9 months to 30 September 2020
Financial Results

ITHACA ENERGY

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HIGHLIGHTS

68 kboe/d Q3 YTD 2020 Production	**$15/boe** Q3 YTD 2020 Unit Opex	**$543M** Q3 YTD 2020 EBITDAX	**$1.2Bn** End Sept 2020 Net Debt

- Strong operational performance with Vorlich development on production in November 2020, limited disruption arising from Covid-19 related restrictions
- Production of 68 thousand barrels of oil equivalent per day ("kboe/d"), 61% liquids, during the first nine months of 2020
- Forecast 2020 production anticipated to be at the top end of the 63-68 kboe/d guidance range
- Unit operating costs of $15/boe Q3 YTD 2020, down from $17/boe pro-forma 2019
- EBITDAX of $543 million Q3 YTD 2020, including realised commodity hedging gains of $303 million
- During the year the company re-set the majority of its 2021/22 oil hedges, maintaining underlying hedge volumes with swaps at the prevailing forward curve – as a result, in addition to the EBITDAX of $543 million, $155 million of cash flow has been accelerated into 2020 resulting in Q3 YTD Cashflow from Operations of $701 million
- 22 million barrels of oil equivalent (55% oil) hedged from the start of October 2020 into 2023 at an average price floor of $48/bbl oil and 46p/therm gas after reflecting the impact of the re-set
- Net debt at 30 September 2020 was $1.2 billion, down from $1.5 billion at year-end 2019
- Results include the $798 million post-tax non-cash impairment, primarily arising in Q1-2020 from lower commodity prices
- Decisive actions taken at the start of the year to manage the Covid-19 pandemic and sharp fall in oil prices – forecast 2020 capital expenditure halved to approximately $125 million and unit operating expenditure reduced by approximately 15% to $15/boe
- Measures being taken to recommence some of the deferred investment programmes, with capital expenditure forecast to be in the range of $125 to $135 million
- Taking into account solid year to date operational performance, full year 2020 production is anticipated to be towards the top end of the guidance range of the 63-68 kboe/d issued when the potential impact of Covid-19 restrictions were incorporated into the outlook
- Mid-year independent reserves evaluation completed with proven and probable reserves ("2P") and resources ("2C") broadly unchanged at 258 million barrels of oil equivalent ("MMboe"), after taking into account production in H1-2020, despite a reduction in forecast future commodity prices

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SUMMARY STATEMENT OF INCOME

		YTD Q3 2020	YTD Q3 2019
Average Production	kboe/d	68	17
Average Realised Oil Price [1]	S/bbl	44	65
Revenue [2]	M$	859	260
Revenue [2]		**859**	**260**
Opex [3]	M$	(291)	(95)
G&A and Foreign Exchange	M$	(21)	(7)
Cashflow from Operations [4]	**M$**	**546**	**158**
DD&A & Impairment	M$	(1,481)	(107)
Finance Costs	M$	(175)	(68)
Other Non-Cash Costs	M$	-	-
Taxation	M$	354	29
Earnings	**M$**	**(757)**	**12**
Fair value gain/loss on hedges	M$	180	54
Taxation	M$	(72)	(22)
Total Comprehensive Expense/Income	**M$**	**(649)**	**44**

(1) Average realised oil price before hedging
(2) Revenue net of royalty costs, realised hedging gains/losses, inventory movements and tanker costs;
(3) Opex costs excluding tanker costs
(4) Cashflow from Operations per cashflow statement includes $155m of Hedge resets which will not be recognized in the income statement until the original hedge matures

SUMMARY BALANCE SHEET

M$	**30 Sep 2020**	**31 Dec 2019**
Cash and Equivalents	4	15
Deposits	37	-
Other Current Assets	308	327
PP&E	2,047	3,244
Goodwill	722	929
Deferred Tax Asset	517	234
Other Non-Current Assets	231	245
Total Assets	**3,866**	**4,994**
Current Liabilities	(300)	(431)
Borrowings	(1,475)	(1,764)
Asset Retirement Obligations	(1,201)	(1,195)
Other Non-Current Liabilities	(93)	(139)
Total Liabilities	**(3,069)**	**(3,529)**
Net Assets	**797**	**1,465**
Share Capital	1,250	1,250
Cashflow Hedge Reserve	136	27
Retained earnings	(589)	188
Shareholders' Equity	**797**	**1,465**

Note: All references to "pro-forma" in this Management Discussion and Analysis take into account the contribution of the Chevron North Sea Limited ("CNSL") assets from the 1 January 2019 acquisition effective date

CORPORATE STRATEGY

Ithaca Energy is an independent oil and gas company with production, development and exploration operations focused on the UK North Sea. The Company was founded in 2004 and has grown through a combination of acquisitions and new field developments.

The Company's portfolio consists of 18 producing field interests, which predominantly lie in the Central North Sea area of the UK Continental Shelf. The portfolio is heavily weighted towards operated assets, both in terms of production and reserves, providing significant control and flexibility over execution of the business' strategic and operational priorities. The Company has approximately 440 employees, of which around 200 work offshore on Ithaca-operated assets.

Ithaca Energy's corporate strategy is focused on establishing the Company as a leading North Sea operator, delivering sustainable growth, underpinned by operational excellence and financial discipline. Execution of this strategy is centred on delivering a balanced blend of investment programmes to sustain and enhance production through continued expansion of the Captain enhanced oil recovery ("EOR") programme, infill drilling on existing producing assets, satellite field developments and near-field exploration and appraisal activities.

The Company has total proven and probable reserves and resources of 258 million barrels of oil equivalent as of 30 June 2020 (as independently evaluated by Netherland Sewell & Associates Inc.)

Ithaca Energy is a wholly owned subsidiary of the Tel Aviv stock exchange listed Delek Group Limited (TASE: DLEKG, US ADR: DGRLY), Israel's leading integrated energy company.

2020 ENVIRONMENT & RESPONSE

Given the twin challenges that arose in March 2020 of Covid-19 and the dramatic fall in oil prices, the main focus of the Company's response to these issues has been centred on maintaining the health of the workforce and reducing the risk of spreading the virus, whilst at the same time preserving the operational and financial resilience of the business.

To minimise the risks to personnel presented by Covid-19 and simultaneously preserve operational continuity, the Company reduced the number of personnel on each of its operated offshore facilities in March 2020 to the minimum level required to safely maintain production and execute any critical maintenance work scopes.

The planned 2020 investment programme announced at the start of the year involved investments in a range of infill drilling and subsea satellite developments designed to enhance production and reserves over the coming years. Forecast expenditure totalled approximately $250 million, with around two-thirds associated with the Ithaca-operated Captain, Greater Stella Area ("GSA") and Alba assets.

