Registered No: 858805765

CAPRICORN SURINAME B.V.

DIRECTORS’ REPORT & NON-STATUTORY FINANCIAL STATEMENTS

FOR THE PERIOD FROM 17 MAY 2018 (DATE OF INCORPORATION) TO 31 DECEMBER 2019

CAPRICORN SURINAME B.V.

Directors:

James Smith
Simon Thomson

Independent Auditors:

PricewaterhouseCoopers Accountants N.V.
Fascinatio Boulevard 350
3065 WB, P.O. Box 8800, 3009 AV
Rotterdam
The Netherlands

Registered Office:

50 Lothian Road
Edinburgh
EH3 9BY

Registered No:

858805765

CAPRICORN SURINAME B.V.

Directors' Report

The Directors of Capricorn Suriname B.V. ("the Company") present their Non-Statutory Annual Report for the period from 17 May 2018 (the date of incorporation) to 31 December 2019 together with the audited non-statutory financial statements of the Company for the said period.

The Company is a wholly owned subsidiary of Capricorn Energy Limited. The results of the Company are consolidated into those of the ultimate parent company, Cairn Energy PLC, registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY, United Kingdom. Copies of Cairn Energy PLC's financial statements are available to the public and may be obtained from the above-mentioned address.

Business Review

The Company's principal activity is oil and gas exploration.

During 2018, the Company was awarded an exploration agreement on the largest block offshore Suriname as an operator with 100% working interest. The licence covers an area of ~12,000 km^2 in the Demerara plateau in the Guyana-Suriname basin.

The Company acquired and processed 2D seismic data for ~4,500km^2. Block-wide interpretations and an update of the prospect inventory are ongoing, with a decision on future 3D seismic acquisition to be made during 2021 with a view to potential drilling activity thereafter.

The Company deferred the capital expenditure for 2020 work programme to 2021 in the light of market conditions due to COVID-19 pandemic, but no further delay is expected.

The Company made a loss of US$12,719, mainly due to exchange losses during the period 17 May 2018 to 31 December 2019. No dividend has been paid or declared in respect of the period 17 May 2018 to 31 December 2019.

The Company and the wider Cairn Energy PLC Group have performed additional sensitivity analysis. This includes scenarios forecasting a prolonged economic downturn as a result of COVID-19 and the demand-side impact forecast on oil prices together with supply-side risk as a result of increased production in the global oil market. These confirm that the Company can continue to operate as a going concern, supported by the Cairn Energy PLC Group ("the Group"). These accounts have therefore been prepared on a going concern basis.

Principal Risks and Uncertainties

The Company is subject to a variety of risks which derive from the nature of oil and gas exploration business. The principal risk for the company would be the ability to carry out work programme as per commitment through parent company funding.

As part of the embedded risk management process, the Group and the Company actively consider emerging risks and threats which could impact on the business. In H1 2020, the Group and the Company identified the increasing threat from COVID-19 as an emerging risk which would have to be actively assessed and managed. The safety and protection of personnel has remained a priority throughout the coronavirus pandemic. The Group closely follow Government advice and guidance as well as working with local health authorities. The risk has been actively managed, and the Group and the Company have not experienced any material health, safety or operational impacts.

Accounting Policies

Significant accounting policies of the Company are disclosed in the financial statements.

Financial Instruments and Financial Risk Management

For details of the Company's financial risk management policy see note 10.

CAPRICORN SURINAME B.V.

Directors' Report (continued)

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were as follows:

James Smith (appointed 17 May 2018)

Simon Thomson (appointed 17 May 2018)

The Company maintains qualifying third-party indemnity insurance on behalf of its directors.

Statement of directors' responsibilities

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

The directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and Part 9 of Book 2 of the Dutch Civil Code. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Disclosure of Information to Auditors

The directors of the Company who held office as at the date of this report confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

The auditors, PricewaterhouseCoopers Accountants N.V., have indicated their willingness to continue in office, and a resolution that they be re-appointed will be presented at the annual general meeting.

BY ORDER OF THE BOARD

James Smith
Director

50 Lothian Road
Edinburgh
EH3 9BY

30 March 2021

CAPRICORN SURINAME B.V.

Income Statement

For the period 17 May 2018 to 31 December 2019

	Note	17 May 2018 to 31 December 2019 US$
Finance costs	3	**(12,719)**
Loss before taxation		**(12,719)**
Taxation	4	**-**
Loss for the period		**(12,719)**

Statement of Comprehensive Income

For the period 17 May 2018 to 31 December 2019

	17 May 2018 to 31 December 2019 US$
Loss for the period	**(12,719)**
Other comprehensive income for the period	**-**
Total comprehensive expense for the period	**(12,719)**

CAPRICORN SURINAME B.V.

