

Siccar Point Energy Finance Limited

Registered No: 9102885

Annual Report and Financial Statements

31 December 2016

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Company information

Directors of the company

Jonathan Leslie Roger

Douglas Weir Fleming

Khashayarsha Ali Mohajerani

Graeme David Sword

Mustafa Mohsin Siddiqui

David Ignatius Foley

Dr Nicholas John Cooper

Dr Iain Bartholomew

Christopher Geoffrey Finlayson

Registered Number

9102885

Secretary

David Sheach

Registered Office

1 Park Row
Leeds
LS1 5AB

Bankers

DNB
70 Queens Road
Aberdeen
AB15 4YE

Solicitors

Pinsent Masons
13 Queens Road
Aberdeen
AB15 4YD

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Strategic report

The directors present their strategic report of Siccar Point Energy Finance Limited (the “company”) for to the year ended 31 December 2016.

The registered office address of the company is 1 Park Row, Leeds, LS1 5AB.

Principal activities

The company is part of the Siccar Point Energy group that was established on 25 June 2014, to build a full cycle, North Sea exploration, development and production business. Following the successful completion of two material acquisitions the Siccar Point Energy group has now established a high-quality portfolio of long life, low unit cost, production, development and exploration assets in the UKCS.

The company holds an investment in Siccar Point Energy Limited. The company has received a loan from, and issued shares to, Siccar Point Energy Luxemburg S.C.A which has funded this investment.

Review of the business

The group has been heavily involved in screening for potential acquisitions of oil and gas assets in the North Sea, and on the 16 August 2016, the Siccar Point Energy group announced completion of its first transaction – the acquisition by Siccar Point Energy U.K. Limited, an indirect wholly-owned subsidiary of the company, of an 8.9% interest in the Greater Mariner Area from JX Nippon Exploration and Production (U.K.) Limited.

The Mariner Field, the centrepiece of the Greater Mariner Area, is in the United Kingdom sector of the North Sea, on the East Shetland platform, and is one of the largest remaining oil fields in the UK sector. The Mariner development is well underway following project sanction in 2013 and is expected to commence production in 2018. Statoil (U.K.) Limited is the operator and majority owner, and Siccar Point Energy has joined existing partners, JX Nippon Exploration and Production (U.K.) Limited and Dyas Mariner Limited.

On 9 November 2016 Siccar Point Energy Limited, a wholly-owned subsidiary of the company, announced that it had signed a Sale and Purchase Agreement with OMV Exploration & Production GmbH (a 100% subsidiary of OMV AG) to acquire its entire 100% interest in its UK subsidiary OMV (U.K.) Limited. This transaction subsequently completed on 13 January 2017.

Following the OMV acquisition the Siccar Point Energy group now has reserves and discovered resources of c400 million barrels of oil equivalent.

Financial and operational review

In 2016, the group continued the extensive review of the oil and gas market and screening of potential acquisitions and submitted a number of offers.

In the second half of 2016, the group completed its first acquisition – an 8.9% interest in the Greater Mariner Area from JX Nippon Exploration and Production (U.K.) Limited in August 2016. The post balance sheet event provided the group with its second acquisition.

The loss for the year was \$12,069 thousand (2015: loss of \$8,426 thousand).

Future developments

Following the completion of the group’s first acquisition in 2016, and of its second acquisition in 2017, the directors consider that the group is in a satisfactory position to take advantage of further acquisition opportunities which may arise in the future and will continue to review further acquisition opportunities.

The post balance sheet event brought the group a 11.75% interest in the Schiehallion field in the UK West of Shetland region. Following material reserves upgrades, this major field operated by BP has been redeveloped. On 22 May 2017, operator BP announced that first production had been achieved from Schiehallion.

Strategic report (continued)

Work on the Mariner development is ongoing and the field remains on track to commence production in 2018.

Further out the Siccar Point Energy group has a strong pipeline of high quality development, appraisal and exploration options. These include the Cambo (Siccar Point Energy 100%, operator) and Rosebank (Siccar Point Energy 20%) developments as well as an extensive exploration portfolio in the West of Shetland region.

