater range of deal opportunities;

(g) the combined company will have an experienced management team with significant operating experience;

(h) Valkyries Shareholders will gain exposure to high upside exploration projects currently held in Lundin Petroleum; and

(i) the combined company will have an experienced management team with significant operating experience.

35. The rights of creditors of Valkyries will not be affected, as they have to date been paid in the normal course and will continue to be so paid following the completion of the Arrangement.

Exemption

36. Valkyries has been advised by legal counsel that approval of the Court under section 192 of the Act under the circumstances and pursuant to the conditions set forth in this Petition will permit Lundin Petroleum to avail itself of an exemption from the otherwise applicable securities registration requirements of section 3(a)(10) of the *United States Securities Act of 1933* with respect to the securities of Lundin Petroleum to be issued pursuant to the Arrangement. The approval of this court will form the basis for the exemption. Valkyries has been advised by legal counsel that this exemption applies where the terms and conditions of the exchange of securities are approved by a court, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear.

Rights of Dissent

37. Pursuant to the terms of the Plan of Arrangement, Valkyries has granted to each of the Valkyries Shareholders the right, if the Valkyries Shareholder dissents to the Arrangement and the Arrangement becomes effective, to be paid fair value for all, but not less than all, of his Valkyries Shares in accordance with section 190 of Part 15 of the Act.

The Meeting

38. Valkyries intends to convene the Meeting to consider and, if thought fit, to pass (with or without amendment), a special resolution approving the Arrangement in accordance with the terms of the Business Combination Agreement.

39. Pursuant to the Articles of the Petitioner, the holders of common shares of the Petitioner are entitled to attend and vote at all meetings of the shareholders on the basis of one vote for each share held.

40. It is a term of the Business Combination Agreement that the transaction be approved by (i) special resolution of not less than two-thirds of the Valkyries Shareholders and (ii) by a simple majority of the Disinterested Valkyries Shareholders (as defined in the Management Information

Circular) in accordance with Ontario Securities Commission Rule 65-501 and subject to the exceptions set out therein.

Dated at the City of Vancouver, in the Province of British Columbia, this 23rd day of June, 2006.

TAYLOR VEINOTTE SULLIVAN
Solicitors for the Petitioner,
Valkyries Petroleum Corp.

No. _____________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

RE: VALKYRIES PETROLEUM CORP.

THE PETITIONER

IN THE MATTER OF SECTION 192 OF
THE CANADA BUSINESS CORPORATIONS ACT,
R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP.
AND ITS SHAREHOLDERS

PETITION

TAYLOR VEINOTTE SULLIVAN
Barristers
300 – 1168 Hamilton Street
Vancouver, B.C., V6B 2R9
604-687-7007

Counsel: Patrick J. Sullivan

Matter No:

Exhibit "G"

No. S-064069
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF
THE *CANADA BUSINESS CORPORATIONS ACT*, R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP. AND ITS SHAREHOLDERS

ORDER

BEFORE THE HONOURABLE MR. MADAM	)	Friday, the 23rd day of
JUSTICE or MASTER DONALDSON	)	June, 2006.

THE *EX-PARTE APPLICATION* of the Petitioner, Valkyries Petroleum Corp., for an order for directions in seeking a plan of arrangement under s. 192 of the *Canada Business Corporations Act*, R.S. 1985, c. C-44 (the "Act"), coming on for hearing at Vancouver, British Columbia, on the 23rd day of June, 2006, AND ON HEARING Patrick J. Sullivan, counsel for the Petitioner; AND UPON READING the material filed herein:

THIS COURT ORDERS that:

1. The Petitioner be permitted to convene, hold and conduct a Special meeting (the "Meeting") of the registered holders of the issued and outstanding common shares (the "Valkyries Shares") of the Petitioner (the "Valkyries Shareholders") on Tuesday, July 25th, 2006 at 12:00 p.m.

(Pacific Daylight Time) (or such other date and time as the Court may direct), to consider, and if thought fit to pass, with or without amendment, a special resolution (the "Arrangement Resolution") authorizing, approving and agreeing to adopt an arrangement (the "Arrangement") between Valkyries and the Valkyries Shareholders as described in the plan of arrangement (the "Plan of Arrangement") attached in Exhibit "A" to the Affidavit of Ian Gibbs, sworn the 20th day of June, 2006, and to transact such other business as may properly come before the Meeting.

2. The Meeting shall be called, held and conducted in accordance with the provisions of the Act, applicable securities legislation and the Articles of the Petitioner, subject to the terms of this Order.