As a consequence of managing the Covid-19 situation and proactively preserving the liquidity and cash flow resilience of the business in the face of significantly lower commodity prices, various activities in the 2020 capital programme were stopped and deferred until a more suitable time. This included the Alba infill drilling campaign that commenced at the end of 2019, the offshore works associated with preparation for the resumption of platform drilling on the Captain field later this year, the Abigail (formerly known as Hurricane) development programme and the Fotla exploration well. In total the steps taken across the portfolio amounted to a forecast halving of the originally planned 2020 capital investments programme to approximately $125 million.

The majority of the amended and deferred capital investment programmes are not specifically centred on activities that are scheduled to materially impact 2020 production. In the short term the reductions in production arising from the deferred infill drilling activities are expected to be largely offset by shorter than originally forecast planned maintenance shutdowns on the platforms and infrastructure serving the producing asset portfolio. The reduced durations are a natural consequence of the measures taken to manage prevailing Covid-19 related personnel and equipment restrictions. Though the maintenance activities that had been planned for completion this year will ultimately need to be rescheduled for 2021 and beyond. The exact impact of this on forecast production and expenditure in future years is being assessed as part of the on-going work being undertaken by the Company and the wider industry to optimise forward work programmes.

Although the majority of the capital investments relate to activities designed to increase production in 2021 and beyond, the completion of the Vorlich field development programme (34% working interest) has impacted the level of production during the year. Vorlich represents the third satellite field start-up in the Greater Stella Area ("GSA"). As previously reported, the impact of Covid-19 related restrictions on personnel and equipment have resulted in the start-up of production delayed until November of this year.

In addition to the 2020 capital expenditure reductions, the Company is also targeting an approximately 15% reduction in 2020 operating expenditure. These savings are driven

by both work programme changes, being the cancellation or deferral of activities that are not required to specifically maintain safe and stable production operations while Covid-19 restrictions are on-going, and the work being undertaken as part of transforming the business following the CNSL acquisition.

Various initiatives have been taken over the first half of the year to re-set the cost base of the enlarged business and drive forward the underlying transformation principles of process simplification, operational efficiencies and value creation. As previously reported, the Company has reduced the size of the onshore workforce to better match the operational footprint of the business. A voluntary leavers programme was initiated in April 2020 and was completed during the third quarter of the year. This resulted in an approximately 25% reduction in the number of onshore employees as well as reduced contractor utilisation.

2020 OUTLOOK

Taking into account the reductions in offshore work programmes, including reductions to the duration of planned maintenance shutdowns scheduled to take place across the portfolio during the year, it was estimated that 2020 production would be in the region of 63-68 kboe/d, approximately 10% lower than guidance at the start of the year. Production in Q3 YTD 2020 was 68 kboe/d (61% liquids), following strong operational performance across the portfolio and ultimately limited disruption to date from Covid-19 related restrictions. Taking into account year to date performance, full year production is anticipated to be towards the top end of the guidance range.

With the on-going easing of Covid-19 related restrictions across the economy, steps are being taken to commence increasing offshore manning levels in order to prepare for recommencement of some of the previously deferred investment programmes. Depending on the speed with which such upmanning can progress over the coming months, it is anticipated that a modest increase in the reduced capital work programme could be delivered in the year. This could result in the ultimate 2020 capital expenditure programme being in the range of $125 to $135 million.

As a consequence of the various cost reduction initiatives being implemented across the business, forecast 2020 unit operating expenditure remains at approximately $15/boe, down from guidance at the start of the year of $17/boe.

ITHACA ENERGY

OPERATIONAL REVIEW

9 months production to 30 September 2020 was 68 kboe/d, in line with the 63-68 kboe/d guidance issued in April 2020 when the potential impact of Covid-19 issues and restrictions were incorporated into the outlook

The production portfolio is weighted towards operated assets, which accounted for approximately 70% of production. This provides the Company with the control and flexibility over the operation of these fields, enabling a sharp focus to be maintained on optimising and maximising the value of production from the assets.

		Q3 YTD 2020 Production	2019 Pro-Forma Production
Daily Production	**kboe/d**	**68.1**	**74.7**
▪ *Liquids*	*kbbl/d*	*41.7*	*46.8*
▪ *Gas*	*kboe/d*	*26.4*	*28.0*
Total Production	**MMboe**	**18.7**	**27.3**

Daily Production	**kboe/d**	**68.1**	**74.7**
▪ Captain	kboe/d	22.8	23.9
▪ GSA	kboe/d	9.2	12.5
▪ Other Operated[1]	kboe/d	11.2	13.2
▪ Britannia & Satellites[2]	kboe/d	16.1	16.7
▪ Other Non-Operated[3]	kboe/d	8.8	8.4

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. Other non-operated assets comprises Elgin / Franklin, Jade, Pierce and the Dons

The producing asset portfolio has performed well during Q3 YTD 2020. Average production of 68.1 kboe/d (61% liquids – 56% oil / 5% NGL) is in line with guidance issued in April 2020 when the potential impact of Covid-19 issues and restrictions were incorporated into the outlook.

Production during the period benefitted from solid operational uptime performance across the portfolio, with no major impact arising from the move to minimum offshore manning levels in March 2020 as a result of the measures taken to mitigate the potential impact of Covid-19.

Production during the first nine months of 2020 has benefitted from the infill drilling programmes that were completed on various assets over the course of last year, which have mitigated the rate of natural production decline across the portfolio. In particular, infill wells drilled in 2019 on the Captain (85% working interest), Stella (100% working interest), Elgin / Franklin (3.9% working interest) and Brodgar (12.5% working interest) fields have all contributed to sustaining solid production volumes in the first nine months of 2020.

While infill drilling activities have temporarily been paused on the Company's operated fields, certain wells on the non-operated assets are continuing or forecast to commence in the second half of 2020 and will contribute additional volumes in the later part of 2020 and into 2021, although at a modest level given the Company's relatively low working interest in the fields. These include on-going infill drilling activities on the TOTAL-operated Elgin / Franklin (3.9% working interest) and the Shell-operated Pierce (7.48% working interest) fields, plus a well that is scheduled to commence drilling on the Chrysaor-operated Callanish field (16.5% working interest) later in the year. The next more significant boost to production will be seen with the start-up of the Vorlich field (34% working interest) in November this year.

Taking into account solid year to date operational performance, full year 2020 production is anticipated to be towards the top end of the guidance range of the 63-68 kboe/d issued when the potential impact of Covid-19 restrictions were incorporated into the outlook.

As a result of issues arising with the water injection and gas lift capability on the EnQuest-operated Dons Area fields in the second quarter of this year, it has been concluded that the fields being served by the "Northern Producer" floating production facility have reached their economic limit. The Dons Area, which is located in the Northern North Sea, consists of the Don Southwest, Conrie and Ythan fields in Blocks 211/18a & 18c (all 40% working interest) and the West Don field in 211/18b & 211/13b (21.4% working interest). As previously announced, work is on-going to secure the necessary regulatory approvals for cessation of production from the field at the end of Q1 2021. This will enable removal of the Northern Producer ahead of executing the full field decommissioning programme in the years to come. In the first half of 2020, the Dons contributed approximately 1.2 kboe/d or under 2% to the Company's total production.