Principal risks, uncertainties and mitigation strategies

The key risks facing the business are in relation to the performance of its investment including:

Hydrocarbon Prices: Siccar Point Energy group's portfolio is exposed to oil and gas prices. Following the acquisition of OMV (U.K.) Limited, Siccar Point Energy Limited engaged in a programme of hedging its exposure to Brent and UK NBP gas prices. Siccar Point Energy Limited also engaged in hedging its US LIBOR and the US Dollar / Sterling exposures at this time.

Project Schedule and Cost: the Siccar Point Energy group is exposed to risks associated with the project schedules of its major developments.

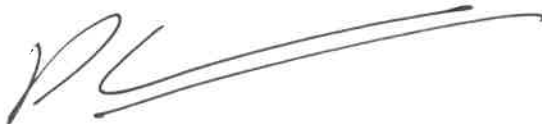
The Mariner project remains on schedule for first production in 2018. There has been no material change to the project schedule since the acquisition of the Mariner interest.

The post balance sheet date acquisition of OMV (U.K.) Limited brought a 11.75% WI in the Schiehallion field.

Key performance indicators

During 2016, the group's current KPIs focus was on deal flow and cashflow monitoring. With one acquisition completed in 2016 and another signed (closing shortly after the balance sheet date) 2016 was a highly successful year for the Siccar Point Energy group and has left it with an outstanding portfolio of assets and platform for future growth.

On behalf of the Board



Douglas Fleming
Director

25 May 2017

Directors' report

The directors present their report and the audited financial statements of Siccar Point Energy Finance Limited (the "company") for the year ended 31 December 2016.

Results and dividends

The company loss for the period amounts to \$12,069 thousand (2015: loss of \$8,426 thousand). No dividends have been paid or declared in the period.

Going concern

The company's business activities, together with the factors likely to affect its future development and position are set out above.

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements.

The financial statements have been prepared under the going concern basis. The directors believe that this basis is appropriate as another group company has provided the company with an undertaking that for at least a year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment.

Future developments

Following the completion of the group's first acquisition in 2016, and of its second acquisition in 2017, the directors consider that the group is in a satisfactory position to take advantage of further acquisition opportunities which may arise in the future and will continue to review further acquisition opportunities.

Post balance sheet events

On 12 January 2017, Siccar Point Energy Finance Limited borrowed a further \$462,548,561 from Siccar Point Energy Luxembourg S.C.A, which in turn was invested into Siccar Point Energy Limited and Siccar Point Energy Limited also borrowed an additional \$486,000,000 from a syndicate of 11 banks led by Natixis, DNB and ING, to fund the acquisition of OMV UK and associated costs.

Also on 13 January 2017, Siccar Point Energy Limited completed the acquisition of OMV (U.K.) Limited ("OMV UK") from OMV AG ("OMV").

Its asset portfolio, concentrated in the West of Shetlands region of the UK Continental Shelf, comprises current production, future developments and exploration acreage. Key assets include an 11.75 % interest in the Schiehallion oil field and a 20.0% interest in the Rosebank field. Other assets include a 5.6% interest in the producing Jade field and several West of Shetland discoveries that are operated by Siccar Point Energy group.

The acquisition of OMV is a transformational step for Siccar Point given the scale, diversity, and quality of its asset portfolio. This acquisition turns Siccar Point into a full-cycle oil & gas company with a substantial and high-quality UK North Sea portfolio.

Directors' report (continued)

Directors

The Directors who have held office during the year at the date of this report are as follows:

Jonathan Leslie Roger

Douglas Weir Fleming

Khashayarsha Ali Mohajerani

Graeme David Sword

Mustafa Mohsin Siddiqui

David Ignatius Foley

Dr Nicholas John Cooper

Dr Iain Bartholomew

Christopher Geoffrey Finlayson

Disclosure information to auditor


The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors is aware of that information.

