Siccar Point Energy Limited

Registered No. 9103084

Interim Financial Statements (unaudited)

30 June 2020

Contents

Business Overview

Covid-19

The first half of 2020 has been dominated by the Covid-19 pandemic and knock-on impact on hydrocarbon prices across the world. All employees have been working from home since March. Our return to the office will follow the guidelines of the Scottish government. We have seen no direct production impact but as summarised under each of the asset headings below, the outbreak and oil price collapse have impacted work offshore. During this difficult period we have benefitted from:

- A strong opening cash position ($276 million at 31 December 2019).
- The strength of our hedging book (Average Brent hedge price for full year 2020 is $67.30/bbl).
- Our ability to manage the development timing of our operated Cambo project (discussed further below).

These factors have allowed Siccar Point Energy Limited and subsidiaries (“the group”’) to remain in a robust financial position, well placed to sanction the Cambo project as the market recovers into 2021.

Operated Assets

Cambo

After the collapse in oil prices in March, the group quickly reached agreement with our Joint Venture partner Shell and UK regulator the Oil and Gas Authority to secure an extension to the Cambo licence to the end of Q1 2022. The Cambo partners intend to sanction the project ahead of that date. The group intends to dilute its current 70% working interest before or at sanction consistent with previous planning.

This includes maturing critical regulatory submissions such as the Field Development Plan (FDP), which is now in its final form agreed with OGA, ready for formal submission as part of the Final Investment Decision; and the Environmental Statement, which has successfully completed 2nd round public consultation with no further comments to address and awaits formal approval as part of the OGA consent to the FDP.

Exploration and Appraisal

Good progress has been made on development studies for Suilven and Tornado. Decision Gate 1 was passed in H1 2020.

Work on the Blackrock discovery has demonstrated gross recoverable volumes of c50mmboe. The group’s net share is now included under Contingent Resources. Appraisal drilling will be required to determine the full potential of the discovery.

No exploration drilling is planned for 2020 and the group has no exploration drilling commitments.

Non-Operated Assets

Schiehallion

Despite good progress on historic sand management and water injection, Schiehallion experienced a disappointing level of downtime through the early part of H1 2020. Aside from a number of slowdowns caused by inability to offload in prolonged poor weather periods, the key recurring issue has been a series of production trips and these are now the focus of a dedicated BP team.

Business Overview

Improvements have already been realised, with May and June delivering 76% average operating efficiency vs. 56% for the January – April period.

The Covid-19 outbreak had no direct impact on production at Schiehallion but did result in the deferral of some non-critical work in order to minimize the number of personnel on the facility.

H1 2020 saw the tie-in of the four Central Area Expansion Project wells. The excellent drilling performance of the Deepsea Aberdeen rig has resulted in the completion of the current phase of drilling significantly ahead of schedule. Discussions are ongoing in the partnership regarding the timing of the next phases of drilling.

Mariner

Mariner saw good progress in H1. There are now six production wells onstream with another four planned later this year. There was no direct interruption of production on Mariner as a result of the Covid-19 outbreak but there was an interruption in the drilling campaign as both the platform rig and Noble Lloyd Noble jack-up were down-manned in order to reduce the number of personnel at Mariner and so reduce the risk of infection to the production operators. Drilling has now resumed on both rigs but the net effect is to delay production ramp up.

Jade

Excellent performance and there has been no impact to performance due to Covid-19 as Jade is produced through a normally unmanned installation.

Rosebank

Equinor has made good progress narrowing down development options for Rosebank. Decision Gate 1 was passed during H1 2020. The project remains on track for a Final Investment Decision consistent with the current licence expiry (May 2022).

Headcount

At 30 June 2020 Siccar Point had 36 full and part-time employees (30 June 2019: 38).

Production

Average daily production in H1 2020 was 9,139 boepd (H1 2019: 10,413 boepd). This was impacted by poor uptime at Schiehallion early in the year. In recent weeks BP has made excellent progress on the facility and production for the group for May to July has averaged 10,562 boepd (January to April 8,561 boepd).

