Siccar Point Energy Limited

Registered No. 9103084

Interim Financial Statements (unaudited)

30 June 2019

Contents

Business Overview

The first half of 2019 was a period of major activity for Siccar Point Energy Limited ('the group') across both its operated and non-operated asset base.

Operated Assets

- Considerable progress has been made towards approval of the Cambo FPSO development. Shortly after the period end in July the Cambo partners awarded Front End Engineering and Design contracts and this work is underway. Project sanction is anticipated for late Q1 / Q2 2020. In parallel, our work with partner Shell on the data gathered by the successful 2018 appraisal well and test has led to an upgrade in 2P+2C reserves and resources.
- SPE used the Diamond Offshore Ocean GreatWhite rig to carry out a three well programme in its core West of Shetland province. This programme commenced in March and was completed in July 2019. All three activities were carried out safely and at below the pre-drill cost estimates.
    - The first well in the programme saw a discovery on the Blackrock prospect that lies between Cambo and Rosebank. By demonstrating the presence of reservoir, trap and movable oil the Blackrock discovery has validated SPE's regional geological model and enhanced the prospectivity of the surrounding acreage. Further work is underway on the discovery data and on planning the next stage of activity in the area.
    - The second well was a dry hole on the Lyon prospect to the north of the Shetland Islands
    - The third well slot was used to plug and abandon a suspended well on the Cambo field.

Non-Operated Assets

- Schiehallion. After an excellent start to 2019 Schiehallion saw some slowdown in Q2 as operator BP worked to address some issues with water injection and produced water handling. BP expect to complete this work in Q3 and return to forecast production levels. In the meantime BP's field planning has led to a substantial extension in the expected life of the field with cessation of production pushed back from 2036 to c2047 with an associated uplift in reserves.
- Mariner. Operator Equinor announced first oil from the Mariner field on 15 August 2019. This is a major milestone for SPE and as the field ramps up we will see the next step up in our production profile. Equinor have identified that they now see in place, discovered oil in Mariner of up to 3 billion barrels, 50% more than at the time of project sanction, an enormous resource and anticipate a substantial uplift in recoverable reserves.
- Rosebank. New operator Equinor has secured a three year licence extension to May 2022. It is likely that a Final Investment Decision will be taken on the development in early 2022. Based on its recent experience of north Atlantic FPSO developments (Bay du Nord, Johan Castberg) Equinor is very confident of achieving considerable project cost reductions from the project as proposed by previous operator Chevron.

Other

- In March 2019 the group issued a further $100 million under its existing 2023 bond document. The issue was well received and over subscribed with the bond being issued at a 0.75% premium to par. The proceeds from borrowing reported in the cashflow include the premium received and are net of costs.

At 30 June 2019 the group had 38 full and part-time employees.

Business Overview

Production

Average daily reported production in H1 2019 was 10,406 boepd (H1 2018: 10,809 boepd).

Reserves and Resources

At 30 June 2019 the group had 2P reserves of 180 mmboe (31 December 2018 156 mmboe) and 2P reserves + 2C resources of 573 mmboe (31 December 2018 479 mmboe). This has been driven by upgrades at:

- Cambo (following final work on 2018 appraisal and well test results)
- Schiehallion (based on operator view on STOIIP and excellent drilling results to date) and
- Mariner (based on operator view on STOIIP and enhanced recovery factor)

Outlook

SPE has an exciting period ahead. Key milestones are:

- Production ramp up at Mariner
- Sanctioning the initial phase of the Cambo development (H1 2020)
- Follow on work in the Blackrock area to build on the 2019 discovery well
- Working with operator Equinor on the re-scoping of the Rosebank project

The group's liquidity position remains strong:

- Cash at 30 June 2019 of $281 million
- Undrawn available debt of $191 million at 1 July 2019
- Hedging. As at 30 June 2019 SPE has hedged:
  - 1.5 million barrels of its H2 2019 oil production at an average price of $64.33/bbl
  - 3.9 million barrels of 2020 oil production are hedged at an average price of $67.31/bbl
  - 1.7 million barrels of 2021 oil production at an average price of $62.89/bbl
  - In total 7.1 million barrels with an average price of $65.62/bbl

With a strong cash position and debt facilities SPE is robustly financed for the period ahead.

