ITHACA ENERGY

6 months to 30 June 2022
Financial Results

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HIGHLIGHTS

67 kboe/d	$19/boe	$905M	$1.4B
H1 2022	H1 2022	H1 2022	30 June 2022
Production	Unit Opex	EBITDAX	Net Debt

Corporate highlights

- The acquisitions of both Siccar Point Energy (Holdings) Limited ("Siccar Point Energy") and Summit Exploration and Production Limited ("Summit E&P") completed on 30 June 2022. These deals are transformational for the company and will contribute significantly to the Group's future growth story.
- The acquisition of Siccar Point Energy will accelerate Ithaca Energy's growth, positioning it as one of the leading E&P operators in the UK North Sea through the addition of interests in four of the UK's largest oil and gas fields to its portfolio – Schiehallion (11.8%), Mariner (8.9%), Rosebank (20%) and Cambo (70%).
- The acquisition of Summit E&P increases the Group's interest in Elgin Franklin from 3.9% to 6.1%.
- The acquisition accounting for Siccar Point Energy Group Limited resulted in the recognition of negative goodwill of $666 million which is non taxable. This is primarily the result of Ithaca Energy being able to recognise tax assets that were not available to the Siccar Point Energy.

Operational highlights

- Significant activity continues on the Abigail development which is a subsea tie back to the FPF1 floating production facility. During the quarter the subsea construction campaign completed phase one which involved installation of a subsea manifold and subsea isolation riser base structure along with phase two which was the installation of the production and gas lift pipelines. Since the start of the campaign in April, work has progressed safely and according to plan and first oil is still planned for October 2022.

Financial highlights

- Production of 67 thousand barrels of oil equivalent per day ("kboe/d"), 65% liquids for the year.
- Unit operating costs of $19/boe
- EBITDAX of $905 million
- $750 million was drawn down against the Reserves Based Lending facility during Q2 to finance the two acquisitions in the quarter. This takes net debt to $1.4 billion on 30 June 2022 hence maintaining a Leverage Ratio of 0.9x. Significant cash generation post quarter end has seen Net Debt further decline
- 17 million barrels of oil equivalent (71% oil) hedged from Q3 2022 into 2024 at an average price floor of $63/bbl oil and 125p/therm gas

SUMMARY STATEMENT OF INCOME

		H1 2022	H1 2021
Average Production	kboe/d	67	56.4
Average Realised Oil Price [1]	S/bbl	107	65
Average Realised Gas Price [2]	p/therm	183	53
Revenue [3]	M$	1,143	564
Revenue [3]		**1,143**	**564**
Opex [4]	M$	(234)	(180)
Routine G&A and Foreign Exchange	M$	(4)	(6)
EBITDAX	**M$**	**905**	**378**
Non recurring G&A	M$	(6)	-
DD&A	M$	(296)	(209)
Impairment (charge)/reversal	M$	(8)	174
Exploration and evaluation expenses	M$	(10)	-
Finance Costs	M$	(101)	(100)
Negative goodwill on acquisition	M$	1,263	-
Other Non-Cash Costs [5]	M$	(17)	8
Taxation	M$	(195)	(111)
Earnings	**M$**	**1,534**	**140**
Fair value losses on hedges	M$	(267)	(274)
Taxation	M$	107	110
Total comprehensive income / (expense)	**M$**	**1,374**	**(24)**

(1) Average realised oil price before hedging
(2) Average realised gas price before hedging
(3) Revenue, realised hedging gains/losses and inventory movements net of royalty costs and tanker costs
(4) Opex costs net of tariff income and exclude tanker costs
(5) Revaluation of FX hedging and contingent consideration