Balance Sheet

As at 31 December 2019

	Notes	2019 US$
Non-Current assets		
Intangible exploration/appraisal assets	5	**9,484,863**
		9,484,863
Current assets		
Other receivables	6	**62,646**
Cash and cash equivalents	7	**13,641**
		76,287
Total assets		**9,561,150**
Current liabilities		
Other payables	8	**1,048,868**
		1,048,868
Total liabilities		**1,048,868**
Net assets		**8,512,282**
Equity attributable to owners of the parent		
Called-up share capital	9	**1**
Share premium	9	**8,525,000**
Accumulated losses		**(12,719)**
Total equity		**8,512,282**

The financial statements were adopted by the Board of Directors on 30 March 2021 and signed on its behalf by:

James Smith
Director

CAPRICORN SURINAME B.V.

Statement of Cash Flows

For the period 17 May 2018 to 31 December 2019

	17 May 2018 to 31 December 2019 US$
Cash flows from operating activities	
Loss before taxation	**(12,719)**
Finance costs	**12,719**
Net cash generated from operating activities	**-**
Cash flows from investing activities	
Expenditure on intangible exploration/appraisal assets	**(9,210,822)**
Net cash used in investing activities	**(9,210,822)**
Cash flows from financing activities	
Financing fees	**(537)**
Loan from parent company	**700,000**
Capital contribution from parent company	**8,525,000**
Net cash flows generated from financing activities	**9,224,463**
Net increase in cash and cash equivalents	**13,641**
Closing cash and cash equivalents	**13,641**

Statement of Changes in Equity

For the period 17 May 2018 to 31 December 2019

	Called-up share capital US$	Share premium US$	Accumulated losses US$	**Total Equity US$**
At 17 May 2018 (on incorporation)	1	-	-	**1**
Loss for the period	-	-	(12,719)	**(12,719)**
Total comprehensive expense for the period	-	-	(12,719)	**(12,719)**
Capital contribution	-	8,525,000	-	**8,525,000**
At 31 December 2019	**1**	**8,525,000**	**(12,719)**	**8,512,282**

1 Significant accounting policies

a) Basis of preparation

The financial statements of Capricorn Suriname B.V. ("the Company") for the period 17 May 2018 to 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 1 February 2021. The Company is a private limited company incorporated in the Netherlands and registered with the Dutch trade register. The Company's registered number is 71675264. The Company is domiciled in the United Kingdom and the registered office is located at 50 Lothian Road, Edinburgh, Scotland, EH3 9BY. The Company's operations are in Suriname where the Company has a registered branch.

The Company prepares its Financial Statements on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy. The Company's financial statements comply with International Financial Reporting Standards ("IFRS") as adopted by the EU and Part 9 of Book 2 of the Dutch Civil Code. The accounting policies adopted during the period are consistent with those adopted by the ultimate parent company, Cairn Energy PLC.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on page 2. The financial position of the Company and its liquidity position are presented in the financial statements and supporting notes. In addition, note 10 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; and its exposures to liquidity risk.

b) Going concern

The directors have considered the factors relevant to support a statement of going concern. In assessing whether the going concern assumption is appropriate, the directors considered the confirmation by the Company's ultimate parent undertaking, Cairn Energy PLC, to make available sufficient funds to allow the Company to meet its liabilities as they fall due for the period of twelve months from the date of signing these financial statements With minimal firm work commitments over the next 12 months in Suriname, the Group remain confident that it will be able to continue to fully fund the Company's operations.

The Group and the Company do not believe that the uncertainties caused due to COVID-19 pandemic have a material impact on the Group's and the Company's operations.

These accounts have therefore been prepared on a going concern basis.

c) Accounting standards

The Company prepares its financial statements in accordance with applicable IFRS, issued by the International Accounting Standards Board ('IASB') as adopted by the EU and Part 9 of Book 2 of the Dutch Civil Code, and interpretations issued by the IFRS Interpretations Committee ('IFRS IC'), applicable to companies reporting under IFRS. The Company's financial statements are also consistent with IFRS as issued by the IASB as they apply to accounting periods ended 31 December 2019. There are no new accounting standards or amendments that have been issued since the balance sheet date that are expected to have an impact on the financial statements.

d) Intangible exploration/appraisal assets

Costs

The Company follows a successful-efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement as pre-award costs.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within intangible exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered and a field development plan approved.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within intangible exploration/appraisal assets and subsequently allocated to drilling activities. Costs are recognised following a cost accumulation model where any contingent future costs on recognition of an asset are recognised only when incurred. This includes where the Company has entered into a 'farm-in' agreement to either acquire or part-dispose of an exploration interest.