Reserves and Resources

At 30 June 2020 Siccar Point had 2P reserves of 188mmboe (31 December 2019 190mmboe) and 2P+2C contingent resources of 560mmboe (31 December 2019 575mmboe). The main resource adjustments since year end 2019 have been the removal the Rockall Basin licences which contained the Benbecula stranded gas field (net 2C 40 mmboe) and the addition of the Blackrock discovery in the Corona Ridge area (net 2C 26 mmboe).

Financial

At 30 June 2020 the group has cash of $222 million following a debt repayment of $35 million at 30 June 2020.

During H1 2020 there was a non-cash post-tax impairment of US$183 million to property, plant and equipment relating to the Schiehallion field. This was largely driven by a reduction in the group's assumption of future commodity prices.

Business Overview

Brent Hedging

At 30 June 2020 the group has hedged

- 1.6 million barrels of H2 2020 oil production at an average price of $67.25/bbl
- 1.9 million barrels of 2021 oil production at an average price of $60.86/bbl
- 0.5 million barrels of 2022 oil production at an average price of $69.10/bbl

Siccar Point's liquidity position is very strong with no committed projects, no committed exploration wells, a strong cash position and valuable hedging book. This positions the company well as the market recovers from the impact of the Covid-19 pandemic.

Outlook

Due to the unprecedented events of H1 2020 Siccar Point and Shell defered the Cambo project but with compelling economics the project will again be brought forward for sanction as the market recovers. In the meantime Siccar Point's conservative approach to risk management has stood it in good stead and allowed the business to maintain a strong liquidity position despite the collapse in oil prices in H1.

Doug Fleming

Chief Financial Officer

14 August 2020

Group statement of comprehensive income

	Note	*Unaudited Six months to 30 June 2020 US $'000*	*Unaudited Six months to 30 June 2019 US $'000*
Revenue	2	60,595	113,080
Cost of sales		(372,558)	(75,191)
Gross loss/(profit)		(311,963)	37,889
Other operating income/(costs)		17,938	(7,569)
Administrative expenses		(6,020)	(4,685)
Operating (loss)/profit	3	(300,045)	25,635
Finance income	4	81,728	1,960
Finance expense	5	(23,655)	(47,762)
Loss before tax		(241,972)	(20,167)
Taxation	6	114,832	67,493
(Loss)/profit for the period		(127,140)	47,326

Group statement of financial position

	Note	Unaudited 30 June 2020 US $'000	Audited 31 December 2019 US $'000
Non-current assets			
Exploration and evaluation assets		374,177	352,352
Property, plant and equipment		1,014,556	1,343,004
Deferred tax asset		601,595	486,762
Long-term financial assets		91,419	63,737
Total Non-current assets		2,081,747	2,245,855
Current assets			
Inventories		5,925	8,021
Trade and other receivables	7	112,411	62,942
Cash and cash equivalents		221,565	275,626
Total current assets		339,901	346,589
Total assets		2,421,648	2,592,444
Current liabilities			
Trade payables and accrued liabilities		(45,654)	(47,231)
Provisions		(2,462)	(2,640)
Net current assets		291,785	296,718
Non-current liabilities			
Interest bearing loans	8	(686,593)	(721,693)
Long term financial liability		(53,567)	(48,988)
Provisions		(158,233)	(169,613)
Total liabilities		(946,509)	(990,165)
Net assets		1,475,139	1,602,279
Equity			
Share capital		692,607	692,607
Retained profit		782,532	909,672
Total equity		1,475,139	1,602,279

Group statement of changes in equity (unaudited)

	Share capital *US $'000*	Retained profit *US $'000*	Total equity *US $'000*
At 1 January 2020	692,607	909,672	1,602,279
Total comprehensive loss for the period	-	(127,140)	(127,140)
At 30 June 2020	692,607	782,532	1,475,139
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

Group cash flow statement

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Net cash generated from operating activities		
Loss before tax from continuing operations	(241,972)	(20,167)
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (third party loan interest)	20,146	21,845
Depreciation - right of use assets	80	72
DD&A - producing assets	42,665	56,408
Impairment of production asset (pre-tax)	304,418	-
Unwinding of decommissioning discount	1,632	1,545
Decommissioning change in estimate	(413)	(39)
Decommissioning provision utilised	(39)	-
Amortisation of bank arrangement fee	305	171
Unrealised (gain)/loss on derivative financial instruments	(79,468)	21,999
Unrealised FX loss	647	381
Working capital adjustments:		
Decrease/(increase) in inventories	1,656	(694)
Decrease in trade and other receivables	9,560	5,019
(Decrease)/increase in trade and other creditors	(2,509)	426
Net cash flows from operating activities	56,708	86,966
Investing activities:		
Purchase of computer/office equipment	(86)	(92)
Expenditure on development and production assets	(30,628)	(8,576)
Expenditure on exploration and evaluation assets	(22,386)	(24,132)
Net cash flows used in investing activities	(53,100)	(32,800)

