

Siccar Point Energy Limited

Registered No. 9103084

Interim Financial Statements (unaudited)

31 December 2019

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Business Overview

Operated Assets

Cambo

Siccar Point Energy Limited (“the group”) made excellent progress on its operated Cambo project in H2 2019. Front End Engineering Design (FEED) was completed on the FPSO and competitive market bids were received for eighteen major vendor packages enabling firm commercial pricing by the main contractor, Sembcorp Marine. FEED on the subsea aspects neared completion with Baker Hughes (supplier of majority of equipment) enabling early receipt of mature commercial pricing on these components also. Market competitive bids were received for the drilling rig and well planning was progressed sufficiently to start procuring long-lead equipment. The Environmental Statement and final working draft of the Field Development Plan were submitted following receipt of concept acceptance by the Oil & Gas Authority.

The project remains firmly on-track for sanction later this year with all-in life of field costs of less than \$30/boe making this a compelling opportunity.

Exploration and Appraisal

The group’s three well West of Shetland programme concluded successfully in July 2019 with all three activities under cost and ahead of schedule. The Blackrock discovery is being evaluated with the expectation of a number of follow-up exploration and appraisal wells to be drilled in the next few years.

Good progress has been made on development studies for Sulven and Tornado with first project decision gate on track to be achieved in Q2 2020.

No exploration drilling is planned for 2020 and the company has no exploration drilling commitments. Additional seismic will be acquired over the Blackrock area as the next stage in delineating this discovery.

Non-Operated Assets

Schiehallion

The field saw lower than expected production in H2 as a function of reduced operating efficiency. This was through a combination of one-off events and ongoing work on sand management within the produced water handling and injection system. Very substantial progress was made on this at the end of Q4 and full two pump water injection was restored in February and improved OE is anticipated in 2020.

On the back of successful infill drilling on the field the operator (BP) has remodeled the field and as a result increased its estimate of oil in place from 1.85 to 2.25bn bbls. In 2020 BP will build on this work to generate new, increased recoverable reserves estimates.

Mariner

First oil was achieved from the Mariner field on 15 August 2019 giving the group a third producing field. Announcing first production the operator Equinor also announced that it had increased its estimate of in place oil to up to three billion barrels, a 50% increase since project sanction. This creates a very substantial reserves upside in the asset. Production ramp up has been slower than budgeted due primarily to slower delivery of early wells (now addressed with substantial improvements in drilling time already evident) and performance of two wells in the north of the Maureen reservoir (the smaller of the two Mariner reservoirs). Work is ongoing with Equinor to understand this area of the Maureen reservoir better and in the meantime wells in other areas of the Maureen reservoir are being prioritized.

Jade

A strong year from Jade with production above budget. Planning and procurement on two new production wells, Jade JM and Jade South, is progressing on schedule in anticipation of drilling starting late 2020 or early 2021. These wells are expected to increase production rates substantially when they come onstream in 2021 and 2022.

Business Overview

Rosebank

New operator Equinor is currently reviewing development concepts for Rosebank and will pass its first Decision Gate milestone in Q1 2020. Development cost estimates have now reduced significantly, as anticipated when Equinor became licence operator in Q1 2020, with further reduction targeted in the next phase of work. The project remains on track for a Final Investment Decision in early 2022.

Headcount

As at 31 December 2019 the group had 38 full and part-time employees.

Production

Average daily reported production in H2 2019 was 9,458 boepd (H2 2018: 11,512 boepd). 2020 has started positively with average daily reported production of 10,360 boepd for January 2020.

Reserves and Resources

At 31 December 2019 the group had 2P reserves of 190 mmboe (30 June 2019: 180 mmboe) and 2P reserves + 2C resources of 575 mmboe (30 June 2019: 573 mmboe). This has been driven primarily by upgrades at Cambo after incorporating all the recent well data into a new reservoir model.

Outlook

2020 will be another very important year for the group with several significant milestones including:

- Sanctioning the initial phase of the Cambo development (by Q3)
- Mariner field production ramp up with a further eight production wells planned in 2020
- Schiehallion restoration of full water injection capability (achieved in February)
- Rosebank Decision Gate 1 (March)
- Sanctioning the Jade JM and South wells.

