Siccar Point Energy Limited

Registered No. 9103084

Interim Financial Statements (unaudited)

31 December 2018

Contents

Business Overview

The second half of 2018 saw significant progress for Siccar Point Energy Limited and its subsidiaries (the ‘group’)

- The group successfully drilled and tested the Cambo discovery (SPE 70%). The well results exceeded pre-drill estimates and SPE is now working with its partner Shell on planning a FPSO development. The Final Investment Decision for the first phase of development is scheduled for 2019. It is clear now that Cambo is a major resource with Stock Tank Oil Initially In Place (STOIIP) in excess of 800mmbbl with an estimated recovery factory of 30-35%.
- In December the group increased and extended its Reserves Based Lending facility with its existing group of 11 banks. The facility limit was increased from $600 million to $800 million with all the existing banks increasing their commitments.
- There has been excellent progress at Schiehallion. The infill drilling programme is also ahead of schedule and volumes are ahead of pre-drill estimates.
- The Equinor operated Mariner development (SPE 8.89%) continues to progress towards first production. First oil is now forecast for 2019 after minor delays in hook up and commissioning. Equinor has also announced a significant reserves upgrade on the field (+20%). Early work by the Mariner partners on a long-range plan for the field indicates further very substantial additional recoverable volumes.
- Rosebank. The acquisition by Equinor of the 40% interest held by operator Chevron closed in January 2019. Equinor are confident that they can deliver a lower cost and shorter cycle project and SPE looks forward to working with the new operator to understand their plans.

At 31 December 2018 the group had 37 full and part-time employees.

Production, Reserves and Resources

Average daily reported production in H2 2018 was 11,512 boepd (H2 2017: 6,927 boepd).

2P Reserves at 31 December 2018 were 156mmboe. 2P Reserves + 2C Resources were 479mmboe.

Outlook

2019 will be another important year in the development of the group with a number of significant milestones:

- First production at Mariner
- Final Investment Decision on Cambo
- The Deep Sea Aberdeen rig will return to Schiehallion in 2019 for further drilling
- Drilling of the Blackrock exploration well (SPE operator)
- Drilling of the Lyon exploration well (SPE operator).

The group’s liquidity position remains strong:

- Cash at 31 December 2018 of $146 million
- Undrawn available debt of $40 million at 31 December 2018 increasing to $186 million at 1 January 2019
- Hedging
  - SPE has hedged 3.0 million barrels of its 2019 oil production at an average price of $62.11/bbl
  - 2.1 million barrels of 2020 oil production are hedged at an average price of $69.11/bbl

Business Overview

- The substantial mark to market gain recorded in the P&L is substantially a function of an out of the money Brent position moving into the money at year-end as the Brent benchmark fell through H2 2018.

The combination of a strong cash position, hedging and additional financing availability provides an excellent platform for the exciting exploration and development planning activity in 2019 and the group is strongly financed for the period ahead.

Doug Fleming

Chief Financial Officer

18 February 2019

Group statement of comprehensive income

	Note	*Unaudited Six months to 31 Dec 2018 US $'000*	*Unaudited Six months to 31 Dec 2017 US $'000*
Revenue	2	140,847	88,892
Operating (loss)/income		(27,049)	560
Cost of sales		(87,768)	(73,483)
Gross profit		26,030	15,969
Administrative expenses		(5,942)	(4,540)
Operating profit	3	20,088	11,429
Gain on disposal of E&A assets		-	6,698
Finance income	4	122,441	967
Finance expense		(24,548)	(33,769)
Profit/(loss) before tax		117,981	(14,675)
Taxation		80,816	91,333
Profit for the period		198,797	76,658

Group statement of financial position

	Note	Unaudited 31 December 2018 US $'000	Audited 31 December 2017 US $'000
Non-current assets			
Intangible assets		308,458	266,787
Property, plant and equipment		1,481,536	1,476,016
Deferred tax asset		346,020	279,318
Long term financial asset		89,975	110,689
Total Non-current assets		2,225,989	2,132,810
Current assets			
Inventories		1,550	5,046
Debtors: Amounts falling due within one year		47,754	93,019
Cash and cash equivalents		146,199	67,861
Total current assets		195,503	165,926
Total assets		2,421,492	2,298,736
Current liabilities			
Creditors: Amounts falling due within one year		(46,242)	(79,548)
Net current assets		149,261	86,378
Non-current liabilities			
Interest bearing loans	5	(619,939)	(546,000)
Deferred tax liability		(855)	(14,969)
Long term financial liability		(48,457)	(102,470)
Provisions		(154,332)	(154,778)
Total liabilities		(869,825)	(897,765)
Net assets		1,551,667	1,400,971
Equity			
Share capital		692,607	692,607
Retained profit		859,060	708,364
Total equity		1,551,667	1,400,971

