Siccar Point Energy Limited

Registered No. 9103084

Interim Financial Statements (unaudited)

31 December 2020

Contents

Business Overview

Covid-19

There was no interruption to production on any of the Siccar Point Energy Limited ("the Group") fields as a result of the virus, despite the nationwide disruption caused by Covid-19 during H2 2020. As previously reported, drilling was suspended on Mariner during H1 in order to reduce the number of personnel on board and to reduce the risk to the production operators. Drilling resumed later in H1 and there has been no recurrence of this.

Operated Assets

Cambo

As previously reported, the planned project sanction for Cambo in 2020 was postponed as a result of the Covid-19 outbreak. During H2 the Group worked with field partner Shell to position the project to move forward again as the oil price recovered. By the end of the year significant progress had been made. This included:

- FEEDs completed for FPSO, Subsea and Gas Export Pipeline
- Market pricing confirmed for major third-party packages for FPSO
- Preparation of Field Development Plan
- Environmental Statement process completed including two full rounds of public consultation.

The Cambo project has compelling economics with undiscounted, life of field costs (capex, opex and abandonment) forecast to be $27.5/boe. On the back of the ongoing recovery in commodity prices the Group and Shell have now agreed to work towards a project sanction during H2 2021. It remains the Group's intention to dilute its current 70% working interest in the field ahead of project sanction.

Exploration and Appraisal

In September the Group announced that it had been awarded four new licences in the 32nd UK Offshore Licensing Round – three operated licences in our core Corona Ridge area and one non-operated licence covering two blocks directly to the east of our Mariner field. These licences were awarded without any commitment to drill on the acreage awarded.

The two remaining licences in the Rockall Trough area were surrendered in May due to their remote location and low chance of success of finding commercial volumes.

No exploration drilling is planned for 2021 and the group has no exploration drilling commitments.

Non-Operated Assets

Schiehallion

In H2 we saw excellent operational performance on Schiehallion with operating efficiency for H2 averaging 80% compared to 64% for H1. There was a rising trend through this period with Q4 averaging 90% and a December average of 95%. This step change in performance was driven by a successful campaign on the Glen Lyon FPSO to reduce the frequency, duration and the time to recover from production trips.

There have been Covid-19 cases on the Glen Lyon, but operator BP has managed these well with the affected personnel isolated and evacuated. There has been no production interruption from Covid-19 outbreak though it has affected the scheduling and management of some maintenance operations.

With the collapse in oil prices in 2020 the Schiehallion partners agreed to sublet the DeepSea Aberdeen rig through to the end of its contract in 2022. The partnership is expected to return to drilling in 2022 with a new rig and drill a four or five well infill programme that should begin coming onstream in H1 2023. There exists a considerable inventory of drilling opportunities to follow on from there and a follow on programme is likely to commence in 2023 coming onstream in 2024.

Business Overview

Mariner

Both the platform rig and the Noble Lloyd Noble jack-up rig drilled on Mariner through H2 2020. The Noble Lloyd Noble's contract was extended to the end of January 2021 allowing additional production wells to be drilled ahead of the end of contract. At 31 December 2020 10 production wells have been brought onstream and 1 water injector. Facilities uptime remains excellent and the rate of downhole pump failure much lower than forecast by the operator. Operating efficiency for the full year 2020 was 89%.

It is planned that a further five production wells and two water injectors will come onstream in 2021. Although the late field start-up and impact of the H1 2020 drilling interruption have deferred the Mariner ramp-up, the field will now ramp up steadily from here as continual drilling with the platform rig builds up the stock of producing wells.

Jade

Jade performed well in H2 though one well (J6) was shut-in pending a workover in 2021. Two further wells are planned for the Jade field – JM well is planned to come onstream in September 2022 and Jade South planned to come onstream in March 2023.

Rosebank

Equinor continues to advance the shortlisted development options for Rosebank. The Rosebank partners plan to select a preferred FPSO concept in 2021 and that selection will then determine the timeline to project sanction and first production.

Headcount

At 31 December 2020 the Group had 36 full and part-time employees (31 December 2019: 38).

Production

Average daily production in H2 2020 was 10,756 boepd (H2 2019: 9,458 boepd).

This represented a significant improvement on H1 (9,139 boepd) which was driven by both the increasing well count on Mariner and the excellent operating performance achieved by BP on the Glen Lyon FPSO for Schiehallion.