3. The following information for the Meeting (the "Materials"):

(a) the Notice of Special Meeting of Shareholders;

(b) the Management Information Circular;

(c) the Arrangement Resolution;

(d) this Interim Order;

(e) the Valuation and Fairness Opinion;

(f) the Plan of Arrangement;

(g) the Dissent Rights; and

(h) the Form of Proxy.

in substantially the same form as they appear in the Affidavit of Ian Gibbs sworn the 20th day of June, 2006, with such amendments and inclusions thereto as counsel for the Petitioner may advise are necessary or desirable, provided that such amendments and inclusions are not inconsistent with the terms of this Order, shall be mailed by pre-paid ordinary mail:

(i) to the Valkyries Shareholders at their registered address as they appear on the record books of the Petitioner at the close of business on June 20, 2006;

(ii) to the directors and auditors of the Petitioner; and

(iii) to the holders of the options of the Petitioner (the "Valkyries Optionholders").

4. The Mailing shall occur at least twenty-one days prior to the date of the Meeting, excluding the date of mailing and excluding the date of the Meeting.

5. The Petitioner shall be at liberty to give notice of this application to persons outside the jurisdiction of this Honourable Court in the manner specified herein.

6. The Mailing described in paragraphs 3 and 4 shall constitute good and sufficient service upon all who may wish to appear in these proceedings, and no other service need be made.

7. The accidental omission to give notice of the Meeting to, or to mail the Materials to, or the non-receipt of such, by one or more of the persons specified herein, shall not invalidate any resolution passed or proceeding taken at the Meeting.

8. The Chair of the Meeting shall be an officer or director of the Petitioner who shall be appointed by the board of directors of the Petitioner for that purpose.

9. The Chair of the Meeting is at liberty to call on the assistance of legal counsel to the Petitioner at any time and from time to time, as the Chair of the Meeting may deem necessary or appropriate, during the Meeting, and such legal counsel is entitled to attend the Meeting for this purpose.

10. The Meeting may be adjourned for any reason upon the approval of the Chair of the Meeting, and if the Meeting is adjourned, it shall be reconvened at a place and time to be designated by the Chair of the Meeting to a date which is not more than 30 days thereafter.

11. The quorum required at the Meeting shall be the quorum required by the Articles of the Petitioner.

12. The vote required to adopt the Arrangement Resolution at the Meeting shall be (i) the affirmative vote of not less than two-thirds of the votes cast at the Meeting by the Valkyries Shareholders who vote in person or by proxy on the Arrangement Resolution and (ii) the affirmative vote of at least a majority of the votes cast at the Meeting by the disinterested Valkyries shareholders (the "Disinterested Valkyries Shareholders") (as defined in the Management Information Circular) in accordance with Ontario Securities Commission Rule 65-501 and subject to the exceptions set out therein.

13. A representative of the Petitioner attendant at the Meeting shall, in due course, file with the Court an affidavit verifying the actions taken and the decisions reached by the Valkyries Shareholders at the Meeting with respect to the Arrangement.

14. Each Valkyries Shareholder of the Petitioner be and hereby is accorded the Right of Dissent with respect to the Arrangement Resolution approving the Arrangement, as set out in the Plan of Arrangement.

15. The only persons entitled to notice of and to attend or vote at the Meeting or any adjournment(s) thereof, either in person or by proxy, shall be the directors of the Petitioner, the auditor of the Petitioner and the registered holders of the common shares of the Petitioner as at the close of business on June 20, 2006.

16. Unless the directors of the Petitioner determine by resolution to abandon the Arrangement, the Application for the Final Order shall be set down for hearing before the presiding Judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia, on or about July 27, 2006, and that, upon approval of the Arrangement in the manner required by section 192 of the Act, the Petitioner be at liberty to proceed with the Final Application on that date or as soon thereafter as may be reasonably practicable.

17. Any Valkyries Shareholder, or any Valkyries Optionholder, may appear and make submissions at the Application for the Final Order, provided that such person files an Appearance with this Court in the form prescribed by the Rules of Court of the Supreme Court of British Columbia and serve a copy of the filed Appearance, together with a copy of all material on which such person intends to rely at the Final Application, including a Response in Form 124 and an outline of such person's proposed submissions, to the solicitor for the Petitioner at his address for delivery as set out in the Petition, on or before 2:00 p.m. July 25, 2006 or as the Court may otherwise direct.

18. If the Final Application is adjourned, only those persons who have filed and delivered an Appearance in accordance with this Order need to be served and provided with notice of the adjourned date.

19. The Petitioner, the Valkyries Shareholders and the directors of the Petitioner shall have liberty to apply for such further orders as may be appropriate.