Auditors

Pursuant to Section 485 of the Companies Act 2006, Ernst & Young LLP was appointed on 24 March 2015 as auditors of the Company.

Pursuant to Section 489 of the Companies Act 2006, Ernst & Young LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Douglas Fleming
Director

25 May 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare the company financial statements for each financial year. Under that law, they have elected to prepare the company's financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Siccar Point Energy Finance Limited

We have audited the financial statements of Siccar Point Energy Finance Limited for the year ended 31 December 2016, which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Siccar Point Energy Finance Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

25 May 2017

Statement of comprehensive income

for the year ended 31 December 2016

	<i>Note</i>	<i>2016</i> <i>US \$</i>	<i>2015</i> <i>US \$</i>
Administrative expenses		(4,476)	(4,017)
Impairment of investment	7	(4,228,344)	(7,561,081)
<i>Operating loss</i>	2	(4,232,820)	(7,565,098)
Finance expense	4	(7,835,724)	(861,612)
<i>Loss before tax</i>		(12,068,544)	(8,426,710)
Taxation	6	-	-
<i>Loss for the year</i>		(12,068,544)	(8,426,710)

All the above results are derived from continuing operations.

There is no comprehensive income other than the loss for the year.

Total comprehensive income for the year is attributable to the owners of the company, as there is no non-controlling interest.

Statement of financial position

as at 31 December 2016

Registered No: 9102885

	<i>Note</i>	<i>2016</i> <i>US \$</i>	<i>2015</i> <i>US \$</i>
<i>Non-current assets</i>			
Investment	7	202,050,435	3,815,501
<i>Current assets</i>			
Cash and cash equivalents	8	1,459	38
<i>Total assets</i>		<u>202,051,894</u>	<u>3,815,539</u>
<i>Current liabilities</i>			
Trade and other payables	9	(12,583)	(8,969)
<i>Net current liabilities</i>		<u>(11,124)</u>	<u>(8,931)</u>
<i>Non-current liabilities</i>			
Interest bearing loan and borrowings	10	(225,541,687)	(15,240,402)
<i>Total liabilities</i>		<u>(225,554,270)</u>	<u>(15,249,371)</u>
<i>Net liabilities</i>		<u>(23,502,376)</u>	<u>(11,433,832)</u>
<i>Equity</i>			
Share capital	11	133,648	133,648
Retained deficit	12	(23,636,024)	(11,567,480)
<i>Total deficit</i>		<u>(23,502,376)</u>	<u>(11,433,832)</u>

The financial statements were approved by the Board of Directors on 25th May 2017 and were signed on its behalf by



Douglas Fleming
Director

Statement of changes in equity

for the year ended 31 December 2016

	Issued capital US \$	Retained deficit US \$	Total equity/ (deficit) US \$
At 1 January 2015	133,648	(3,140,770)	(3,007,122)
Total comprehensive loss for the year	-	(8,426,710)	(8,426,710)
At 31 December 2015	133,648	(11,567,480)	(11,433,832)
At 1 January 2016	133,648	(11,567,480)	(11,433,832)
Total comprehensive loss for the year	-	(12,068,544)	(12,068,544)
At 31 December 2016	133,648	(23,636,024)	(23,502,376)

Cash flow statement

for the year ended 31 December 2016

	2016 US \$	2015 US \$
<i>Net cash generated from operating activities</i>		
Loss before tax from continuing operations	(12,068,544)	(8,426,710)
Adjustments to reconcile loss before tax to net cash flows:		
Finance costs – parent loan interest	7,838,006	861,612
Impairment on investments	4,228,344	7,561,081
Working capital adjustments:		
Increase in trade creditors	3,615	4,009
<i>Net cash flows from operating activities</i>	1,421	(8)
Investing activities:		
Acquisition of additional share capital (note 7)	(202,463,278)	(9,294,455)
<i>Net cash flows used in investing activities</i>	(202,463,278)	(9,294,455)
Financing activities:		
Share capital	-	-
Proceeds from borrowing - parent	202,463,278	9,294,455
<i>Net cash flows from financing activities</i>	202,463,278	9,294,455
Net (decrease) / increase in cash and cash equivalents	1,421	(8)
Cash and cash equivalents at 1 January 2016	38	46
<i>Cash and cash equivalents at 31 December 2016</i>	1,459	38