Group cash flow statement (continued)

	Unaudited Six months to 30 June 2019 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Financing activities:		
Proceeds from bonds and bond issuance (net of charges)	-	99,307
Repayment from borrowing – third party	(35,000)	-
Interest paid on long term loan	(21,175)	(18,476)
Finance charge on leases	20	25
Net cash (outflows)/inflows from financing activities	(56,155)	80,856
Cash and cash equivalents at 1 January	275,626	146,199
Unrealised net foreign exchange difference on cash and cash equivalents	(1,514)	(537)
Net (decrease)/increase in cash and cash equivalents	(52,547)	135,022
Cash and cash equivalents at 31 December	**221,565**	**280,684**

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 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 2019.

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, which included an emphasis of matter in relation to Covid-19 was expressed for the year ended 31 December 2019, as delivered to the Registrar of Companies for England and Wales.

The Interim statements for the six months ended 30 June 2020 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 2020 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Oil sales	58,585	107,566
Gas sales	1,639	5,045
NGL sales	371	469
	60,595	113,080

Selected notes to the interim financial statements(continued)

3. Operating (loss)/profit

This is stated after charging:

	Unaudited Six months to 30 June 2020 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Depreciation	42,745	56,480
Impairment of production asset (pre-tax)	304,418	-
Realised (gain)/loss from hedging	(17,938)	7,569

During 1H2020 there was a post-tax impairment of US$183 million (pre-tax US$304 million) to property, plant and equipment relating to the Schiehallion field. This was largely driven by a reduction in the group's assumption of future commodity prices.

4. Finance income

This is stated after charging:

	Unaudited Six months to 30 June 2020 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Derivative financial instruments – mark to market (unrealised)	79,468	-
Interest on bank deposits	1,440	1,918

5. Finance Expense

This is stated after charging:

	Unaudited Six months to 30 June 2020 US $'000	*Unaudited Six months to 30 June 2019 US $'000*
Derivative financial instruments – mark to market (unrealised)	-	21,999
Interest on third party loan and bond	20,145	21,845

Selected notes to the interim financial statements(continued)

6. Taxation

The group has ring-fenced CT trading losses of $2,788 million and ring-fenced SCT trading losses of $2,518 million at 30 June 2020 that are available for offset against future taxable profits.

The deferred tax asset at 30 June 2020 of $602 million is supported by estimates of the group's future taxable income.

7. Trade and other receivables

	Unaudited 30 June 2020 US $'000	*Audited 31 December 2019 US $'000*
Accrued income	9,414	19,434
Amount owed by group undertakings	9,763	7,714
Deposits and prepayments	4,454	5,350
Advances to Joint venture partners	484	1,911
Contingent consideration receivable	-	5,939
NGL under lift	277	405
Derivative financial instruments	88,019	22,189
	112,411	62,942

The contingent consideration receivable is in relation to Jackdaw divestment and is linked to the final investment decision to develop the asset. Amount receivable is now reclassified to long term financial assets.

Selected notes to the interim financial statements(continued)

8. Interest – bearing loans

	Unaudited 30 June 2020 US $'000	*Audited 31 December 2019 US $'000*
Third party loan	486,000	521,000
Third party bond	200,593	200,693
	686,593	721,693

The third-party loan relates to a bank loan with a syndicate of banks. It is an RBL facility of US$550 million (2019: US$800 million) with US$486 million currently drawn. Accrued interest as at 30 June 2020 is nil (2019: US$1.0 million).

The 9.0% unsecured callable 2018/2023 US$200 million bonds are listed on Nordic ABM, a marketplace regulated by Oslo Børs. Accrued interest as at 30 June 2020 is US$7.5 million (2019: US$7.5 million). Bonds are recorded at fair value less transaction costs.