BY THE COURT

____
REGISTRAR

APPROVED AS TO FORM:

(signed) Patrick Sullivan
Solicitor for the Petitioner

No. S-064069
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

RE: VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF
THE CANADA BUSINESS CORPORATIONS ACT,
R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP.
AND ITS SHAREHOLDERS

ORDER

TAYLOR VEINOTTE SULLIVAN
Barristers
300 – 1168 Hamilton Street
Vancouver, B.C., V6B 2R9
604-687-7007

Counsel: Patrick J. Sullivan
Matter No:

Exhibit H

Requisition

NO. _______________
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT BETWEEN VALKYRIES PETROLEUM CORP. AND ITS SHAREHOLDERS

REQUISITION

Required:

A Hearing before the presiding judge in Chambers at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at 9:45 a.m. on July 27, 2006, for an Application for a Final Order approving an Arrangement under Section 192 of the *Canada Business Corporations Act*, R.S. 1985, c. C-44.

The final order approving the Arrangement, will, if made, constitute the basis for an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, under Section 3(a)(10) thereof, with respect to certain shares to be distributed pursuant to the Arrangement.

Please take notice that any Valkyries Petroleum Corp. ("Valkyries") shareholder, director or auditor, or any other party served with the Petition filed herein, who has filed an appearance in accordance with the Interim Order or any other interested party with leave of the Court, may appear on July 27, 2006 to support or oppose the application either in person or by counsel.

Any person desiring further information about the steps that must be taken prior to making submissions may contact Patrick Sullivan of TVS Barristers at 300-1168 Hamilton Street, Vancouver, B.C., 604-687-7007. If you do not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice to you.

Dated at the City of Vancouver, in the Province of British Columbia, this 23rd day of June, 2006.

TAYLOR VENOITTE SULLIVAN
Solicitor for the Petitioner,
Valkyries Petroleum Corp.

Exhibit I

Final Order

No. ___________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF
THE *CANADA BUSINESS CORPORATIONS ACT*, R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP. AND ITS SHAREHOLDERS

BEFORE THE HONOURABLE MR.	)	________________, the ____ day of
MADAM JUSTICE or MASTER ◆	)	___________________, ◆.

ORDER

THE APPLICATION of the Petitioner coming on for hearing at Vancouver, British Columbia, on the 27th day of July, 2006, AND ON HEARING Patrick J. Sullivan, counsel for the Petitioner, and no one else appearing; AND ON READING the material filed; AND UPON all the terms of the Interim Order in this proceeding pronounced June 23rd, 2006, having been complied with and the requisite approval of the shareholders of the Petitioner having been obtained at the Special meeting called and held in accordance with the Interim Order;

AND UPON BEING ADVISED by counsel for the Petitioner that this Honourable Court's approval of the plan of arrangement (the "Plan of Arrangement"), a copy of which is annexed to this Order, will serve as a basis of a claim to an exemption, pursuant to section 3(a)(10) of the *United States Securities Act of 1933* from the registration requirements otherwise imposed by that Act, regarding the distribution of securities of Lundin Petroleum AB ("Lundin Petroleum"), pursuant to the Plan of Arrangement.

THIS COURT ORDERS that:

1. The arrangement (the "Arrangement") as described in the Plan of Arrangement, a copy of which is annexed to this Order, be and hereby is approved as being fair to the securityholders and shall be implemented in the manner set forth in the Plan of Arrangement, and shall be binding on the Petitioner and its securityholders on the Effective Date as described in the Plan of Arrangement.

2. The Petitioner shall have liberty to apply for such further orders as may be appropriate.

BY THE COURT

____

DISTRICT REGISTRAR

APPROVED AS TO FORM:

____

Solicitor for the Petitioner

No. ________
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

RE: VALKYRIES PETROLEUM CORP.

PETITIONER

IN THE MATTER OF SECTION 192 OF
THE CANADA BUSINESS CORPORATIONS ACT,
R.S. 1985, c. C-44

AND

IN THE MATTER OF A PROPOSED ARRANGEMENT
BETWEEN VALKYRIES PETROLEUM CORP.
AND ITS SHAREHOLDERS

ORDER

TAYLOR VEINOTTE SULLIVAN
Barristers
300 – 1168 Hamilton Street
Vancouver, B.C., V6B 2R9
604-687-7007

Counsel: Patrick J. Sullivan
Matter No:

Exhibit J

Dissent Rights

Section 190 of the CBCA provides registered shareholders with the right to dissent from certain resolutions which effect extraordinary corporate transactions or fundamental corporate changes. The Interim Order expressly provides Registered Valkyries Shareholders with the right to dissent from the Arrangement Resolution pursuant to section 190 of the CBCA, with modifications to the provisions of section 190 as provided in the Plan of Arrangement and the Interim Order. Any Registered Valkyries Shareholder who dissents from the Arrangement Resolution in compliance with section 190 of the CBCA as modified by the Plan of Arrangement and the Interim Order will be entitled, in the event the Arrangement becomes effective, to be paid the fair value of Valkyries Shares held by such Dissenting Shareholder determined as of the close of business on the day before the Final Order is effective. Pursuant to the Interim Order, once determined, the fair value will be paid only in cash, subject to pro-ration.