Notes to the financial statements

at 31 December 2016

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the company for the period of 1 January 2016 to 31 December 2016 and applied in accordance with the practices of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Going concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

The company's business activities, and factors likely to affect future developments have been assessed by the directors, and based on assumptions of future activity, the company is expected to continue to generate positive cash flows on its own account for the foreseeable future.

(a) New standards, amendments and interpretations issued and effective during the financial year beginning 1 January 2016

The company, has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the year ending 31 December 2016. Where the changes affect the company, the relevant application and disclosure has been made during the year to 31 December 2016. The new and amended IFRSs during the year are as detailed below, they had no effect on the Company for the year ended 31 December 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Equity Method in separate financial statements
- Amendments to IFRSs Annual Improvements to IFRSs 2012-2014 Cycle

(b) Standards issued but not yet effective

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the company's accounting period beginning on or after 1 January 2017 or later periods, but the company had not early adopted them:

- IFRS 9 - Financial Instruments (as revised in 2014)
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IFRS 2 Classification and measurement of share based payment transactions
- Amendments to IFRS 10 and IAS 28 sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax assets for unrealised losses

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

(b) Standards issued but not yet effective (continued)

It is not anticipated that the application of these standards and amendments will have any material impact on the company's financial statements, the company plans to adopt the amendments to these standards when they become effective.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Consolidation

The Company's financial statements are individual entity financial statements. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Siccar Point Energy (Holdings) Limited. The results of the Company and associated undertakings are included in the consolidated financial statements Siccar Point Energy (Holdings) Limited which are available from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB

Investments in subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment in accordance with IAS 36 Impairment of Assets. If events or changes in circumstances indicate a carrying value of may not be recoverable, and investment carry value is written down immediately to its recoverable amount.

A previously recognised impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount. If this is the case, the carrying amount of the investment is increased to its recoverable amount, except insofar as the reversal of an impairment loss shall not exceed the original cost of the investment.

Functional currency

The company's investment and a significant proportion of its expenses are denominated in US Dollars, which is the company's functional currency. The company's financial statements are prepared and presented in US Dollars.

Foreign currencies

Transactions in other currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade and other receivables are shown at face value less any provision for unrecoverable debt. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use.

Borrowings are classified between current liabilities and non-current liabilities.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

Current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk and interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

Financial risk factors (continued)

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, non-derivative financial instruments and investment of excess liquidity.

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and GBP. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

The majority of the transactions are conducted in GBP and USD. As a result, there is foreign exchange risk, however, the company does review its exposure to transactions denominated in other currencies and takes necessary action to minimise this exposure.

Currency risk is managed by matching costs with income as far as possible.

Financial risk management

Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial

For the company's non-operated interests, payments to suppliers occur only after goods and services have been received.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the company's liquidity and cash and cash equivalents on the basis of expected cash flow. Management refers to the disclosures of Note 1 "Going Concern" for more information regarding the factors considered by the company in managing liquidity risk.

Commodity Price Risk

The company is exposed to commodity price risk on all crude oil sales and management have taken the decision not to limit this exposure by the use of derivative financial instruments. The Company enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

Commodity price risk associated with gas sales is limited to three long-term sales agreements. The majority of gas sales are made under an agreement that remains in place until 1 October 2016, with the other 2 agreements based on life of field production.