SUMMARY BALANCE SHEET

M$	30 June 2022	31 Dec 2021
Cash and Cash Equivalents	160	45
Other Current Assets	633	516
PP&E	4,480	3,075
Goodwill	784	722
Deferred Tax Asset	1,500	221
Other Non-Current Assets	122	153
Total Assets	**7,679**	**4,732**
Current Liabilities	(1,438)	(941)
Borrowings	(1,562)	(955)
Asset Retirement Obligations	(1,693)	(1,641)
Other Non-Current Liabilities	(483)	(66)
Total Liabilities	**(5,176)**	**(3,603)**
Net Assets	**2,503**	**1,129**
Share Capital	1,250	1,250
Cashflow Hedge Reserve	(408)	(248)
Retained earnings	1,661	127
Shareholders' Equity	**2,503**	**1,129**

OPERATIONAL REVIEW

Production in the first half of 2022 was 66.7 kboe/d compared to 56.4 kboe/d for the first half of 2021.

		H1 2022 Production	H1 2021 Production
Daily Production	***kboe/d***	**66.7**	**56.4**
▪ Liquids	*kbbl/d*	43.2	37.6
▪ Gas	*kboe/d*	23.5	18.8
Total Production	***MMboe***	**12.1**	**10.2**

Daily Production	***kboe/d***	**66.7**	**56.4**
▪ Captain	*kboe/d*	18.7	20.4
▪ GSA	*kboe/d*	10.9	10.8
▪ Other Operated[1]	*kboe/d*	10.2	9.1
▪ Britannia & Satellites[2]	*kboe/d*	11.9	10.3
▪ MonArb[3]	*kboe/d*	6.4	-
▪ Other Non-Operated[4]	*kboe/d*	8.6	5.8

1. Other-operated assets comprises Erskine, Cook and Alba
2. Includes the Ithaca Energy-operated Alder field subsea tie-back to the Britannia platform
3. Includes non operated interests in Montrose and the Arbroath, Arkwright, Brechin, Carnoustie, Cayley, Godwin, Shaw and Wood subsea tiebacks from 4 February 2022 which is the date of acquisition
4. Other non-operated assets comprise Elgin / Franklin, Jade, Pierce and Columba

There has been steady production in the first half of 2022 resulting in production of 67 kboe/d (65% liquids – 92% oil / 8% NGL). We see the impact of increased production rates on Captain compared to Q4 2021 following a workover on the C45 well along with improved uptime. Through the agreement to acquire Marubeni Oil & Gas UK Limited, production of 6 kboe/d has been recognised from 4 February 2022 from the MonArb and Columba assets. There was also the impact of Jade South coming on stream in Q1 2022 and the offset of no production from Pierce while the Haewene Brim FPSO is off station.

ACTIVITY OVERVIEW

Developments

Captain Enhanced Oil Recovery ("EOR") Programme

Stage II of the Captain EOR programme involves the drilling of up to ten additional wells (four producers and six injectors) to optimise oil recovery from the area of the Upper Captain Sands reservoir that is produced using subsea wells. The overall work programme involves the installation of approximately six kilometre subsea pipelines and umbilicals to the two subsea areas of the field in order to provide polymer injection capability in addition to the installation of additional polymer storage tanks and pumps on the Captain platform and floating production, storage and offloading ("FPSO") vessel.

Following attainment of North Sea Transition Authority("NSTA") FDP approval and full sanction in Q1 2021, the project continues to focus on finalising topside engineering and procurement. Topside construction is progressing to plan with pre-assembled units successfully installed during Q2 2022. Topsides preparations continue for caisson installation, which is scheduled for Q3 2022. Subsea infrastructure design and manufacture remains on track for phased installation and tie-in between 2022 and 2024, with B28 flexible flowline successfully installed during the quarter. Emphasis on preparations for the Pioneer drilling rig arrival concluded with mobilisation in June. Significant milestones have been achieved despite the challenges facing the industry because of Covid-19 and Brexit. The development involves a multi-year programme of drilling activities aimed at maximising oil recovery from the field into the 2030s.

Greater Stella Area ("GSA") Satellite Field Developments

Engineering, procurement and construction activities are progressing for the Abigail field. Key long lead items (christmas tree, flowbase, wellhead etc) were delivered in advance of rig arrival and commencement of drilling operations during March 2022.