1 Significant accounting policies (continued)

d) Intangible exploration/appraisal assets (continued)
Costs (continued)

A farm-in is an agreement in which a party agrees to acquire from one or more of the existing licencees, an interest in an exploration licence, for a consideration which may consist of the performance of a specified work obligation on behalf of the existing licencees. This obligation may be subject to a monetary cap. Refund of full or partial costs incurred to date may also be included in a farm-in agreement. Where the Company has part-disposed of an exploration licence interest through a farm-in arrangement, a 'farm-down', the contingent consideration payable by the third party on the Company's behalf is not recognised in the Financial Statements. The future economic benefit which the Company will receive as a result of the farm-down will be dependent upon future success of any exploration drilling.

Exploration/appraisal drilling costs are capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial and work to confirm the commercial viability of such hydrocarbons is intended to be carried out in the foreseeable future. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Income Statement.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated and approved in a field development plan, then the related capitalised intangible exploration/appraisal costs are transferred into a single field cost centre within property, plant & equipment – development/producing assets, after testing for impairment (see below).

Proceeds from the disposal or farm-down of part or all of an exploration/appraisal asset are credited initially to that interest with any excess being credited to the Income Statement.

Impairment
Intangible exploration/appraisal assets are reviewed regularly for indicators of impairment and tested for impairment where such indicators exist. An indicator that one of the Company's assets may be impaired is most likely to be one of the following:

- There are no further plans to conduct exploration activities in the area;
- Exploration drilling in the area has failed to discover commercial reserve volumes;
- Changes in the oil price or other market conditions indicate that discoveries may no longer be commercial.

In such circumstances the intangible exploration/appraisal asset is allocated to any property, plant & equipment development/producing assets within the same CGU and tested for impairment. Any impairment arising is recognised in the Income Statement for the period. Where there are no development assets within the CGU, the excess of the carrying amount of the exploration/appraisal asset over its recoverable amount is charged immediately to the Income Statement.

e) Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument.

Other receivables
Financial assets, being amounts receivable from joint operations are classified as financial assets at amortised cost.

A loss allowance will be recognised, where material, for expected credit losses on financial assets held at the balance sheet date. Expected credit losses are the difference between the contractual cash flows due to the Company, and the discounted actual cash flows that are expected to be received. For amounts receivables from joint operations, a lifetime credit loss would be recognised on initial recognition if material. No allowance is recognised at the balance sheet date.

Other payables
Other payables are non-interest bearing and are measured at fair value initially then amortised cost subsequently using an effective interest rate basis.

f) Equity
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

1 Significant accounting policies (continued)

g) Joint operations

The Company is a partner (joint operator) in oil and gas exploration and development licences which are unincorporated joint arrangements. The Company's current interest in these arrangements are determined to be joint operations.

Costs incurred relating to an interest in a joint operation are capitalised in accordance with the Company's accounting policies for oil and gas assets as appropriate (see note 1(d)). All of the Company's intangible exploration/appraisal assets are related to interests in joint operations.

The Company's working capital balances relating to joint operations are included in other receivables and in trade and other payables. Any share of finance income or costs generated or incurred by the joint operation is included within the appropriate income statement account.

h) Taxation

The total tax charge or credit represents the sum of current tax and deferred tax.

The current tax credit is based on the taxable loss for the year. Taxable profit or loss differs from net profit or loss 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. Where there are uncertain tax positions, the Company assess whether it is probable that the position adopted in tax filings will be accepted by the relevant tax authority, with the results of this assessment determining the accounting that follows.

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 or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Licence interests

The Company's principal licence interest at the balance sheet date is the following permit offshore Suriname:

Asset Name	Licence	Operator	Interest (%)
Block 61	Block 61	CAPRICORN SURINAME B.V.	100

The permit represents a joint operation between the Company and the Government of Suriname. While the Company retains 100% of the licence through the exploration phase, the Government has the rights to a share in any subsequent discovery.

k) Key estimates and judgments

There are no key estimates and judgements.

2 Operating costs

Auditors' remuneration
The Company's auditors' remuneration is US$41,423 has been borne by the ultimate parent company Cairn Energy PLC. Auditors' remuneration for other services is disclosed in the financial statements of Cairn Energy PLC, the ultimate parent undertaking.

The Company has a policy in place for the award of non-audit work to the auditors which requires approval by the Audit Committee of Cairn Energy PLC, the ultimate parent undertaking. Costs of US$37,973 were incurred by the Company during the period from 17 May 2018 to 31 December 2019 for audit related assurance services.

Employees
This company has no employees.