Interest rate risk

The company is exposed to interest rate risk through borrowings however this is reduced due to funds borrowed at fixed interest rates.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

Notes to the financial statements (continued)

at 31 December 2016

1. Accounting policies (continued)

(c) Significant accounting judgements, estimates and assumptions (continued)

Capital risk management (continued)

In order to maintain or adjust the capital structure, the company may return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the company maintains capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratio at 31 December 2016 and period ending 31 December 2015 was as follows:

	2016	2015
	US \$	US \$
Total borrowing (note 10)	225,541,687	15,240,402
Less: cash and cash equivalents (note 8)	(1,459)	(38)
Net debt	225,540,228	15,240,364
Total equity plus net debt	202,037,852	3,806,532
Gearing ratio %	112%	400%

No changes were made in the objectives, policies and processes of managing capital during the years ending 31 December 2016 and period ending 31 December 2015.

Fair value estimation

The carrying value less impairment provision of payables are assumed to approximate their fair values because the effect of discounting liabilities is negligible. For assets carrying amount is a reasonable approximation of the FV.

2. Operating loss

This is stated after charging:

	2016	2015
	US \$	US \$
Impairment of investment (note 7)	4,228,344	7,725,891
Auditors' remuneration	2,468	2,960

3. Auditors' remuneration

During the year, the company received the following services from the company's auditor as detailed below:

	2016	2015
	US \$	US \$
Audit of the financial statements	2,468	2,960
	<u>2,468</u>	<u>2,960</u>

Notes to the financial statements (continued)

at 31 December 2016

4. Finance cost

	2016 US \$	2015 US \$
Interest on shareholder loan (note 13)	7,838,006	861,612
Bank interest received	(1,377)	-
Gain on foreign exchange	(905)	-
	7,835,724	861,612

5. Directors' remuneration

All executive directors are employed and remunerated by Siccar Point Energy (Holdings) Limited and not recharged to Siccar Point Energy Limited. The directors are also directors of other subsidiary undertakings and do not believe it is practicable to apportion their remuneration between services as directors of the company and their services as directors of fellow subsidiaries.

6. Tax

The charge for the year can be reconciled to the loss per the income statement as follows:

	2016 US \$	2015 US \$
Loss for the year – continuing operations	(12,068,544)	(8,426,710)
Tax at UK standard rate of tax (2016: 20.00% / 2015: 20.25%)	(2,413,709)	(1,706,409)
Effects of:		
Expenses not deductible	2,413,270	1,706,409
Tax rate changes	-	-
Group relief/ other reliefs	-	-
Amounts not recognised	439	-
Other differences	-	-
Income tax charge for the year	-	-

The income tax expense above is computed at the loss before taxation multiplied by the effective tax rate of corporation tax in the UK of 20.00% (2015: 20.25%)

The company has tax losses which arose in the UK that are available for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses.

Change in Corporation Tax rate

Changes to the UK corporation tax rates were enacted on 15 September 2016. These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. As the changes were substantively enacted at the balancer sheet date, the effects are included in these financial statements.

Notes to the financial statements (continued)

at 31 December 2016

7. Investment in subsidiaries

	US \$
Cost	
At 1 January 2015	5,049,027
Additions	9,294,455
At 31 December 2015	<u>14,343,482</u>
At 1 January 2016	14,343,482
Additions	202,463,278
At 31 December 2016	<u>216,806,760</u>
Impairment	
At 1 January 2015	(2,966,900)
Charge for the year	(7,561,081)
At 31 December 2015	<u>(10,527,981)</u>
At 1 January 2016	(10,527,981)
Charge for the year	(4,228,344)
At 31 December 2016	<u>(14,756,325)</u>
Net investment	
At 31 December 2015	3,815,501
At 31 December 2016	<u>202,050,435</u>

The company acquired 202,463,278 additional shares of \$1.00 in Siccar Point Energy Limited (2015: 9,294,455 ordinary shares of \$1.00).

An impairment loss of \$4,228,344 on the investment in Siccar Point Energy Limited has been recognised in 2016 (2015: \$7,561,081) based on the separately reported net asset value of that subsidiary.

The company's subsidiary undertakings at 31 December 2016 are as follows:

<i>Name of undertaking</i>	<i>Country of registration</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Siccar Point Energy Limited	England	100%	Oil & Gas Exploration, Development & Production

8. Cash and cash equivalent

	2016 US \$	2015 US \$
Cash at bank	1,459	38

The Directors consider that the carrying amount of cash and cash equivalents approximate their fair value.