DEVELOPMENTS

The Company's development activities are centred on leveraging the value of existing infrastructure in the portfolio, through infill drilling and developing additional resources in the vicinity of the assets

The Company's main on-going development activities are focused on execution of the Vorlich field development plan (34% working interest), which represents the third satellite field to be connected to the Ithaca-operated GSA production hub. Development planning activities are also continuing to advance on expansion of the Captain field enhanced oil recovery ("EOR") programme.

Vorlich Field Development
The Vorlich field is being developed as a two well subsea tie-back to the Ithaca-operated FPF-1 floating production facility, which lies approximately 10 kilometres to the south of the field.

Through an innovative partnership with field partner bp, Ithaca Energy was contracted to install the subsea infrastructure and execute the modifications on the FPF-1 in order to receive and process Vorlich fluids. bp operated the field through its development phase and drilled the wells. Ithaca Energy has now taken over and Vorlich's Field Operator.

The Vorlich field came online in November 2020, slightly later than the mid-2020 start-up expected prior to the delays imposed by the measures taken to manage Covid-19 related restrictions.

Captain Enhanced Oil Recovery Programme
Based on the performance and incremental production achieved as a result of the Stage I polymer EOR programme on the Captain field (85% working interest), work is progressing on extending this to a second stage of activities. The "Stage II" 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 6 kilometre subsea pipelines and umbilicals to the two subsea areas of the field in order to provide polymer injection capacity and the installation of additional polymer storage tanks and pumps on the Captain platform and floating production, storage and offloading ("FPSO") vessel.

Various supply chain tendering activities are currently on-going for the Stage II work programme, with a view to sanctioning the development before the end of 2020. While the pace of this has been slowed down by the immediate challenges facing the industry as a result of Covid-19, the development involves a multi-year programme of activities aimed at maximising oil recovery from the field into the 2030s.

GSA Satellite Field Developments
In addition to the key Vorlich and Captain field development programmes, engineering and procurement activities are progressing for the Abigail (formerly known as Hurricane) field in order to maintain flexibility over the timing for execution of future offshore activities.

Ithaca has sanctioned the Abigail development, however, as part of preserving the financial resilience of the Company in the face of the prevailing volatile commodity price environment and managing the operational complications associated with contracting for offshore services while the future Covid-19 related restrictions are unclear, commitments have not yet been made to facilitate the originally anticipated start-up of the field in 2021. The exact timing for the future development of the Abigail field will be assessed as part of the work completed later in the year to set the work programmes and budgets for 2021 and beyond.

With respect to the other subsequent GSA satellite fields, Austen and Courageous, various subsurface and engineering studies are being progressed in order to advance the necessary development plans. These studies are scheduled to continue in 2020, along with the evaluation of additional development opportunities within the enlarged asset portfolio resulting from the CNSL acquisition.

Exploration and Appraisal

The Company's exploration and appraisal ("E&A") activities are centred on infrastructure-led opportunities, which leverage the value of the existing portfolio and have an efficient route to the timely monetisation of resources

As announced in March 2020, an exploration well drilled on the "Isabella" prospect (10% working interest) identified hydrocarbons in the Upper Jurassic and Triassic sandstone reservoirs. This is an encouraging high-pressure high-temperature gas condensate discovery in a location close to existing infrastructure. Further analysis

of the well results are being performed by the licence Operator, TOTAL E&P North Sea UK Limited ("TOTAL"), to determine future appraisal activity and recoverable resource estimates. The well, in which Ithaca Energy had a carried cost interest as a result of prior farm-out agreements with TOTAL and Euroil Exploration Limited, has been plugged and abandoned.

DECOMMISSIONING

With modest near-term decommissioning activities across the portfolio, the Company's focus over the longer term is on capturing the full benefits associated with the growing industry experience of safely and efficiently executing offshore programmes in a highly cost effective manner

The scheduled well abandonment programme on the Ithaca-operated Jacky field (100% working interest) was completed as planned using the Valaris 101 jack-up drilling rig in June 2020. The three well campaign took approximately 50 days to complete, approximately 10 days longer than forecast due primarily to an extended period of waiting on weather during rig demobilisation operations at the end of the programme.

The Jacky field, which ceased production in 2014, is located in the Inner Moray Firth area of the UK North Sea (Block 12/21c). The main decommissioning activities that remain to be completed on the field involve removal and recycling of the suction-piled, monopole unmanned platform. This work had been scheduled to take place in the third quarter of 2020, but given the complication of Covid-19 related restrictions this is now scheduled for 2021.

In June 2020 approval was received from the Offshore Petroleum Regulator for Environment and Decommissioning ("OPRED") for the Ithaca-operated Anglia field (30% working interest) decommissioning programme. The Anglia field, which ceased production in 2015, is located in Blocks 48/19b and 48/18b in the Southern North Sea. The facilities to be removed consists of a normally unmanned platform and a number of platform and subsea wells. It is anticipated that the offshore work programme will be executed in the mid-2020s.

HEALTH, SAFETY & ENVIRONMENT

Ithaca Energy's objective is to provide a safe and healthy working environment for all its employees, contractors and other personnel working for the Company, while simultaneously minimising the environmental impact of the Company's operations by working in an ever-cleaner manner. The control and management of these issues lies at the centre of the policies and procedures that constitute the "Operational Excellence" health, safety and environmental management system used by the Company and the culture of the business.

As part of proactively managing the response to the Covid-19 situation, measures to safeguard the Company's personnel and contractors were established in the first quarter of the year along with emergency response plans and measures to curtail the spread of the virus and at the same time maintain the safe and reliable continuation of business activities. The mitigating measures, which are supported by a full risk assessment of operational activities, are continuously reviewed and updated as appropriate to ensure they are aligned with industry and government guidelines.

The Company monitors and manages the Lost Time Injury Frequency ("LTIF") and Total Recordable Injury Frequency ("TRIF") associated with its operated assets as a means of evaluating the health and safety performance of the Company and the suppliers working on the assets.

There have been 4 recordable injuries to date in 2020, resulting in an LTIF of 1.31 and TRIF of 1.96 as of 30 September 2020 (12-month rolling average). This compares to an LTIF of 1.01 and a TRIF of 1.59 as at the end of 2019.

Improving operational safety performance, within an open and transparent incident reporting culture, is a continual focus of the business and a combination of targets and specific measures are implemented with a view to facilitating this goal.

The Company has an excellent record on environmental performance, the importance of which is heightened by the requirements associated with conducting offshore oil loading to shuttle tankers at two operated assets, the Captain and Alba fields. The Company had no hydrocarbon releases to sea in 2019. In 2020 the hydrocarbon spills to sea rate is a modest 0.13 barrels per million barrels of oil production.