Doug Fleming

Chief Financial Officer

19 August 2019

Group statement of comprehensive income

	Note	Unaudited Six months to 30 June 2019 US $'000	Unaudited Six months to 30 June 2018 US $'000
Revenue	2	113,080	114,424
Operating loss		(7,569)	(7,359)
Cost of sales		(75,191)	(72,728)
Gross profit		30,320	34,337
Administrative expenses		(4,685)	(6,499)
Operating profit	3	25,635	27,838
Finance income		1,960	1,765
Finance expense	4	(47,762)	(77,704)
Loss before tax		(20,167)	(48,101)
Taxation	5	67,493	-
Profit for the period		47,326	(48,101)

Group statement of financial position

	Note	Unaudited 30 June 2019 US $'000	Audited 31 December 2018 US $'000
Non-current assets			
Intangible assets		335,962	311,967
Property, plant and equipment		1,443,503	1,492,215
Deferred tax asset		405,822	342,295
Long term financial asset		75,829	89,975
Total Non-current assets		2,261,116	2,236,452
Current assets			
Inventories		2,234	1,550
Debtors: Amounts falling due within one year		49,913	53,354
Cash and cash equivalents		280,684	146,199
Total current assets		332,831	201,103
Total assets		2,593,947	2,437,555
Current liabilities			
Creditors: Amounts falling due within one year		(60,623)	(51,843)
Net current assets		272,208	149,260
Non-current liabilities			
Interest bearing loans	6	(719,417)	(619,939)
Deferred tax liability		-	(855)
Long term financial liability		(50,132)	(48,457)
Provisions		(154,320)	(154,332)
Total liabilities		(984,492)	(875,426)
Net assets		1,609,455	1,562,129
Equity			
Share capital		692,607	692,607
Retained profit		916,848	869,522
Total equity		1,609,455	1,562,129

Group statement of changes in equity (unaudited)

	Share capital *US $'000*	Retained profit *US $'000*	Total equity *US $'000*
At 1 January 2019	692,607	869,522	1,562,129
Total comprehensive income for the period	-	47,326	47,326
At 30 June 2019	692,607	916,848	1,609,455
At 1 January 2018	692,607	708,364	1,400,971
Total comprehensive loss for the period	-	(48,101)	(48,101)
At 30 June 2018	692,607	660,263	1,352,870

Group cash flow statement

	Unaudited Six months to 30 June 2019 US $'000	Unaudited Six months to 30 June 2018 US $'000
Net cash generated from operating activities		
Loss before tax from continuing operations	(20,167)	(48,101)
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (third party loan interest)	21,845	18,282
Interest on finance lease	25	-
Depreciation- right of use assets	72	-
DD&A - producing assets	56,408	58,926
Unwinding of decommissioning discount	1,545	-
Other income	(39)	-
Amortisation of bank arrangement fee	171	-
Unrealised loss on derivative financial instruments	21,999	57,319
Unrealised FX loss/(gain)	381	(709)
Working capital adjustments:		
(Increase)/decrease in inventories	(694)	1,351
Decrease in trade and other receivables	5,019	30,207
Increase/(decrease) in trade and other creditors	426	(3,302)
Net cash flows from operating activities	86,991	113,973
Investing activities:		
Purchase of computer/office equipment	(92)	-
Expenditure on development and production assets	(8,576)	(66,561)
Expenditure on exploration and evaluation assets	(24,132)	(20,610)
Net cash flows used in investing activities	(32,800)	(87,171)

Group cash flow statement (continued)

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2018 US $'000*
Financing activities:		
Proceeds from borrowing – third party	99,307	100,000
Repayment of loan – third party	-	(25,000)
Interest paid on long term loan	(18,476)	(13,816)
Net cash flows from financing activities	80,831	61,184
Cash and cash equivalents at 1 January	146,199	67,861
Unrealised FX	(537)	584
Net increase in cash and cash equivalents	135,022	87,986
Cash and cash equivalents at 31 December	**280,684**	**156,431**

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 into 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 30 June 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

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2018 US $'000*
Oil sales	107,566	107,166
Gas sales	5,045	6,492
NGL sales	469	766
	113,080	114,424

3. Operating profit

This is stated after charging:

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2018 US $'000*
Depreciation	56,480	57,115
Realised loss from hedging (Operating loss)	7,569	7,359

Selected notes to the interim financial statements(continued)

4. Finance Expense

This is stated after charging:

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2018 US $'000*
Derivative financial instruments – mark to market (unrealised)	21,999	57,319
Interest on third party loans (including bond)	21,845	18,282

5. Taxation

The group has ring-fenced CT trading losses of $2,538 million and ring-fenced SCT trading losses of $2,319 million that are available for offset against future taxable profits.

The deferred tax asset at 30 June 2019 of $406 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 will be undertaken on a biannual basis.

6. Borrowings

	Unaudited 30 June 2019 US $'000	*Audited 31 December 2018 US $'000*
Third party loan	521,000	521,000
Bonds	198,417	98,939
	719,417	619,939

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 30 June 2019 is US$6.4 million (2018: US$6.8 million). This facility stepped up to $800 million on 1 January 2019.

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 very well received and 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 30 June 2019 is US$7.5 million (2018: US$3.8 million). Bonds are recorded at fair value less transaction costs.