The group's liquidity position is very strong:

- Cash at 31 December of \$276 million.
- Undrawn available debt of \$182 million at 1 January 2020 (so total liquidity at 1 January 2020) is \$458 million.
- Brent Hedging. As at 1 January 2020 the group has hedged:
 - o 3.9 million barrels of 2020 oil production at an average price of \$67.31/bbl
 - o 1.7 million barrels of 2021 oil production at an average price of \$62.89/bbl
 - o In total 5.6 million barrels at an average price of \$65.96/bbl.

The group's cash position is strong and the business enjoys the support of a strong RBL syndicate and good access to the bond market. The business is very well financed for the period ahead.



Doug Fleming

Chief Financial Officer

24 February 2020

Group statement of comprehensive income

	<i>Note</i>	<i>Unaudited Six months to 31 Dec 2019 US \$'000</i>	<i>Unaudited Six months to 31 Dec 2018 US \$'000</i>
Revenue	2	110,676	140,847
Cost of sales		(77,466)	(77,090)
Gross profit		33,210	63,757
Other income		-	3,509
Operating costs		(1,007)	(27,049)
Administrative expenses		(8,215)	(5,942)
Operating profit	3	23,988	34,275
Finance income	4	17,916	122,441
Finance expense	5	(30,117)	(24,548)
Profit before tax		11,787	132,168
Taxation	6	40,978	77,091
Profit for the period		52,765	209,259

Group statement of financial position

	<i>Note</i>	<i>Unaudited 31 December 2019 US \$'000</i>	<i>Audited 31 December 2018 US \$'000</i>
<i>Non-current assets</i>			
Exploration and evaluation assets		352,352	311,967
Property, plant and equipment		1,442,907	1,492,215
Deferred tax asset		446,801	342,295
Long term financial asset		69,676	89,975
<i>Total Non-current assets</i>		2,311,736	2,236,452
<i>Current assets</i>			
Inventories		8,021	1,550
Debtors: Amounts falling due within one year		57,005	53,354
Cash and cash equivalents		275,626	146,199
<i>Total current assets</i>		340,652	201,103
<i>Total assets</i>		2,652,388	2,437,555
<i>Current liabilities</i>			
Creditors: Amounts falling due within one year		(47,234)	(51,843)
<i>Net current assets</i>		293,418	149,260
<i>Non-current liabilities</i>			
Interest bearing loans	7	(721,693)	(619,939)
Deferred tax liability		-	(855)
Long term financial liability		(48,988)	(48,457)
Provisions		(172,253)	(154,332)
<i>Total liabilities</i>		(990,168)	(875,426)
<i>Net assets</i>		1,662,220	1,562,129
<i>Equity</i>			
Share capital		692,607	692,607
Retained profit		969,613	869,522
<i>Total equity</i>		1,662,220	1,562,129

Group statement of changes in equity (unaudited)

	Share capital	Retained profit	Total equity
	<i>US \$'000</i>	<i>US \$'000</i>	<i>US \$'000</i>
At 1 July 2019	692,607	916,848	1,609,455
Total comprehensive income for the period	-	52,765	52,765
At 31 December 2019	692,607	969,613	1,662,220
At 1 July 2018	692,607	660,263	1,352,870
Total comprehensive income for the period	-	209,259	209,259
At 31 December 2018	692,607	869,522	1,562,129

Group cash flow statement

	<i>Unaudited</i> <i>Six months to 31</i> <i>December 2019</i> <i>US \$'000</i>	<i>Unaudited</i> <i>Six months to 31</i> <i>December 2018</i> <i>US \$'000</i>
<i>Net cash flow generated from operating activities</i>		
Profit before tax from continuing operations	11,787	132,168
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (interest on third party loan and bonds)	23,088	15,420
DD&A – on development and production assets	49,345	58,556
Changes in decommissioning estimates	1,514	(3,509)
Unwinding of decommissioning discount	1,465	2,972
Decommissioning provision utilised	(1,567)	-
Unrealised losses on derivative financial instruments	(12,202)	(121,884)
Impact of substantial modification on bonds	2,525	-
Depreciation of computer, office equipment and right of use assets	124	9
Amortisation of bank arrangement fees	156	189
Finance charge on leases	22	-
Unrealised FX (gain)/loss	(2,049)	1,662
(Increase)/decrease in inventories	(5,513)	1,187
(Increase)/decrease in debtors	(3,521)	12,172
Increase/(decrease) in creditors	2,098	(1,454)
Income tax receipts	2,887	-
<i>Net cash flows from operating activities</i>	70,159	97,488
Investing activities:		
Purchase of computer/office equipment	(19)	(5)
Expenditure on development and production assets	(28,164)	(64,935)
Expenditure on exploration and evaluation assets	(20,501)	(26,536)
<i>Net cash flows used in investing activities</i>	(48,684)	(91,476)
Financing activities:		
Interest paid on long term loan	(28,493)	(15,142)
<i>Net cash flows from financing activities</i>	(28,493)	(15,142)
Cash and cash equivalents at 1 July	280,684	156,431
Unrealised net foreign exchange differences on cash and cash equivalent	1,960	(1,102)
Net decrease in cash and cash equivalents	(7,018)	(9,130)
<i>Cash and cash equivalents at 31 December</i>	275,626	146,199