The Company's environment stewardship planning for 2020 includes a commitment to analysing and reducing greenhouse gas emissions, both direct and indirect, in

order to contribute towards the industry goal of net zero emissions by 2035.
In November, Ithaca Energy established an internal Emissions Task Force whose remit is to set an emissions reduction target for the business, and critical path to achieve that target, for 2021 and beyond.

The carbon intensity of Ithaca Energy's operated assets (emissions over which the Company has direct operational control) in 2019 was 26 kilogrammes of carbon dioxide (equivalent) per barrel of oil equivalent produced ("kg CO_2e/boe"). This was marginally higher than the average level for UK North Sea operators of 24 kg CO_2e/boe. Approximately three-quarters of the emissions is driven by platform and operational power requirements.

In the 9 months to 30 September 2020 the Company's carbon intensity increased to 32kg CO_2e/boe. The increased emissions per unit of production was primarily attributable to compressor availability.

INDEPENDENT RESERVES EVALUATION

An updated independent reserve evaluation was performed as of 30 June 2020 – proven and probable reserves were estimated to be 258 MMboe, implying a reserves and resource life of approximately 10 years

In order to satisfy certain regulatory requirements of Ithaca Energy's parent company, the Delek Group Limited, an updated independent reserves evaluation was completed by Netherland Sewell & Associates Inc. ("NSAI").

Total proved and probable reserves ("2P") and resources ("2C") as at 30 June 2020 have been estimated to be 258 million barrels of oil equivalent ("MMboe"). Taking into account approximately 13 MMboe of production in the first half of 2020, the Company's 2P reserves outlook is essentially unchanged compared to the year-end 2019 evaluation, as is the 2C resource outlook. The total resource base is comprised of 191 MMboe 2P reserves and 67 MMboe 2C resources. This equates to an approximately 10-year reserves and resource life based on forecast 2020 production.

The report summarising the NSAI reserves evaluation is available on the Company's website (www.ithacaenergy.com).

PORTFOLIO ACTIVITIES

Opportunities to augment the Company's existing portfolio and resource base remain a key component of the business plan, with a focus on potential strategic bolt-on acquisitions from which to leverage existing operating capabilities and experience

As part of expanding the portfolio of potential future development opportunities, two previously reported licence acquisitions were completed in the first half of the year. The resources associated with these licence interests have not been included in the independent reserves evaluation completed by NSAI as of 30 June 2020.

In February 2020 the Company signed a Sales and Purchase Agreement with TOTAL E&P UK Limited to acquired the full working interest of licence P.2158 (Block 15/18b). The licence contains the "Yeoman" discovery and southern extent of the Hibiscus Petroleum-operated "Marigold" discovery. The discoveries contain oil and gas within the Palaeocene Balmoral sandstone fairway. Based on Ithaca Energy's Management estimates, it is anticipated that the licence adds resources of around 15 MMboe from the two discoveries. A limited consideration was payable at completion of the acquisition, which took place in the second quarter of 2020, with additional contingent payments at Field Development Plan approval and upon reaching a reserves recovery threshold.

In June 2020 the Company obtained Licence P.2494 (Block 13/22c) from Chrysaor North Sea Limited. The licence contains the "Phoenix" gas discovery, which lies approximately 10km south of the Captain field in a Jurassic reservoir formation. Subsurface and engineering studies are required in order to assess the development potential of the field, with the licence requiring either the submission of a Field Development Plan by July 2022 or relinquishment. It is estimated that the licence adds approximately 10 MMboe of resources (based on Management estimates).

The Company continues to actively engage in the UK Offshore Licencing Rounds conducted by the Oil & Gas Authority ("OGA"). In September, Ithaca Energy was awarded a combination of operatorship and significant working interest in seven North Sea exploration Licences under the UK 32nd Licensing Round.

The awards relate to a range of undeveloped discoveries and near-field exploration targets in the vicinity of the Company's existing portfolio, with proposed work programmes relating predominantly to the performance

of subsurface and technical studies in order to make "drill or drop" decisions within a period of two to four years.

The awards are:

- Block 13/17b and 13/18 which lie north of Captain. Ithaca Energy is offered 100% working interest as the sole licensee.
- Blocks 13/21b, 13/22b and 13/17c, for an extension of the Captain field. Ithaca Energy has been offered 100% working interest as the sole licensee.
- Block 22/1a, south of the Alba Field. Ithaca Energy has been offered Operatorship and a 50% working interest together with Spirit Energy who hold a 50% working interest.
- Block 16/27d, east of Alba and Britannia. Ithaca Energy has been offered a 25% working interest together with Chrysaor (Operator), Spirit Energy and Zennor Petroleum.
- Blocks 21/19c and 21/20c, for an extension of the Cook field. Ithaca Energy has been offered Operatorship and a 61.35% working interest.
- Blocks 21/19d and 21/24b, which lie west of the Cook Field. Ithaca Energy has been offered a 100% working interest as the sole licensee.
- Blocks 30/1g and 30/6b, containing the Kessog undeveloped discovery. Ithaca Energy has been offered a 100% working interest as the sole licensee.

FINANCIAL STRATEGY

The Company's strategy is centred on maintaining a conservative financial profile and strong liquidity headroom in order to protect the resilience of the business and enable the delivery of long term growth and value creation

Under the current challenging commodity market conditions, the key financial priority is to maintain the financial strength of the Company. Following the refinancing completed in 2019 as part of the CNSL acquisition, the business has no near term debt maturities and remains fully financed for its prevailing investment plans.

As part of maintaining capital strength, a core component of the Company's financial strategy is to consistently protect the cash flows of the business and underpin investment expenditures and debt obligations through commodity price hedging covering an approximately two to three year time horizon.

The Company has in place hedging arrangements (swaps and puts) for approximately 22 MMboe (55% oil) of production from the start of October 2020 into 2023, at an average price floor of $48/bbl oil and 46p/therm gas.

As previously reported, the Company "reset" a portion of its 2021-22 oil hedges in the second quarter of the year as part of enhancing the liquity position of the business following the dramatic fall in oil prices in March 2020. This enabled the acceleration of $155 million of oil price hedging gains into the second half, equating to approximately $19 per hedged barrel, while maintaining the underlying hedged volumes with swaps at the prevailing forward curve prices at the time of the reset. The cash generated was used to reduce the Company's drawn RBL debt.

As commodity prices continue to recover following the dramatic fall in the first part of this year, the Company expects to continue opportunistically adding further hedging protection over the medium term horizon. Such hedging is typically undertaken via swaps and puts.

In addition to the revenue protection provided by the Company's extensive commodity hedging position, the free cash flow generation of the business is also strengthened by a UK tax allowances pool of approximately $2.0 billion carried forward as of 30 September 2020. Based on current commodity prices, these allowances are forecast to shelter the Company from the payment of tax over the medium term.