Section 190 of the CBCA provides that there is no right of partial dissent and, accordingly, a shareholder may only make a claim under that section with respect to all the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder's name. One consequence of this provision is that a Registered Valkyries Shareholder may only exercise the right to dissent under section 190 (as modified by the Plan of Arrangement and the Interim Order) in respect of Valkyries for Valkyries Shares that are registered in that shareholder's name. In many cases, shares beneficially owned by a non-registered shareholder are registered either (a) in the name of an Intermediary or (b) in the name of a clearing agency (such as CDS) of which the Intermediary is a participant. Accordingly, a Non-Registered Shareholder will not be entitled to exercise the right to dissent under section 190 directly (unless the shares are re-registered in the Non-Registered Shareholder's name).

A Non-Registered Shareholder who wishes to exercise the right to dissent should immediately contact the Intermediary with whom the Non-Registered Shareholder deals in respect of the shares and either (i) instruct the Intermediary to exercise the right to dissent on the Non-Registered Shareholder's behalf (which, if the shares are registered in the name of CDS or other clearing agency, may require that the shares first be re-registered in the name of the Intermediary), or (ii) instruct the Intermediary to re-register the shares in the name of the Non-Registered Shareholder, in which case the Non-Registered Shareholder would be able to exercise the right to dissent directly.

A Registered Valkyries Shareholder who wishes to dissent must provide to Valkyries, at 2101 – 885 West Georgia Street, Vancouver, British Columbia or by facsimile transmission to (604) 689-4250, attention Secretary on or before 5:00 p.m. (Toronto time) on the Business Day preceding the Meeting (or any adjournment or postponement thereof), written objection to the special resolution (a "Dissent Notice"), with copy to Computershare to facsimile number (604) 661-9401 (Attention: Stock Transfer Services). It is important that Registered Valkyries Shareholders strictly comply with this requirement, which is different from the statutory dissent provisions of the CBCA.

The filing of a Dissent Notice does not deprive a Registered Valkyries Shareholder of the right to vote at the Meeting; however, the CBCA provides, in effect, that a Registered Valkyries Shareholder who has submitted a Dissent Notice and who votes in favour of the Arrangement Resolution will no longer be considered a Dissenting Shareholder with respect to that class of shares voted in favour of the Arrangement Resolution. The CBCA does not provide, and Valkyries will not assume, that a vote against the Arrangement Resolution or an abstention constitutes a Dissent Notice, but a Registered Valkyries Shareholder need not vote their Valkyries for Valkyries Shares against the Arrangement Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote in favour of the Arrangement Resolution does not constitute a Dissent Notice; however, any proxy granted by a Registered Valkyries Shareholder who intends to dissent, other than a proxy that instructs the proxyholder to vote against the Arrangement Resolution, should be validly revoked in order to prevent the proxyholder from voting such Valkyries for Valkyries Shares in favour of the Arrangement Resolution and thereby causing the Registered Valkyries Shareholder to forfeit their dissent rights. See "General Proxy Information — Revocation of Proxies".

Lundin Petroleum is required, within ten days after Valkyries Shareholders adopt the Arrangement Resolution, to send a notice to each shareholder who has filed a Dissent Notice that the Arrangement Resolution has been adopted. Such notice is not required to be sent to any Valkyries Shareholder who voted for the Arrangement Resolution or who has withdrawn their Dissent Notice.

A Dissenting Shareholder who has not withdrawn their Dissent Notice must then, within 20 days after receipt of notice that the Arrangement Resolution has been adopted, send to Valkyries (with copy to Computershare) a written notice (a "Demand for Payment") containing their name and address, the number of Valkyries for Valkyries Shares in respect of which they dissent, and a demand for payment of the fair value of such shares. Within 30 days after sending the Demand for Payment, the Dissenting Shareholder must send to Valkyries (with a copy to Computershare) certificates representing Valkyries for Valkyries Shares in respect of which they dissent. A Dissenting Shareholder who fails, within the appropriate time frame, to send a Dissent Notice, a Demand for Payment and certificates representing Valkyries for Valkyries Shares in respect of which they dissent has no right to make a claim under section 190 of the CBCA. Valkyries or Computershare will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder.

After sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a Valkyries Shareholder in respect of the Valkyries for Valkyries Shares in respect of which the shareholder has dissented other than the right to be paid the fair value of the shares as determined pursuant to the Interim Order, unless (i) the Dissenting Shareholder withdraws their Dissent Notice before Valkyries makes a written offer to pay in accordance with subsection 190(12) of the CBCA (an "Offer to Pay"), (ii) Valkyries fails to make an Offer to Pay and the Dissenting Shareholder withdraws their Demand for Payment, or (iii) the Valkyries Board of Directors revokes the Arrangement Resolution, in which case the Dissenting Shareholder's rights as a shareholder will be reinstated.

Lundin Petroleum is required, not later than seven days after the later of the Effective Date or the date on which Lundin Petroleum received the Demand for Payment of a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a Demand for Payment an Offer to Pay for their Valkyries for Valkyries Shares in an amount considered by the Lundin Petroleum Board of Directors to be the fair value such Valkyries for Valkyries Shares, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay must be on the same terms. Lundin Petroleum must pay for the Valkyries for Valkyries Shares of a Dissenting Shareholder within ten days after an Offer to Pay has been accepted by a Dissenting Shareholder, but any such offer lapses if Lundin Petroleum does not receive an acceptance within 30 days after the Offer to Pay has been made.

If Lundin Subco fails to make an Offer to Pay for a Dissenting Shareholder's Valkyries for Valkyries Shares, or if a Dissenting Shareholder fails to accept an Offer to Pay which has been made, Lundin Petroleum may, within 50 days after the Arrangement Effective Date or within such further period as a Court may allow, apply to a Court to fix a fair value for the Valkyries for Valkyries Shares of Dissenting Shareholders. If Lundin Petroleum fails to apply to a Court, a Dissenting Shareholder may apply to a Court for the same purpose within a further period of 20 days or within such further period as a Court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

Upon an application to a Court, all Dissenting Shareholders whose Valkyries for Valkyries Shares have not been purchased by Lundin Petroleum will be joined as parties and bound by the decision of the Court, and Lundin Petroleum will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel. Upon any such application to a Court, the Court may determine whether any person is a Dissenting Shareholder who should be joined as a party, and the Court will then fix a fair value for the Valkyries for Valkyries Shares of all Dissenting Shareholders who have not accepted an Offer to Pay. The final order of a Court will be rendered against Lundin Petroleum in favour of each Dissenting Shareholder and for the amount of the fair value of their Valkyries for Valkyries Shares as fixed by the Court. The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Arrangement Effective Date until the date of payment. An application to the Court by either Lundin Petroleum or a Dissenting Shareholder must be in the Province of British Columbia or in the province within which the Dissenting Shareholder resides if Lundin Petroleum carries on business in that province.

Pursuant to the Plan of Arrangement, in no case shall Lundin Petroleum, Lundin Subco, Valkyries or any other person be required to recognize any Dissenting Shareholder as Valkyries Shareholders after the Effective Time, and the names of such Valkyries Shareholders shall be deleted from the register of holders of Valkyries for Valkyries Shares at the Effective Time.

Under the CBCA, the Court may make any order in respect of the Arrangement it thinks fit, including a Final Order that amends the dissent rights as provided for in the Plan of Arrangement and the Interim Order. It is not anticipated that additional Valkyries Shareholder approval would be sought for any such variation.

The foregoing is only a summary of the dissenting shareholder provisions of the CBCA (as modified by the Plan of Arrangement and the Interim Order), which are technical and complex. It is recommended that any Registered Valkyries Shareholder wishing to avail themselves of their dissent rights under those provisions seek legal advice as failure to comply strictly with the provisions of the CBCA (as modified by the Plan of Arrangement and the Interim Order) may prejudice their dissent rights. For a general summary of certain income tax implications to a Dissenting Shareholder, see "Certain Tax Considerations to Valkyries Shareholders — Certain Canadian Federal Income Tax Considerations — Valkyries Shareholders Resident in Canada".

Exhibit K

Pro Forma Financial Statements of Lundin Petroleum AB

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006. UNAUDITED PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005 AND FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND THE AUDITORS COMPILATION REPORT THEREON

Contents

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June 20, 2006

Compilation Report

To the Directors of
Valkyries Petroleum Corp.

We have read the accompanying unaudited pro forma balance sheet of Lundin Petroleum AB ("Lundin") as at March 31, 2006 and unaudited pro forma income statements for the three months then ended and for the year ended December 31, 2005, and have performed the following procedures.