Selected notes to the interim financial statements(continued)

1. Accounting policies

Basis of preparation

These unaudited Condensed Group Interim Financial Statements ("Interim Statements") have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union and on the basis of the same accounting principles as applied in the annual group financial statements for the year ended 31 December 2018, except for the adoption of IFRS 16 Leases on 01 January 2019.

Under IFRS 16, all lease contracts, with limited exceptions, are recognised in financial statements by way of right-of-use assets and corresponding lease liabilities. The group applied the modified retrospective transition method without restating comparative information. Adoption of IFRS 16 resulted in recognition of \$0.5million as right of use assets and corresponding lease liability as at 01 January 2019.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual statements and should be read in conjunction with the Group's annual financial statements as of 31 December 2018.

The Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these Interim Statements.

The financial information presented in the Interim Statements does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006 ("the Act"). An unqualified audit opinion was expressed for the year ended 31 December 2018, as delivered to the Registrar of Companies for England and Wales.

The Interim statements for the six months ended 31 December 2019 are unaudited and an external review by an auditor was not performed. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for the period in compliance with IFRS.

2. Revenue

	<i>Unaudited Six months to 31 December 2019 US \$'000</i>	<i>Unaudited Six months to 31 December 2018 US \$'000</i>
Oil sales	107,949	130,740
Gas sales	2,279	9,292
NGL sales	448	815
	110,676	140,847

3. Operating profit

This is stated after charging:

	<i>Unaudited Six months to 31 December 2019 US \$'000</i>	<i>Unaudited Six months to 31 December 2018 US \$'000</i>
Realised loss from hedging	1,007	27,049
Depreciation	49,469	58,565

Selected notes to the interim financial statements(continued)

4. Finance Income

This is stated after crediting:

	<i>Unaudited Six months to 31 December 2019 US \$'000</i>	<i>Unaudited Six months to 31 December 2018 US \$'000</i>
Derivative financial instruments – mark to market hedges (unrealised)	12,157	120,615

5. Finance Expense

This is stated after charging:

	<i>Unaudited Six months to 31 December 2019 US \$'000</i>	<i>Unaudited Six months to 31 December 2018 US \$'000</i>
Interest on third party loan and bond	23,088	15,420

6. Taxation

The group has ring-fenced CT trading losses of \$2,635 million and ring-fenced SCT trading losses of \$2,389 million at 31 December 2019 that are available for offset against future taxable profits.

The deferred tax asset at 31 December 2019 of \$446.8 million is supported by estimates of the Group's future taxable income.

The 2018 deferred tax provision was calculated on an annual basis for 2018. From 2019 onwards, this is undertaken on a biannual basis.

Selected notes to the interim financial statements(continued)

7. Borrowings

	<i>Unaudited</i> <i>31 December</i> <i>2019</i> <i>US \$'000</i>	<i>Audited</i> <i>31 December</i> <i>2018</i> <i>US \$'000</i>
Third party loan	521,000	521,000
Third party bond	200,693	98,939
	<u>721,693</u>	<u>619,939</u>

The third-party loan relates to a bank loan with a syndicate of banks. It is a RBL facility of US\$800 million with US\$521 million currently drawn. Accrued interest as at 31 December 2019 is US\$1.0 million (2018: US\$6.8 million).

On 19 March 2019, the group completed a tap issue to the bond issued in January 2018. The tap issue of US\$100 million was over-subscribed with an issue price of US\$201,500 per bond (a premium of 1.75% to the par value). Accrued interest as at 31 December 2019 is US\$7.5 million (2018: US\$3.8 million). Bonds are recorded at fair value less transaction costs.