Reserves and Resources

As at 31 December 2020 the group had 182 mmboe 2P reserves (30 June 2020 188mmboe) and 350 mmboe 2C resources (30 June 2020 372mmboe) totalling 532 mmboe 2P+2C (30 June 2020 560mmboe).

Business Overview

Financial

At 31 December 2020 the group has cash of $163.7 million.

At 31 December the Group had undrawn availability on its Reserves Based Lending facility of $59 million so total liquidity at 31 December 2020 was $222.7 million.

In December 2020 the Group announced a two-year extension of its existing $550 million Reserves Based Lending Facility from its previous final maturity date of 2025 to 2027. There were no other material changes to the commercial terms of the facility.

Brent Hedging

At 31 December 2020 the group had hedged:

- 2.3 million barrels of 2021 oil production at an average price of $57.84/bbl
- 0.5 million barrels of 2022 oil production at an average price of $69.10/bbl

Additional hedges were placed in January 2021. The updated hedge position as at end January 2021 was:

- 2.4 million barrels of 2021 oil production at an average price of $57.50/bbl
- 0.7 million barrels of 2022 oil production at an average price of $62.85/bbl

With a strong liquidity position and hedge book the Group is well placed as it plans the way forward to sanctioning its Cambo project in 2021. In the meantime, the Group has no project or exploration drilling commitments.

Outlook

The Group's robust financing and hedging programme allowed the company, not only to survive an unprecedented collapse in oil prices and demand in 2020, but actively move forward its Cambo project towards sanction in 2021.

The Covid-19 pandemic did lead to the deferral of drilling on Mariner and the associated fall in the price of oil deferred activity on Schiehallion but both fields are now moving ahead again with ongoing platform drilling at Mariner and the resumption of drilling on Schiehallion planned for 2022. The Group goes into 2021 with a strong liquidity position and a valuable hedge book and is well positioned to optimize the value of its two valuable development options at Cambo and Rosebank.

Doug Fleming

Chief Financial Officer

1 February 2021

Group statement of comprehensive income

	Note	*Unaudited Six months to 31 Dec 2020 US $'000*	*Unaudited Six months to 31 Dec 2019 US $'000*
Revenue	2	81,727	110,676
Cost of sales		(70,206)	(177,369)
Gross profit/(loss)		11,521	(66,693)
Other operating income/(costs)		59,985	(1,007)
Administrative expenses		(5,924)	(8,215)
Operating profit/(loss)	3	65,582	(75,915)
Finance income	4	1,067	17,916
Finance expense	5	(90,812)	(30,117)
Loss before tax		(24,163)	(88,116)
Taxation	6	45,581	80,940
Profit/(loss) for the period		21,418	(7,176)

Group statement of financial position

	Note	Unaudited 31 December 2020 US $'000	Audited 31 December 2019 US $'000
Non-current assets			
Exploration and evaluation assets		384,097	352,352
Property, plant and equipment		1,014,595	1,343,004
Deferred tax asset		647,175	486,762
Long term financial asset		75,521	63,737
Total Non-current assets		2,121,388	2,245,855
Current assets			
Inventories		6,708	8,021
Trade and other receivables		60,144	62,942
Cash and cash equivalents		163,729	275,626
Total current assets		230,581	346,589
Total assets		2,351,969	2,592,444
Current liabilities			
Trade payables and accrued liabilities		(36,259)	(47,231)
Provisions		-	(2,640)
Net current assets		194,322	296,718
Non-current liabilities			
Interest bearing loans	7	(586,488)	(721,693)
Long term financial liability		(50,940)	(48,988)
Provisions		(181,725)	(169,613)
Total liabilities		(855,412)	(990,165)
Net assets		1,496,557	1,602,279
Equity			
Share capital		692,607	692,607
Retained profit		803,950	909,672
Total equity		1,496,557	1,602,279

Group statement of changes in equity (unaudited)

	Share capital	Retained profit	Total equity
	US $'000	*US $'000*	*US $'000*
At 1 July 2020	692,607	782,532	1,475,139
Total comprehensive income for the period	-	21,418	21,418
At 31 December 2020	692,607	803,950	1,496,557