Drilling operations concluded as planned in June allowing access for subsea installation activities during the summer months and final tie ins scheduled for Q3 2022.

FDP consent was granted in January 2022 and first oil is expected in Q3 2022.

Non operated assets

Pierce

The Operator, Shell Oil UK, completed the onshore scope of the life extension project on the Haewene Brim to allow for reservoir depressurisation on the asset. The vessel was towed from Haugesund, Norway during Q2 2022 to be reconnected to subsea infrastructure and commissioned for production. Production is anticipated to recommence in Q4 2022.

Jade

During Q2 2022, the Operator (Harbour) continued drilling activity on well 30/2c-J14 which has progressed ahead of schedule. The well is estimated to be completed in Q3 2022 with first production in the same quarter.

HEALTH, SAFETY & ENVIRONMENT

Ithaca Energy continues to strive for safe, responsible and reliable operations in everything we do. During Q2 2022 there were two recordable injuries which our teams are investigating closely to prevent recurrence.

With increasing activity levels our teams are focused on ensuring appropriate readiness, assurance, and activity close-out. Everyone supporting our operations is clear that unless: conditions remain controlled at all times, the task and controls are well understood; the work plan is adhered to; and the Life Saving Rules are followed, then everyone has the responsibility and the authority to stop work.

Ithaca Energy has set a target to reduce emissions from our assets by 25% by 2025 compared to the 2019 baseline of 539 ktCO2e.

Operational focus has been maintained on safely reducing flaring, and venting. Q2 2022 performance is broadly on target.

H1 2022 FINANCIAL REVIEW

REVENUE

Revenues for H1 2022 were $1,143 million, increasing by $579 million compared to H1 2021 (H1 2021: $564 million). H1 2022 production was 12.1 MMboe, up 19% on H1 2021 production of 10.2 MMboe. In H1 2022, we see the additional production of 6.4 kboe/d from the MonArb and Columba assets acquired from Marubeni in February 2022. There was also the impact of Jade South coming on stream in Q1 2022 and the offset of no production from Pierce while the Haewene Brim FPSO is off station.

Commodity prices have increased significantly compared to H1 2021 which has generated higher oil and gas revenues. Average realised gas prices have risen steeply from an average of 53p/therm in H1 2021 to 183p/therm in H1 2022. Average realised oil prices also increased to $107/bbl in H1 2022 from $65/bbl in H1 2021. The impact of increased commodity prices has been offset by losses in relation to the Group's hedging portfolio of $270 million in H1 2022 compared to a loss of $13 million in H1 2021.

OPERATING COSTS

Operating costs increased to $234 million in H1 2022 (H1 2021: $180 million) partially due to the acquisition of the MonArb and Columba assets and also due to the impact of commodity prices on diesel and fuel gas consumption. This has also impacted the corresponding unit cost of $19/boe in H1 2022 which is up on $18/boe in H1 2021.

DEPRECIATION, DEPLETION and AMORTISATION ("DD&A")

Total DD&A expense for the period was $296 million (H1 2021: $209 million) with the DD&A rate increasing from $21/boe in H1 2021 to $25/boe in H1 2022. This increase was mainly driven by the impact of the impairment reversals recognised through 2021 and the update to reserves as reported by NSAI at 30 June 2022. The NSAI report as of 30 June 2022 is in draft form.

NEGATIVE GOODWILL

The acquisition of Marubeni Oil & Gas UK Limited completed on 4 February 2022. The transaction added a further nine producing field interests to the existing Ithaca Energy portfolio. Taking into account the interim period cashflows generated by Marubeni Oil & Gas UK Limited since the transaction effective date of 1 January 2021 and conventional working capital adjustments, the price payable at completion of the acquisition was $108 million. Negative goodwill of $601 million was recognised on the transaction as a result of the price payable being less than the net assets acquired. Ithaca Energy has been able to recognise a deferred tax asset relating to the brought forward losses that were not available for use by the Marubeni group.