1. Compared the figures in the columns captioned "Lundin Petroleum AB (TSEK)" to the unaudited financial statements of Lundin as at March 31, 2006 and for the three months then ended, and the audited financial statements of Lundin for the year ended December 31, 2005, respectively, and found them to be in agreement.

2. Compared the figures in the columns captioned "Valkyries Petroleum Corp. (TCAD)" to the unaudited financial statements of Valkyries Petroleum Corp. as at March 31, 2006 and for the three months then ended and the audited financial statements of Valkyries Petroleum Corp. for the year ended December 31, 2005, respectively, and found them to be in agreement.

3. Calculated the columns captioned "Valkyries Petroleum Corp. (TSEK)" by multiplying the columns captioned "Valkyries Petroleum Corp. (TCAD)" by either the March 31, 2006 period end, the average for the three month period ended March 31, 2006, or the average for the year ended December 31, 2005, exchange rate from Canadian dollars to Swedish krona.

4. Made enquiries of certain officials of Lundin and Valkyries Petroleum Corp. who have responsibility for financial and accounting matters about:

   (a) the basis for determination of the pro forma adjustments; and
   (b) whether the pro forma financial statements comply as to form in all material respects with the Securities Acts and the related regulations under which Valkyries Petroleum Corp. operates.

The officials:

(a) described to us the basis for determination of the pro forma adjustments, and
(b) stated that the pro forma statements comply as to form in all material respects with Securities Acts and the related regulations under which Valkyries Petroleum Corp. operates.

4. Read the notes to the pro forma statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.

5. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Lundin Petroleum AB" and "Valkyries Petroleum Corp (TSEK)" as at March 31, 2006 and for the three months then ended, and for the year ended December 31, 2005, and found the amounts in the column captioned "Pro forma consolidated" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

LUNDIN PETROLEUM AB
PRO FORMA CONSOLIDATED BALANCE SHEET
FOR THE THREE MONTHS ENDED 31 MARCH 2006
(Unaudited)

	Lundin Petroleum AB	Valkyries Petroleum Corp	Valkyries Petroleum Corp	Pro Forma Adjustments	Note	Pro Forma Consolidated
	TSEK	TCAD	TSEK	TSEK		TSEK
ASSETS						
Tangible and intangible fixed assets						
Oil and gas properties	5,945,361	165,029	1,098,728	4,505,253	a	11,549,342
Other tangible fixed assets	101,369	3,508	23,356	-		124,725
Goodwill	-	-	-	719,945	a	719,945
Tangible and intangible fixed assets	**6,046,730**	**168,537**	**1,122,084**	**5,225,198**		**12,394,012**
Financial fixed assets	**510,739**	**1,240**	**8,256**			**518,995**
Total fixed assets	**6,557,469**	**169,777**	**1,130,340**	**5,225,198**		**12,913,007**
Current Assets						
Current assets, receivables and inventory	1,106,736	15,975	106,358	-		**1,213,094**
Cash and bank	463,921	33,658	224,088	-		**688,009**
Total current assets	**1,570,657**	**49,633**	**330,446**	-		**1,901,103**
Total assets	**8,128,126**	**219,410**	**1,460,786**	**5,225,198**		**14,814,110**
TOTAL EQUITY AND LIABILITIES						
Shareholders' equity including net result for the period	4,010,856	150,642	1,002,943	4,136,347	a	**9,150,146**
Minority interest	3,258					**3,258**
Total Equity	**4,014,114**	**150,642**	**1,002,943**	**4,136,347**		**9,153,404**
Long term liabilities						
Provisions	2,178,478	31,787	211,631	1,081,261	a	**3,471,370**
Long-term interest bearing debt	681,809	21,024	139,973	-		**821,782**
Total long term liabilities	**2,860,287**	**52,811**	**351,604**	**1,081,261**		**4,293,152**
Current liabilities	**1,253,725**	**15,957**	**106,239**	**7,590**		**1,367,554**
Equity and liability	**8,128,126**	**219,410**	**1,460,786**	**5,225,198**		**14,814,110**

LUNDIN PETROLEUM AB
PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2006
(Unaudited)