The Company's capital allocation priorities are centred on a balanced and proportionate blend of investment to further enhance the value of the business, debt service and shareholder returns. While the capital expenditure programme for 2020 has been significantly reduced in order to manage the Covid-19 situation and maintain financial flexibility, the option remains to reinitiate those investment plans at the appropriate time given the dominance of the Company's operated asset positions across the portfolio.

In terms of shareholder returns, the Company has the flexibility to pay up to a $135 million dividend to its parent company, the Delek Group, subject to the terms of its RBL facility agreement. Any further distributions are subject to the Company not exceeding a 1.3x leverage ratio and distributing no more than 50% of the cumulative net income generated from the start of the fourth quarter 2019, as per the terms governing distributions in the senior notes indenture. In conjunction with completion of the recent six-monthly RBL redetermination, a $100 million dividend was paid to the Delek Group in November 2020, to bring total dividends for the year to $120 million. It has also been agreed that under the current RBL, further dividends in 2021 will be subject to Brent prices recovering to 6 monthly average of $50/bbl.

DEBT FINANCE

In conjunction with completing the Chevron North Sea Limited acquisition, the Company completed a refinancing of its capital structure in 2019. This involved the injection of additional equity capital into the business by the Delek Group and the replacement of existing debt facilities with an enlarged Reserves Based Lending ("RBL") facility and the issuance of senior unsecured notes. As such the business is funded from its existing debt facilities and cash generation from the producing asset portfolio.

As at 30 September 2020, net debt was $1,219 million:

- $760 million drawn under a $1,650 million Reserves Based Lending facility, which matures in May 2024
- $500 million senior notes, paying a 9.375% coupon, maturing in July 2024
- $4 million of cash held on the balance sheet, plus $37 million of overnight cash deposits

Based on pro-forma EBITDAX of approximately $810 million for the twelve months ending 30 September 2020, the leverage ratio of the Company as of that date was 1.5x. This is comfortably below the Company's target of maintaining leverage through the cycle of under 2.0x.

In October 2020 the Company completed its scheduled six-monthly RBL facility redetermination process. In conjunction with concluding the RBL redetermination, in November 2020, the company paid a $100 million dividend to the Delek Group to bring total dividends for the year to $120 million.

Following the redetermination, RBL availability was approximately $1.1 billion, resulting in liquidity headroom of approximately $275 million, after taking account of the dividend payments.

While net debt at 30 September 2020 totalled $1.22 billion, it should be noted that the majority of the hedging gains (approximately $40 million) relating to the second quarter of 2020 were not received until October 2020. As such, the Company's strong deleveraging trajectory has continued into the third quarter of the year.

The financial statements also reflect a Subordinated Shareholder Loan due to Ithaca Energy's parent company, Delek Group Limited, of $250 million. Due to its deeply subordinated nature, this is considered equity-like in the Company's external reporting and by the credit rating agencies.

The Company's corporate credit rating as at 26 November 2020 from Moody's, S&P and Fitch are B1 (Outlook Negative), CCC+ (CreditWatch Developing) and B (Rating Watch Negative), respectively.

Q3 YTD 2020 RESULTS OF OPERATIONS

The financial results for Q3 YTD 2020 reflect the material step-up in the scale of the business following completion of the CNSL acquisition in November 2019

TRADING ENVIRONMENT

The Brent benchmark oil price traded between $50/bbl and $80/bbl over the course of 2018 and 2019, with the average price in each of those years being relatively close at $71/bbl and $64/bbl, respectively.

Over the course of the first 9 months of 2020, the average Brent benchmark price was $44/bbl, down nearly 1/3 on the same period in 2019 (2019: $65/bbl). Perhaps more significantly, however, the Brent benchmark price has been extremely volatile during 2020 as a result of both over supply following the discord between Saudi Arabia and Russia in March 2020 and massive demand destruction arising from escalation of the Covid-19 pandemic during the period. As a consequence, the Brent benchmark has moved from a high of $70/bbl at the start of the period to a low of $17/bbl in March, following which it has steadily moved upwards to mainly be between $40 - $45/bbl.

The "NBP" UK gas price benchmark has been on a declining trend since late 2018, with average prices in 2018 and 2019 of 60p/therm and 35p/therm, respectively. This trend has been predominantly driven by an increased flow of North American LNG into the European market. The reduction in industrial gas demand that has arisen as a consequence of Covid-19 restrictions and the associated economic slowdown has also contributed to recent weakness in gas prices, although the benchmark price has shown some signs of strength in recent months. The average NBP price in the first 9 months of 2020 was 20p/therm or $2.6/MMbtu (2019: 40p/therm / $5.2/MMbtu).

REVENUE

$'000	Q3 YTD 2020	Q3 YTD 2019
Oil Sales	**456,334**	134,026
Gas Sales	**102,826**	66,856
NGL Sales	**26,179**	16,953
Other Income	**3,241**	380
Cashflow Hedge Accounting	**302,915**	55,068
Total	**891,495**	273,283

Total revenue increased by $618.2 million in Q3 2020 to $891.5 million (Q3 2019: $273.3 million) driven primarily by increased volumes from the enlarged business resulting from completion of the CNSL acquisition in November 2019. Total production in 2020 was 18.6 MMboe, up >295% on 2019 production of 4.7 MMboe.

OIL

Oil revenues increased significantly in 2020, mainly as a result of the additional contribution from the CNSL assets in the period. Volumes increased by 9.0 MMbbl to 10.5 MMbbl, with 8.8 MMbbl attributable to liftings from the CNSL assets, coupled with an increase of approximately 1.7 MMbbl on the original Ithaca Energy assets primarily due to Cook and Stella liftings plus a true up in relation to Pierce Q1 2020 lifting.

Average realised oil prices decreased to $44/bbl in 2020 from $65/bbl 2019. This is approximately 7% above the average Brent price for the period, which dropped to $41/bbl in 2020 from $65/bbl in 2019.

While realised oil prices for each of the fields in the Company's portfolio do not strictly follow Brent prices, with some fields sold at a discount or premium to Brent and under contracts with differing timescales for pricing, the average realised price for all the fields trades largely in line with Brent. The strong positive differential for 2020 is mainly due to lifting patterns, with significant lifting volumes relating to barrels produced in the months during the period when prices were high (the swing in the Brent benchmark price during the first nine months of the year was between $70/bbl and $17/bbl).

GAS AND NGLS

Gas and NGL revenues increased from $83.8 million in Q3 2019 to $128.9 million in Q3 2020. Gas and NGL volumes have doubled between the two periods due to the contribution of the assets acquired with the CNSL transaction (largely due to the addition of the Britannia and Satellite field interests). In particular, total gas sales increased from 2.4 MMboe to 7.2 MMboe. However, the potential increase in gas revenues was tempered as a result of realised gas prices falling from 36p/therm in 2019 to 18p/therm in 2020 due to a significant drop in UK NBP spot market prices. Like the Company's oil production, the average realised gas price for gas sales is at or around the UK benchmark price less national grid entry charges.

For commentary on the cashflow hedge accounting reported of $302 million for the nine months to 30 September, please refer to the financial instruments section below.