On 30 June 2022, the acquisition of Siccar Point Energy (Holdings) Limited completed bringing interests in the Schiehallion and Mariner fields and additional equity in the Jade field. Ithaca Energy also acquired operatorship of the Cambo development and a non operated interest in the Rosebank project. The price payable at completion was $1 billion. Similar to the acquisition of Marubeni, Ithaca Energy has been able to recognise a deferred tax asset in relation to past tax losses that the Siccar Point Energy were not able to do. Therefore, the acquisition price paid was less than the net assets acquired and resulted in negative goodwill of $666 million being taken to the income statement.

The acquisition of Summit Exploration & Production Limited also completed on 30 June 2022. The acquisition accounting for this transaction resulted in positive goodwill of $62 million which was capitalised on the Balance Sheet.

CAPITAL INVESTMENTS

Capital investment in H1 2022 was $224 million (H1 2021 $257 million), of which $188 million relates to Development and Production and $8 million relates to Exploration and Evaluation assets. In Q1 2022, capital expenditure activities continued to focus on the Captain Enhanced Oil Recovery project and GSA satellite investment on the Abigail field.

The net book value of the Abigail field, $68 million, was transferred from Exploration and Evaluation assets to Developing and Producing on achievement of development consent from the NSTA in January 2022.

H1 2022 CASH FLOW MOVEMENTS

During the first half of 2022 there was a cash inflow from operating, investing and financing activities of approximately $116 million (H1 2021 inflow of $7 million).

Cash flow from operating activities was $1.1 billion. Revenues resulting from the strengthening in commodity prices and increased production have been supported by carefully controlled operating costs. Movements in working capital resulted in an inflow of cash totalling $188 million in the period. This was primarily driven by timing of liftings and the associated revenue being accrued.

Cash spend on capital expenditure in the period was $215 million, mainly on Captain and Abigail development projects.

Cash outflows of $1.1 billion were made to acquire the Siccar Point Energy along with Summit E&P and Marubeni Oil & Gas UK Limited. Cash balances acquired at completion of these deals was $278 million. A drawdown of $750 million was made on the RBL facility to finance this. This followed a $200 million repayment in Q1 2022.

A payment of $11.6 million was made to Petrofac on achieving FDP on Abigail and $4 million was paid to Marubeni as contingent consideration because the oil price was in excess of the trigger point as set out in the Sale and Purchase Agreement.

During H1 2022, the Company paid finance costs totalling $92 million. This was split $52 million in interest paid to lenders and $40 million paid in premiums on oil and gas put options, $28 million of which was a prepayment for Q3 2022 premiums.

SUBSEQUENT EVENTS

Energy Profits Levy

On 14 July 2022 the UK Government enacted a temporary windfall tax of 25% on the profits of oil and gas companies called the Energy Profits Levy ("EPL" or "the Levy"). The Levy is charged upon oil and gas profits calculated on the same basis as

Ring Fence Corporation Tax ("RFCT") however excludes relief for decommissioning and finance costs. RFCT losses and Investment Allowance are not available to offset the EPL. The Directors have considered the impact of the Levy at the date of signing these financial statements and it is believed that the Levy will increase the deferred tax liability by $150.5 million.

ADDITIONAL READER ADVISORIES

The information in this MD&A is provided as of 30 August 2022. The H1 2022 year to date results have been compared to the results for the same period in 2021. This Management Discussion and Analysis should be read in conjunction with the Company's audited consolidated financial statements as at 31 December 2021 together with the accompanying notes.

CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported. Ithaca Energy's management reviews these estimates regularly. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive. The Company might realise different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Capitalised costs relating to the exploration and development of oil and gas reserves, along with estimated future capital expenditures required to develop proved and probable reserves are depreciated on a unit-of-production basis, by asset, using estimated proved and probable reserves as adjusted for production.