	Share capital	Retained profit	Total equity
At 1 July 2019	692,607	916,848	1,609,455
Total comprehensive loss for the period	-	(7,176)	(7,176)
At 31 December 2019	692,607	909,672	1,602,279

Group cash flow statement

	Unaudited Six months to 31 December 2020 US $'000	Unaudited Six months to 31 December 2019 US $'000
Net cash flow generated from operating activities		
Loss before tax from continuing operations	(24,163)	(88,116)
Adjustments to reconcile profit before tax to net cash flows:		
Finance costs (interest on third party loan and bonds)	16,682	23,088
DD&A – on development and production assets	38,213	49,345
Impairment of production asset	-	99,903
Decommissioning changes in estimates	178	1,514
Unwinding of decommissioning discount	1,662	1,465
Decommissioning provision utilised	(5)	(1,567)
Unrealised loss/(profit) on derivative financial instruments	63,721	(12,202)
Impact of substantial modification on RBL/bonds	4,183	2,525
Depreciation of computer, office equipment and right of use assets	222	124
Amortisation of bank arrangement fees	98	156
Unrealised FX loss/(gain)	49	(2,049)
(Increase) in inventories	(175)	(5,513)
(Increase) in debtors	(4,647)	(3,521)
(Decrease)/increase in creditors	(8,624)	2,098
Income tax receipts	-	2,887
Net cash flows from operating activities	87,394	70,137
Investing activities:		
Purchase of computer/office equipment	-	(19)
Expenditure on development and production assets	(20,220)	(28,164)
Expenditure on exploration and evaluation assets	(9,241)	(20,501)
Net cash flows used in investing activities	(29,461)	(48,684)
Financing activities:		
Finance charge on leases	15	22
Repayment of borrowing	(100,000)	-
Interest paid on long term loan	(16,682)	(28,493)
Net cash flows from financing activities	(116,667)	(28,471)
Cash and cash equivalents at 1 July	221,565	280,684
Unrealised net foreign exchange differences on cash and cash equivalent	898	1,960
Net decrease in cash and cash equivalents	(58,734)	(7,018)
Cash and cash equivalents at 31 December	**163,729**	**275,626**

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 31 December 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 31 December 2020 US $'000	*Unaudited Six months to 31 December 2019 US $'000*
Oil sales	79,075	107,949
Gas sales	2,297	2,279
NGL sales	355	448
	81,727	110,676

Selected notes to the interim financial statements(continued)

3. Operating profit/(loss)

This is stated after charging:

	Unaudited Six months to 31 December 2020 US $'000	*Unaudited Six months to 31 December 2019 US $'000*
Realised (gain)/loss from hedging	(59,985)	1,007
Depreciation	38,435	49,469
Impairment of production asset	-	99,903

4. Finance Income

This is stated after crediting:

	Unaudited Six months to 31 December 2020 US $'000	*Unaudited Six months to 31 December 2019 US $'000*
Derivative financial instruments – mark to market hedges (unrealised)	-	12,157
Realised FX gain	596	-

5. Finance Expense

This is stated after charging:

	Unaudited Six months to 31 December 2020 US $'000	*Unaudited Six months to 31 December 2019 US $'000*
Derivative financial instruments – mark to market hedges (unrealised)	63,731	-
Interest on third party loan and bond	16,682	23,088

6. Taxation

The group has ring-fenced CT trading losses of $2,831 million and ring-fenced SCT trading losses of $2,540 million at 31 December 2020 that are available for offset against future taxable profits.

The deferred tax asset at 31 December 2020 of $647 million is supported by estimates of the Group's future taxable income.

Selected notes to the interim financial statements(continued)

7. Borrowings

	Unaudited 31 December 2020 US $'000	*Audited 31 December 2019 US $'000*
Third party loan	386,000	521,000
Third party bond	200,488	200,693
	586,488	721,693

The third-party loan relates to a bank loan with a syndicate of banks. It is a RBL facility of US$550 million with US$386 million currently drawn. Accrued interest as at 31 December 2020 is nil (2019: US$1.0 million).

The 9.0% unsecured callable 2018/2023 bonds are listed on Nordic ABM, a marketplace regulated by Oslo Børs. Accrued interest as at 31 December 2020 is US$7.5 million (2019: US$7.5 million). Bonds are recorded at fair value less transaction costs.