COST OF SALES

$'000	Q3 YTD 2020	Q3 YTD 2019
Operating Expenditure	**(303,813)**	(95,405)
DD&A	**(290,482)**	(106,748)
Movement in Oil and Gas Inventory	**(19,636)**	(8,048)
Royalties	**(1,576)**	(4,114)
Total	**(615,507)**	(214,315)

Cost of sales increased in Q3 2020 by approximately 187% to $615.5 million (Q3 2019: $214.3 million) primarily driven by the 295% increase in production arising from the addition of the CNSL assets, partly mitigated by other factors as noted below. The overall increase in cost of sales is predominantly associated with two main categories of expenditure, Operating Costs and Depreciation, Depletion and Amortisation ("DD&A") expenses, with both increases naturally due to the acquisition of the CNSL assets.

OPERATING EXPENDITURE

Operating costs increased to $303.8 million in the 9 month period (Q3 2019: $95.4 million) due to the increased scale of the producing asset portfolio. The corresponding unit cost has fallen to $15/boe in the period, when tanker costs are treated as a revenue offset. This compares to a 2019 rate of $20/boe. This material decrease is driven by an improved mix of lower cost assets within the overall portfolio and various cost reduction initiatives that have been undertaken since acquiring the larger operated asset base.

DD&A

Total DD&A expense for the 9 month period was $290.5 million (Q3 2019: $106.7 million). This increase in expense was due to higher production volumes, but offsetting this, the unit DD&A rate dropped from $23/boe to $16/boe due to a combination of the impact of the post-acquisition DD&A rates across the wider portfolio and the asset impairments recognised in the first quarter of 2020.

MOVEMENT IN INVENTORY

An oil and gas inventory movement of $19.6 million was charged to cost of sales for the 9 month period (Q3 2019: charge of $8.0 million). Movements in inventory tend to be driven by differences in oil production and liftings, as title for gas production generally passes to the buyer as the gas flows through the pipeline system. This means that there are no significant under or overlifts relating to gas sales. In the nine months to 30 September 2020 slightly less barrels of oil were produced (10.4 MMbbl), which was in line with that sold (10.5 MMbbl), which would result in a charge to cost of sales. However, a larger charge than expected is seen as it is coupled with the decline in the value of Brent from the start of 2020 to 30 September 2020 as a result of the negative revaluation of the barrels in inventory.

Movement in Operating Oil and Gas Inventory	Oil (kbbls)	Gas/NGL (kboe)	Total (kboe)
Opening Inventory	721	108	**829**
Production	10,428	8,224	**18,653**
Liftings/Sales	(10,489)	(8,223)	**(18,713)**
Disposals/Transfers/Others	(16)	18	**2**
Closing Volumes	644	127	**771**

IMPAIRMENT CHARGES AND EXPLORATION AND EVALUATION EXPENSES

$'000	Q3 YTD 2020	Q3 YTD 2019
Exploration and Evaluation Write Off	**(1,201)**	(195)
Impairment of Oil and Gas Assets	**(984,275)**	-
Impairment of Goodwill	**(206,729)**	-
Total	**(1,191,004)**	(195)

EXPLORATION AND EVALUATION EXPENSES

Total Exploration and Evaluation (E&E) write off for the period was $1.2 million (Q3 2019: $0.2 million) for non-commercial prospects.

IMPAIRMENT

Pre-tax impairment charges of $1,187 million ($795 million post-tax) reported as part of our Q1 results are included in the period. This was driven by the lower forward curve for both oil and gas prices resulting in impairments across the oil and gas portfolio of $980 million coupled with a write-down of the value of Goodwill by $207million. The review was carried out on a fair value less cost of disposal basis using risk adjusted cash flow projections discounted at a post-tax rate of 10.5%. The increased value of the company's hedges are not part of the impairment calculation.

A further impairment of $3.9 million has been recorded during Q3 as a result of the increased decommissioning costs in relation to Jacky and a change in phasing of spend on Dons. Jacky is no longer producing and both fields have no remaining net book value resulting in the impairment booked during the quarter.

ADMINISTRATION EXPENSES

$'000	Q3 YTD 2020	Q3 YTD 2019
General and Administration	**(28,254)**	(7,929)
Total Administration Expenses	**(28,254)**	(7,929)

Total administrative expenses were $28.3 million in the 9 month period (Q3 2019: $7.9 million, including $4.3 million of non-recurring acquisition fees). G&A costs have increased in the period primarily due to approximately 70 onshore employees taking up the Company's voluntary redundancy programme resulting in a one-off cost to Ithaca of $9.8 million coupled with some residual corporate costs relating to the CNSL acquisition, alongside the significant upsizing of the business post the CNSL acquisition. Underlying G&A costs continue to be subject to disciplined management, totalling approximately $1/boe.

FOREIGN EXCHANGE & FINANCIAL INSTRUMENTS

$'000	Q3 YTD 2020	Q3 YTD 2019
Gain on Foreign Exchange	**6,771**	622
Total Gain on Foreign Exchange	**6,771**	622

FOREIGN EXCHANGE

A foreign exchange gain of $6.8 million was recorded to the end of Q3 2020 (Q3 2019: $0.6 million gain) mainly due to volatility in the GBP:USD exchange rate. The rate at the end of the period was $1.28:£ compared to a rate of $1.31:£ on 31 December 2019.

As the majority of the Company's creditors are paid in sterling, this has resulting in a gain on settlement of invoices.

FINANCIAL INSTRUMENTS

The Company cash flow hedge accounts for both commodities and interest rate intruments, while accounting for foreign exchange instruments is done on a mark-to-market basis. This effectively means that the accounting impact relating to financial instruments is split between the Income Statement and the Statement of Other Comprehensive Income (SOCI) as set out in the following tables.

$'000	Q3 YTD 2020	Q3 YTD 2019
Revaluation of commodity hedges	**(2,789)**	(375)
Revaluation of other instruments	**(1,913)**	538
Total Revaluation (Loss)/Gain	***(4,702)***	*163*
Realised gain on commodity hedges	**3,463**	-
Realised loss on other instruments	**(2,006)**	(1,010)
Total Realised Gain/(Loss)	***1,457***	*(1,010)*
Ineffectiveness on cash flow hedges	**-**	3
Income Statement (Loss) on Financial Instruments	**(3,245)**	(844)

$'000	Q3 YTD 2020	Q3 YTD 2019
Revaluation of derivative contracts	**26,007**	63,465
Realised gain on derivative contracts	**404,004**	26,171
Amounts recycled to revenue	**(302,915)**	(55,068)
Amounts recycled to finance costs	**53,320**	19,808
Total Cashflow Hedge Gain in SOCI	**180,417**	54,376

In total, the Company recorded a loss of $3.2 million on financial instruments in the Income Statement for the period ended 30 September 2020 (Q3 2019: $0.8 million loss). In addition, a gain was recognised in the Statement of Other Comprehensive Income of $180.4 million (Q3 2019: $54.3 million gain). The application of cash flow hedge accounting means that revaluation amounts

relating to financial instruments are booked to a Cash Flow Hedge Reserve until the period when the hedge is realised.