Notes to the financial statements (continued)

at 31 December 2016

9. Trade and other payables:

	2016 US \$	2015 US \$
Trade and other payables	12,583	8,969

10. Borrowings:

	2016 US \$	2015 US \$
Non-current borrowings (note 13):		
Shareholder loan	225,541,687	15,240,402

11. Issued share capital

The company has two classes of ordinary shares with a par value of:

	2016 US \$	2015 US \$
<i>Authorised</i>		
133,646 ordinary shares of \$1 each	133,646	133,646
1 ordinary share of £1 each	2	2
<i>Allotted, called up and fully paid</i>		
133,646 ordinary shares of \$1 each	133,646	133,646
1 ordinary share of £1 each	2	2
	133,648	133,648

12. Reserves

	<i>Retained deficit US \$</i>
At 1 January 2015	(3,140,770)
Net loss for period	(8,426,710)
Balance at 31 December 2015	(11,567,480)
Net loss for period	(12,068,544)
Balance at 31 December 2016	(23,636,024)

Notes to the financial statements (continued)

at 31 December 2016

13. Related party transactions

Loan from Siccar Point Energy Luxembourg S.C.A as at 31 December 2016 is \$225,541,687 (2015: \$15,240,402).

Interest is calculated at 8.20% per annum and based on a 365 day year. Interest is accrued on a twelve month period in arrears. The shareholder loans and accrued interest are due for repayment either 30 years after the date of the agreement (31 July 2044) or on demand by the board or the borrower has an option to repay any time after an initial 3 year period has lapsed (31 July 2017).

Interest expense on the above loan recognised in the statement of comprehensive income is \$7,838,006, included in finance expense (2015: \$861,612).

Within the group, Siccar Point Energy Limited issued Siccar Point Energy Finance Limited with 4,163,278 ordinary shares of \$1.00 each on 26 January 2016 and 198,300,000 ordinary shares of \$1.00 each on 11 August 2016, all fully paid up.

There have been no other transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the period.

Key management personnel are directors of the company and their remuneration is borne by Siccar Point Energy (Holdings) Limited and has not been recharged to Siccar Point Energy Finance Limited.

14. Post Balance Sheet events

On 12 January 2017, Siccar Point Energy Finance Limited borrowed a further \$462,548,561 from Siccar Point Energy Luxembourg S.C.A, which in turn was invested into Siccar Point Energy Limited and Siccar Point Energy Limited also borrowed an additional \$486,000,000 from a syndicate of 11 banks led by Natixis, DNB and ING, to fund the acquisition of OMV UK and associated costs.

Also on 13 January 2017, Siccar Point Energy Limited completed the acquisition of OMV (U.K.) Limited ("OMV UK") from OMV AG ("OMV").

Its asset portfolio, concentrated in the West of Shetlands region of the UK Continental Shelf, comprises current production, future developments and exploration acreage. Key assets include an 11.75 % interest in the Schiehallion oil field and a 20.0% interest in the Rosebank field. Other assets include a 5.6% interest in the producing Jade field and several West of Shetland discoveries that would be operated by Siccar Point Energy group.

The acquisition of OMV UK is a strategic fit for Siccar Point Energy group given the scale, diversity, and quality of its asset portfolio. This acquisition turns Siccar Point Energy group into a full-cycle oil & gas company with a substantial and high-quality UK North Sea portfolio.

15. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Siccar Point Energy (Holdings) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent undertaking is Siccar Point Energy Luxembourg S.C.A. a company registered in Luxembourg.

The consolidated accounts of Siccar Point Energy (Holdings) Limited are those of the smallest and largest group of which the company is a member and for which group accounts are prepared.

Copies of these accounts can be obtained from Siccar Point Energy (Holdings) Limited, 1 Park Row, Leeds, LS1 5AB.