

23 December 2004

LUNDIN PETROLEUM AGREES TO SELL SEVEN HEADS GAS AND CERTAIN OTHER IRISH ASSETS

Lundin Petroleum AB ("Lundin Petroleum") is pleased to announce that it has entered into an agreement to sell its 12.5% participating interest in the Seven Heads Gas project and certain other offshore Irish oil and gas assets to Island Oil & Gas plc ("Island Oil & Gas"). As consideration for the sale of its interest in the Seven Heads Petroleum Lease, Lundin Petroleum will receive 4 million shares of Island Oil & Gas. The current market value of Island Oil & Gas shares values the transaction at approximately £2.0 million.

In addition to its interest in Seven Heads Gas, Lundin Petroleum will also transfer to Island Oil & Gas one-half of its 25% interest in the Licensing Option 03/5 covering Seven Heads oil and its entire 22% interest in the Licensing Option 03/6 covering the Roscarberry area, North Celtic Sea basin. Lundin Petroleum has also agreed to grant Island Oil & Gas an option to acquire a 5% ground-floor interest in any future licence granted to Lundin Petroleum covering the Donegal Basin Block 13/7 and part-Blocks 13/11 and 13/12.

The transaction is expected to be completed in the first quarter of 2005 and is subject to certain conditions including Irish Government and partner approval.

Founded in 2003 Island Oil & Gas is a technology-led Irish independent oil and gas exploration company active offshore Ireland in the Porcupine and Celtic Sea Basins where the management team has extensive experience and knowledge. Island Oil & Gas intends to become a regionally focussed international exploration company and is actively pursuing opportunities in Libya and France. The Company is listed on AIM on the London Stock Exchange (ticker "IOG.L").

Ashley Heppenstall President & CEO of Lundin Petroleum comments: "The sale of these Irish interests, which we acquired as part of our acquisition of certain assets of DNO, follows disappointing results from the Seven Heads Gas project. The current revenues and production from these interests are non-material in relation to the rest of our business but this deal will allow us to retain exposure to the upside potential in the Irish assets through our equity investment in Island Oil & Gas where we will be a 8.45% shareholder. We will also actively pursue other direct opportunities offshore Ireland. The agreement with Island Oil & Gas also provides for Lundin Petroleum and Island Oil & Gas to enter into an Area of Mutual Interest Agreement covering offshore Ireland."

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, Iran, Netherlands, Norway, Sudan, Tunisia and Venezuela. The Company is listed on the Attract 40-list at Stockholm Stock Exchange, Sweden (ticker "LUPE").

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