Group statement of changes in equity (unaudited)

	Share capital	Retained profit	Total equity
	US $'000	*US $'000*	*US $'000*
At 1 July 2018	692,607	660,263	1,352,870
Total comprehensive income for the period	-	198,797	198,797
At 31 December 2018	692,607	859,060	1,551,667
At 1 July 2017	692,607	631,706	1,324,313
Total comprehensive income for the period	-	76,658	76,658
At 31 December 2017	692,607	708,364	1,400,971

Group cash flow statement

	Unaudited Six months to 31 December 2018 US $'000	Unaudited Six months to 31 December 2017 US $'000
Net cash generated from operating activities		
Profit/(loss) before tax from continuing operations	117,981	(14,675)
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (third party loan interest)	15,420	13,271
DD&A - producing assets	69,234	54,193
Unwinding of decommissioning discount	2,972	2,053
Derivative financial instruments	(121,695)	17,671
Depreciation of computer and office equipment	9	9
Unrealised FX loss/(gain)	1,662	(619)
Gain on disposal of E&A assets	-	(6,698)
Decrease/(increase) in inventories	1,187	(693)
Decrease in trade and other receivables	12,172	40,650
(Decrease) in trade and other creditors	(1,454)	(27,851)
Income tax receipts	-	20
Net cash flows from operating activities	97,488	77,331
Investing activities:		
Purchase of computer/office equipment	(5)	8
Expenditure on development and production assets	(64,935)	(46,153)
Expenditure on exploration and evaluation assets	(26,536)	(18,168)
Sales proceeds of E&A asset	-	2,316
Net cash flows used in investing activities	(91,476)	(61,997)

Group cash flow statement (continued)

	Unaudited Six months to 31 December 2018 US $'000	*Unaudited Six months to 31 December 2017 US $'000*
Financing activities:		
Proceeds from borrowing – third party	-	20,000
Interest paid on long term loan	(15,142)	(18,800)
Net cash flows from financing activities	(15,142)	1,200
Cash and cash equivalents at 1 July	156,431	50,928
Unrealised FX	(1,102)	399
Net (decrease)/increase in cash and cash equivalents	(9,130)	16,534
Cash and cash equivalents at 31 December	**146,199**	**67,861**

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 2017.

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 2017.

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 2017, as delivered to the Registrar of Companies for England and Wales.

The Interim statements for the six months ended 31 December 2018 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.

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 01 January 2018 but do not have a material impact on the group’s financial statements.

2. Revenue

	Unaudited Six months to 31 December 2018 US $’000	*Unaudited Six months to 31 December 2017 US $’000*
Oil sales	130,740	83,320
Gas sales	9,292	4,538
NGL sales	815	652
Tariff and other income	-	382
	140,847	88,892

3. Operating profit

This is stated after charging:

	Unaudited Six months to 31 December 2018 US $’000	*Unaudited Six months to 31 December 2017 US $’000*
Hedging	27,049	(560)
Depreciation	69,243	54,202

Selected notes to the interim financial statements(continued)

4. Finance Income

This is stated after crediting:

	Unaudited Six months to 31 December 2018 US $'000	*Unaudited Six months to 31 December 2017 US $'000*
Mark to market hedges	120,615	-

5. Borrowings

	Unaudited 31 December 2018 US $'000	*Audited 31 December 2017 US $'000*
Third party loan	521,000	546,000
Bonds	98,939	-
	619,939	546,000

The third-party loan relates to a bank loan with a syndicate of banks. It is a RBL facility of US$600 million with US$521 million currently drawn. Accrued interest as at 31 December 2018 is US$6.8 million (2017: US$5.8 million). This facility stepped up to $800 million on 1 January 2019.

On 31 January 2018, the group completed a bond issue with the closing of US$100 million, 5 year, fixed rate (9.0% p.a.) senior unsecured bond. The bond was listed on Nordic ABM, a marketplace regulated by Oslo Børs, on 5 April 2018. Interest is paid half yearly, accrued interest as at 31 December 2018 is US$3.8 million (2017: nil). Bonds are recorded at fair value less transaction costs.