	Lundin Petroleum AB	Valkyries Petroleum Corp	Valkyries Petroleum Corp	Pro Forma Adjustments	Note	Pro Forma Consolidated
	TSEK	TCAD	TSEK	TSEK		TSEK
Operating income						
Net sales of oil and gas	1,195,221	14,357	96,615	-		1,291,836
Other operating income	49,533	-	-	-		49,533
	1,244,754	**14,357**	**96,615**	**-**		**1,341,369**
Cost of sales						
Production costs	-280,626	-8,506	-57,241	-		-337,867
Depletion of oil and gas properties	-201,073	-3,005	-20,222	-2,876	b	-224,171
Write off of oil and gas properties	-13,987	-	-	-		-13,987
Gross profit	**749,068**	**2,846**	**19,152**	**-2,876**		**765,344**
Sale of assets	-	-	-	-		-
Other income	1,963	-	-	-		1,963
General, administration and depreciation expenses	-31,833	-2,611	-17,571	-		-49,404
Operating profit	**719,198**	**235**	**1,581**	**-2,876**		**717,903**
Financial investments						
Financial income	42,968	215	1,447	-		44,415
Financial expenses	-22,626	-383	-2,577	-		-25,203
	20,342	**-168**	**-1,130**	**-**		**19,212**
Profit before tax	**739,540**	**67**	**451**	**-2,876**		**737,115**
Tax	-320,031	-521	-3,506	908	c	-322,629
Discontinued operations	-	156	1,050	-		1,050
Net result	**419,509**	**-298**	**-2,005**	**-1,968**		**415,536**
Net result attributable to :						
shareholders of the parent company	419,306	-298	-2,005	-1,968		415,333
minority interest	203	-	-	-		203
Net result	**419,509**	**-298**	**-2,005**	**-1,968**		**415,536**
Earnings per share – SEK	1.63					1.32
Diluted earnings per share - SEK	1.62					1.31

LUNDIN PETROLEUM AB
PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005
(Unaudited)

	Lundin Petroleum AB	Valkyries Petroleum Corp	Valkyries Petroleum Corp	Pro Forma Adjustments	Note	Pro Forma Consolidated
	TSEK	TCAD	TSEK	TSEK		TSEK
Operating income						
Net sales of oil and gas	3,995,477	49,349	303,297	-		4,298,774
Other operating income	194,707	-	-	-		194,707
	4,190,184	**49,349**	**303,297**	**-**		**4,493,481**
Cost of sales						
Production costs	-1,310,905	-32,202	-197,912	-		-1,508,817
Depletion of oil and gas properties	-753,428	-10,392	-63,869	-11,106	b	-828,403
Write off of oil and gas properties	-208,135	-	-	-		-208,135
Gross profit	**1,917,716**	**6,755**	**41,516**	**-11,106**		**1,948,126**
Sale of assets	192,122	-	-	-		192,122
Other income	6,438	-	-	-		6,438
General, administration and depreciation expenses	-103,118	-7,700	-47,324	-		-150,442
Operating profit	**2,013,158**	**-945**	**-5,808**	**-11,106**		**1,996,244**
Financial investments						
Financial income	44,012	550	3,380	-		47,392
Financial expenses	-196,461	-12,564	-77,218	-		-273,679
	-152,449	**-12,014**	**-73,838**	**0**		**-226,287**
Profit before tax	**1,860,709**	**-12,959**	**-79,646**	**-11,106**		**1,769,957**
Tax	-866,734	-1,719	-10,565	3,507	c	-873,792
Discontinued operations	-	1,661	10,208	-		10,208
Net result	**993,975**	**-13,017**	**-80,003**	**-7,599**		**906,373**
Net result attributable to :						
shareholders of the parent company	993,507	-13,017	-80,003	-7,599		905,905
minority interest	468	-	-	-		468
Net result	**993,975**	**-13,017**	**-80,003**	**-7,599**		**906,373**
Earnings per share – SEK	3.89					2.90
Diluted earnings per share - SEK	3.87					2.88

LUNDIN PETROLEUM AB
NOTES TO THE PRO FORMA
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)
(Expressed in Swedish krona unless otherwise stated)

1. Basis of Presentation

The unaudited pro forma consolidated balance sheet of Lundin Petroleum AB. ("Lundin Petroleum") (which, together with its subsidiaries, is collectively referred to as the "Company") as at March 31, 2006 and unaudited pro forma consolidated income statements for the three months then ended and for the year ended December 31, 2005 have been prepared by management after giving effect to the proposed 100% acquisition by the Company of Valkyries Petroleum Corp. ("Valkyries"). These pro forma consolidated financial statements have been compiled from and include:

(a) A pro forma consolidated balance sheet combining the unaudited consolidated balance sheet of the Company as at March 31, 2006 and the unaudited consolidated balance sheet of Valkyries as at March 31, 2006.

(b) A pro forma consolidated income statement combining the audited consolidated income statement of the Company for the year ended December 31, 2005 and the audited consolidated income statement of Valkyries for the year ended December 31, 2005.