The Income Statement contains a revaluation loss of $4.7 million relating primarily to foreign exchange instruments, while the Statement of Other Comprehensive Income shows a revaluation gain of $26.0 million relating to commodity instruments. The revaluation is driven by the commodity price forward curve as at the valuation date – as the forward curve falls, the value of the instruments increase and vice versa. Oil spot prices began the period at $67/bbl and ended at $42/bbl with gas moving similarly, beginning the period at 30p/therm and ending at 19p/therm, with the forward curves following these trends. These movements resulted in significant revaluation gains at the end of Q3 2020.

The amount recycled to revenue in the period was $302.9 million, reflecting the success of the Company's hedging programme. This represents the instruments crystallising in the period and is partially offset by the related put premiums of $51.2 million which were recycled to finance costs along with the crystallised interest rate hedges.

The Company executed an oil hedging re-set programme in response to the decline in oil prices in March and April 2020. During the 9 month period, hedges with a value of $155 million were re-set, which was received in cash during the period (and used to reduce the drawn debt under the RBL facility). All the hedges that were re-set were replaced with new positions at the forward curve prices prevailing at the time.

The following table summarises the commodity hedges in place at 30 September 2020.

Derivative	Term	Volume bbls	Av. Price $/bbl
Oil Puts	Oct 2020 – Dec 2021	3,736,250	60
Oil Swaps	Oct 2020 – Dec 2022	8,736,738	43
Derivative	**Term**	**Volume (therms)**	**Av. Price (p/therm)**
Gas Puts	Oct 2020 – Dec 2021	185,100,000	58
Gas Swaps	Oct 2020 – Dec 2022	228,125,000	49

As of 30 September 2020 the Company's commodity hedges were valued as an asset of $72.2 million based on valuations relative to the respective forward curves. This comprises an oil hedging asset of $38.6 million coupled with a gas hedging asset of $43.1 million, a foreign exchange forward asset of $1.4 million; offset by an interest rate hedge liability of $10.9 million.

FINANCE COSTS

$'000	Q3 YTD 2020	Q3 YTD 2019
Bank Interest and Charges	**(78,621)**	(33,781)
Loan Fee Amortisation	**(7,089)**	(1,941)
Accretion	**(32,689)**	(11,389)
Put Premiums	**(51,233)**	(19,808)
Other	**(5,661)**	(657)
Total Finance Costs	**(175,294)**	(67,576)

Finance costs charged to the Income Statement increased to $175.3 million in Q3 2020 (Q3 2019: $67.6 million). This increase is primarily attributable to changes in financing arrangements associated with the CNSL acquisition, including repayment of the RBL facility that was in place prior to the refinancing completed in 2019, including repayment of a $300 million term loan with JP Morgan. These facilities were replaced with a $1.65 billion RBL facility ($760 million drawn as at 30 September 2020) and $500 million senior unsecured notes. The extent of the Company's commodity hedging programme means put premiums have increased significantly compared to last year. This is reflected in the significant step up in cash flow hedging gains recognised in revenues. Accretion has also increased due to the additional decommissioning liabilities associated with the CNSL assets.

TAXATION

$'000	Q3 YTD 2020	Q3 YTD 2019
Corporation Tax – Current	**(384)**	28,860
Corporation Tax – Deferred	**354,585**	-
Corporation Tax – Other Comprehensive Income	**(72,167)**	(21,768)
Total UK Corporation Tax	**282,307**	7,092

A tax credit of $282.3 million was recognised in the nine months ended 30 September 2020 (Q3 2019: $7.1 million credit). This is less than the expected credit of 40% of the combined Income Statement and the Statement of Other Comprehensive Income loss due primarily to the goodwill impairment at the end of Q1 2020, which is not tax deductable.

The Company's total carried forward UK tax allowances as at 30 September 2020 were approx. $2.0 billion (31 December 2019 $2.4 billion). Based on current commodity prices, these allowances are forecast to shelter the Company from the payment of tax over the medium term.

CAPITAL INVESTMENTS

$'000	Adds Q3YTD 2020
Development and Production (D&P)	65,571
Exploration and Evaluation (E&E)	15,800
Other Fixed Assets	2,751
Total	84,122
Non cash decommissioning revisions	(11,523)
Total capex additions	72,599

The capital expenditure programme in the nine months ending September 2020 has been mainly focused on the Captain field and activities associated with the expansion of the on-going enhanced oil recovery programme, investments on the Vorlich and Hurricane fields in the GSA and the acquisition of the "Yeoman" undeveloped discovery licence interest from Total E&P UK Limited.

WORKING CAPITAL

$'000	30 Sep 2020	31 Dec 2019	Increase / (Decrease)
Cash and Cash Equivalents	4,051	15,059	(11,008)
Deposits	37,300	-	37,300
Trade and Other Receivables	119,950	158,149	(38,199)
Inventory - Hydrocarbon	41,852	47,626	(5,774)
Inventory – Materials	44,311	52,470	(8,159)
Other Current Assets	4,373	8,660	(4,287)
Trade and Other Payables	(256,960)	(368,462)	111,502
Net Working Capital[1]	(5,123)	(86,498)	(81,375)

1. Working capital being total current assets less trade and other payables, excluding derivative instruments.

As at 30 September 2020 the Company had a net working capital credit balance of $5.1 million, including an unrestricted cash balance of $4.0 million and $37.3 million overnight deposit held in accounts with BNP Paribas.

Substantially all of the Receivables are current, being defined as less than 90 days. The Company regularly monitors all receivable balances outstanding in excess of 90 days. No credit loss has historically been experienced in the collection of accounts receivable.

The significant item driving the movement from year end is payment in the first quarter of 2020 of $65 million relating to the 2019 Corporation Tax due by CNSL prior to the acquisition.

Working capital movements are driven by the timing of receipts and payments of balances, which fluctuate in any given period. Of the Company's $119.9 million accounts receivable balance a significant proportion, $42.2 million, relate to hedging receipts due. The remainder of the balance is predominantly due from co-ventures in the oil and gas industry and is subject to normal joint venture/industry credit risks.

ITHACA ENERGY

CAPITAL RESOURCES – DEBT FACILITIES

In November 2019, alongside completion of the CNSL acquisition, the Company completed its process of refinancing the business. The existing Subordinated Shareholder Loan with the Company's parent company, the Delek Group, was increased from $100 million to $250 million, alongside a $590 million increase to the Company's issued and fully paid share capital.

In addition, the existing RBL facility was increased from $400 million to $1,650 million, with the term of the facility extended to April 2024, and the $300 million term loan with JP Morgan that was in place prior to the refinancing being simultaneously retired.