A review is carried out at each reporting date for any indication that the carrying value of the Company's D&P and E&E assets may be impaired. For assets where there are such indications, an impairment test is carried out on the Cash Generating Unit ("CGU"). Each CGU is identified in accordance with IAS 36. The Company's CGUs are those assets which generate largely independent cash flows and are normally, but not always, single developments or production areas. The impairment test involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs of disposal and value in use, where the value in use is determined from estimated future net cash flows. Any additional depreciation resulting from the impairment testing is charged to the Statement of Income.

Goodwill is tested annually for impairment and also when circumstances indicate that the carrying value may be at risk of being impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the Statement of Income. Impairment losses relating to goodwill cannot be reversed in future periods.

Recognition of decommissioning liabilities associated with oil and gas wells are determined using estimated costs discounted based on the estimated life of the asset. In periods following recognition, the liability and associated asset are adjusted for any changes in the estimated amount or timing of the settlement of the obligations. The liability is accreted up to the actual expected cash outlay to perform the abandonment and reclamation. The carrying amounts of the associated assets are depleted using the unit of production method, in accordance with the depreciation policy for development and production assets. Actual costs to retire tangible assets are deducted from the liability as incurred.

All financial instruments are initially recognised at fair value on the balance sheet. The Company's financial instruments consist of cash, accounts receivable, deposits, derivatives, accounts payable, accrued liabilities, contingent consideration and borrowings. Measurement in subsequent periods is dependent on the classification of the respective financial instrument.

The determination of the Company's income and other tax liabilities / assets requires interpretation of complex laws and regulations. Tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded on the financial statements.

The accrual method of accounting will require management to incorporate certain estimates of revenues, production costs and other costs as at a specific reporting date. In addition, the Company must estimate capital expenditures on capital projects that are in progress or recently completed where actual costs have not been received as of the reporting date.

ADDITIONAL INFORMATION

Non-IFRS measures

“EBITDAX” referred to in this MD&A is not prescribed by IFRS. EBITDAX includes Earnings Before Interest, Taxes, Depreciation (or Depletion), Amortization, and Exploration Expense. EBITDAX may not be comparable to other similarly titled measures of other companies, and accordingly EBITDAX may not be comparable to measures used by other companies.

“Cashflow from operations” referred to in this MD&A are not prescribed by IFRS. This non-IFRS financial measure does not have any standardised meaning and therefore are unlikely to be comparable to similar measures presented by other companies. As an indicator of the Company’s performance, cashflow from operations should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with IFRS. Cashflow from operations is determined by adding back changes in non-cash operating working capital to cash from operating activities.

“Net working capital” referred to in this MD&A is not prescribed by IFRS. Net working capital includes total current assets less trade and other payables. Net working capital may not be comparable to other similarly titled measures of other companies, and accordingly Net working capital may not be comparable to measures used by other companies.

"Net debt" referred to in this MD&A is not prescribed by IFRS. The Company uses net drawn debt as a measure to assess its financial position. Net drawn debt includes amounts outstanding under the Company’s debt facilities and senior notes, less cash and cash equivalents. Subordinated debt of $250 million from Delek Group Limited which was repaid on 3 August 2021 was ranked with equity.

BOE Presentation

The calculation of boe is based on a conversion rate of 5.8 thousand cubic feet of natural gas ("mcf") to one barrel of crude oil ("bbl"). The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.8 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 5.8 mcf: 1 bbl, utilising a conversion ratio at 5.8 mcf: 1 bbl may be misleading as an indication of value.

Reserves

The Company’s reserves and resources as of 30 June 2022 were independently evaluated by Netherland Sewell & Associates Inc. (“NSAI”), a qualified reserves evaluator, in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resource Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. The NSAI report as of 30 June 2022 is in draft form.

Well Test Results

Well test results represent short-term results, which may not necessarily be indicative of long-term well performance or ultimate hydrocarbon recovery therefrom. Full pressure transient and well test interpretation analyses may not have been completed and as such flow test results should be considered preliminary until such analyses have been completed.

Ithaca Energy (UK) Limited
Hill of Rubislaw, Aberdeen, AB15 6XL
www.ithacaenergy.com