(c) A pro forma consolidated income statement combining the unaudited consolidated statement of operations of the Company for the three months ended March 31, 2006 and the unaudited consolidated income statement of Valkyries for the three months ended March 31, 2006.

The pro forma consolidated balance sheet has been prepared as if the transactions described in Note 3 had occurred on March 31, 2006.

The pro forma consolidated income statement for the year ended December 31, 2005 has been prepared as if the transactions described in Note 3 had occurred on January 1, 2005.

The pro forma consolidated income statement for the three months ended March 31, 2006 has been prepared as if the transactions described in Note 3 had occurred on January 1, 2005.

Canadian dollars ("CAD") amounts included in the pro forma consolidated balance sheet as at March 31, 2006 have been translated into Swedish krona ("SEK") using the March 31, 2006 exchange rate of 0.1502 SEK per one CAD.

SEK amounts included in the pro forma consolidated income statement for the year ended December 31, 2005 and for the three months ended March 31, 2006 have been translated from CAD into SEK using the average exchange rates of 0.1627 SEK and 0.1486 SEK per one CAD respectively.

It is management's opinion that these pro forma consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Notes 3 and 4 in accordance with International Financial Reporting Standards ("IFRS") applied on a basis consistent with the Company accounting policies. The pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the Company which would have actually resulted had the transactions been effected on the dates indicated. Further, the pro forma financial statements are not necessarily indicative of the results of operations or the financial position that may be obtained in the future.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical consolidated financial statements and notes thereto of the Company and of Valkyries described above.

2. Summary of Significant Accounting Policies

The unaudited pro forma consolidated financial statements have been compiled using the significant accounting policies as set out in the audited consolidated financial statements of the Company for the year ended December 31, 2005. These significant accounting policies conform to IFRS. The significant accounting policies of Valkyries conform in all material respects with IFRS.

3. Business Acquisition

On May 29, 2006, Lundin Petroleum and Valkyries announced that Lundin Petroleum has agreed to acquire all of the outstanding shares of Valkyries in exchange for Lundin Petroleum shares in an all share transaction. Valkyries shareholders will receive one Lundin Petroleum share for each Valkyries common share held.

The proposed acquisition of Valkyries will be completed by way of a Plan of Arrangement in accordance with Canadian law, meaning that a subsidiary of Lundin Petroleum will acquire the shares of Valkyries following approval by Valkyries' shareholders and court approval. Each Valkyries common share will be exchanged for one Lundin Petroleum share. All Valkyries options will also be converted into options to acquire shares of Lundin Petroleum based on the same exchange ratio. The transaction is subject to all requisite regulatory and court approvals and other conditions customary in transactions of this nature.

The Company will issue 57,451,414 of its common shares to recorded shareholders and option holders of Valkyries upon closing the transaction. Based on an average share price of Lundin Petroleum shares for the period commencing 5 days prior to announcing the planned acquisition and ending 5 days subsequent to the announcement, a SEK 89.45 per share value has been attributed to the share consideration, resulting in an estimated value attributable to the share consideration of SEK 5,139 million. The total purchase price, including estimated transaction costs of SEK 8 million, is estimated at SEK 5,147 million.

The estimated purchase price has been allocated on a preliminary basis to the fair value of the net assets of Valkyries in TSEK as follows:

Working capital	224,207
Oil and gas properties	5,603,981
Other tangible fixed assets	23,356
Goodwill	719,945
Non-current liabilities	(151,823)
Deferred taxes	(1,272,786)
	5,146,880

The estimated purchase price allocation above is based on estimates made prior to completing the transaction. The final purchase price and allocation of fair values may be expected to vary from the amounts disclosed above.

The deferred tax liabilities of SEK 1.3 billion include an amount of SEK 1.1 billion arising from the allocation of SEK 3.4 billion to the oil and gas properties in the accounting for the fair value of the net assets acquired. This amount has no tax base for income tax purposes.

The allocation of the purchase price is preliminary in nature and will be amended for events and information that comes to light subsequent to the date of the preparation of the pro forma financial statements.

The closing of the acquisition is subject to final regulatory and shareholder approval.

4. Pro Forma Adjustments and Assumptions

The pro forma consolidated financial statements include the following adjustments:

(a) To record the acquisition of Valkyries, as described in Note 3, and resulting consolidation adjustments.

(b) To record an adjustment to depletion as a result of adjustments made to the carrying values of assets and liabilities in the accounting for the acquisition of Valkyries.

(c) To record the tax impact of the pro forma adjustments recorded.

(d) To adjust the number of outstanding common shares for the share consideration as described in Note 3.