The final part of the refinancing involved the issuance of $500 million 9.375% senior unsecured notes due July 2024, with interest payable semi-annually. The notes offering was completed on 1 August 2019 and the funds were held in escrow until release at completion of the CNSL acquisition on 8 November 2019.

The following table summarises the funds drawn under the debt facilities noted above. This highlights that net debt at 30 September 2020 was $1,218.7 million (inclusive of $37.3 million overnight deposit and excluding the equity-like Subordinated Shareholder Loan).

Debt Summary (M$)	30 Sep 2020	31 Dec 2019
RBL Facility	760.0	1055.0
Senior Notes	500.0	500.0
Total Debt (excl equity type subordinated debt)	**1,260.0**	**1,555.0**
UK Cash and Cash Equivalents	(4.0)	(15.1)
Deposits	(37.3)	-
Net Drawn Debt (excl equity type subordinated debt)	**1,218.7**	**1,539.9**
Equity Type Subordinated Debt	250.0	250.0
Net Drawn Debt	**1,468.7**	**1,789.9**

Note: This table shows debt repayable as opposed to the reported balance sheet debt which nets off capitalised RBL and Term Loan costs.

The key covenants in the RBL facility are as follows:

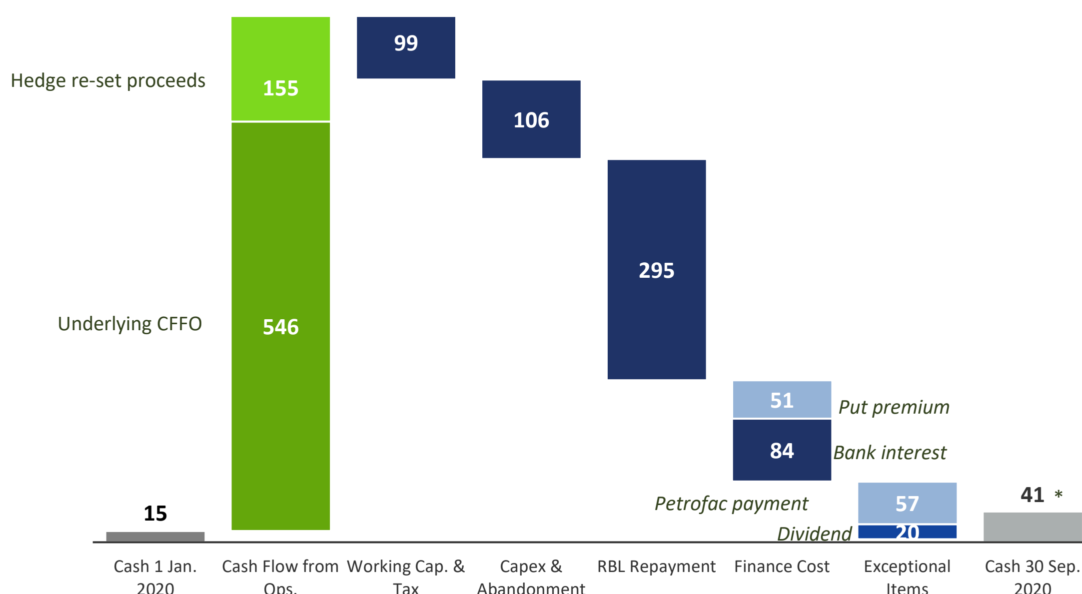
- Total projected sources of funds must exceed the total projected uses of funds for the remaining term of the RBL
- The ratio of the net present value of cashflows secured under the RBL for economic life of the fields to the amount drawn under the facility must not fall below 1.15:1
- The ratio of the net present value of cashflows secured under the RBL for the life of the debt facility to the amount drawn under the facility must not fall below 1.05:1

The Company was in compliance with all its relevant financial and operating covenants during the nine months to 30 September 2020.

There are no historic or maintenance financial covenant tests associated with the senior unsecured notes or the Subordinated Shareholder Loan.

Q3-2020 CASH FLOW MOVEMENTS

During the nine months ended 30 September 2020 there was a cash outflow from operating, investing and financing activities of approximately $11 million (Q3 2019 inflow of $0.8 million); as set out in the following graph:



*included within closing 30 September 2020 cash balance - $37m overnight cash deposit

Cash flow from operating activities was $701 million. Revenues from the producing asset portfolio have been supported by a successful hedging programme and carefully controlled operating costs resulting in underlying CFFO of $546 million for the period. In addition, funds were received from the hedging re-sets during 1H 2020 totalling $155 million.

Movements in working capital resulted in an outflow of cash totalling $99 million in the period. This was primarily driven by a tax payment of $65m made in Q1 2020 relating to 2019 profits made by CNSL. The remaining balance arises due to a build up in working capital related to timing of receipt of payment for oil and gas hedges.

Cash spend on capital expenditure in the period was $106 million, with the key contributors being the development of the Vorlich field and the abandonment of the wells on the Jacky field.

The Company aims to maintain minimal cash on hand and prioritises repayment of our RBL facility with excess cash. During the period $295 million of drawn RBL was repaid.

During the first nine months of 2020, the Company paid finance costs totalling $135 million. This was split $84 million in interest paid to lenders and $51 million paid in deferred premiums on oil and gas put options.

The Company accelerated a deferred acquisition payment to Petrofac previously due in Q4 2020 of this year into the second quarter in exchange for a significant discount. A payment of $57 million was made in respect of this liability during the period. Additionally, a dividend of $20 million was distributed in May.

COMMITMENTS

$'000	1 Year
Engineering	93,541
Total	93,541

The Company's operational commitments primarily relate to on-going project and drilling activities across the portfolio.

CONSOLIDATION

The consolidated financial statements of the Company and the financial data contained in this Management Discussion and Analysis are prepared in accordance with IFRS. The consolidated financial statements include the accounts of Ithaca Energy and its wholly-owned subsidiaries, listed below.

Wholly owned subsidiaries:

- Ithaca Energy (Holdings) Limited
- Ithaca Energy (UK) Limited
- Ithaca Minerals (North Sea) Limited
- Ithaca Energy Holdings (UK) Limited
- Ithaca Energy (North Sea) plc
- Ithaca Petroleum Limited
- Ithaca Causeway Limited
- Ithaca Exploration Limited
- Ithaca Alpha (N.I.) Limited
- Ithaca Gamma Limited
- Ithaca Epsilon Limited
- Ithaca Petroleum EHF
- Ithaca SPL Limited
- Ithaca SP UK Limited
- Ithaca Dorset Limited
- Ithaca GSA Holdings Limited
- Ithaca GSA Limited
- Ithaca Energy Developments UK Limited
- FPF1 Limited
- Ithaca Oil & Gas Limited

All inter-company transactions and balances have been eliminated on consolidation. A significant portion of the Company's North Sea oil and gas activities are carried out jointly with others. The consolidated financial statements reflect only the Company's proportionate interest in such activities.

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 in order 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.

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