Remuneration of key management personnel and directors
The directors of the Company, who are the only key management personnel are also directors of other companies in the Cairn Energy PLC Group. The directors received remuneration for the period from 17 May 2018 to 31 December 2019 of US$3.8m and pension contributions of US$0.3m all of which was paid by other companies in the group. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of Cairn Energy PLC and fellow subsidiary companies. There are no agreements between the Company and the Board of Directors. There was no direct recharge of directors' fees included within amounts recharged to the Company.

3 Finance Costs

	17 May 2018 to 31 December 2019 US$
Bank charges	**537**
Exchange loss	**12,182**
	12,719

4 Taxation

	17 May 2018 to 31 December 2019 US$
Loss before taxation	**(12,719)**
Loss before taxation at the average UK statutory rate of corporation tax of 19%	**(2,417)**
Effects of:	
Tax losses surrendered to other group companies	**2,417**
Total tax charge	**-**

The UK main rate of corporation tax is currently 19%. No deferred tax asset has been recognised at the year end.

5 Intangible exploration/appraisal assets

Net book value	US$
At 17 May 2018 (on incorporation)	-
Additions	9,484,863
At 31 December 2019	**9,484,863**

During the period, the Company incurred US$9,484,863 in relation to the licences which are capitalised in accordance with the Company's accounting policies for oil and gas assets as appropriate (see note 1(d)). Costs include timewriting and other charges incurred after the licences were awarded.

6 Other receivables

Other receivables of US$62,646 represent expenses incurred by the Company as the operator. Due to the short-term nature of these receivables, the fair value is considered to be the same as the carrying value.

7 Cash and cash equivalents

	US$
Cash at bank	13,641
	13,641

The company's financial assets, comprising of cash and cash equivalents, are held at amortised cost which is equal to their fair value.

8 Other payables

	At 31 December 2019 US$
Amounts due to parent company	**765,514**
Joint operation payables	**283,354**
	1,048,868

The amounts outstanding are unsecured and interest free, repayable on demand and will be settled in cash. No guarantees have been given. Due to the short-term nature of the amounts payable, their fair value is considered to be the same as their carrying value. Subsequent to the year end, loans due to the parent have been converted into share premium.

Maturity analysis
The Company's financial liabilities have a maturity of less than one year.

8 Other payables (continued)

Reconciliation of opening and closing group borrowings to cash flow movements:

	2019 US$
Opening amounts due to parent company	-
Cash flow movement	
Recharges from parent company included in investing activities	(65,514)
Loan from parent company included in financing activities	(700,000)
Capital contribution from parent company included in financing activities	(8,525,000)
Non-cash movement	
Capital contribution from parent company	8,525,000
Closing amounts due to parent company	**(765,514)**

9 Called-up share capital

Issued capital

	Number	US$
Allotted, issued and fully paid Ordinary shares of US$1		
At 17 May 2018 and 31 December 2019	**1**	**1**

Share premium

	US$
At 17 May 2018 (on incorporation)	-
Contributions from parent entity	8,525,000
At 31 December 2019	**8,525,000**

The parent entity who is the only share holder has agreed to treat the cash contributions to the Company as share premium and the cash contributions are credited to share premium account.

10 Financial risk management: objectives and policies

The main risk arising from the Company's financial instruments is liquidity risk. The Board of the Company's ultimate parent company, Cairn Energy PLC ("the Board") through the Treasury Sub-Committee, reviews and agrees policies for managing the risk and these are summarised below.

Cairn Energy PLC's treasury function and Executive Team as appropriate are responsible for managing these risks, in accordance with the policies set by the Board. Management of these risks is carried out by monitoring of cash flows, investment and funding requirements using a variety of techniques. These potential exposures are managed whilst ensuring that the Company has adequate liquidity at all times in order to meet their immediate cash requirements. There are no significant concentrations of risks unless otherwise stated. The Company does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The primary financial assets and liabilities comprise cash, intra-group loans and other receivables and financial liabilities held at amortised cost. The Company strategy is to finance its operations through a mixture of retained profits and group borrowings. Other alternatives such as equity issues and other forms of non-investment-grade debt finance are reviewed by the Cairn Energy PLC Board, when appropriate.

Liquidity risk
The Group and Company closely monitor and manage the liquidity risk using both short and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, changes in and delays of development projects. The forecasts show that the Company will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of these financial statements.

The Company has received a letter of support from Cairn Energy PLC, the ultimate parent company to meet liabilities as they become due for the 12-month period from the date of approval of the 2019 Financial Statements. Further information regarding the ultimate parent company and Group's liquidity position are disclosed in note 1(b).

Capital Management
The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to carry out committed work programme requirements. The Company monitors the long-term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

The Company manages the capital structure and makes adjustments to it in light of changes to economic conditions. No significant changes were made in the objectives, policies or processes during the year ended 31 December 2019.

The Group is subject to quarterly forecast liquidity tests as part of the debt facility agreement. The Group has complied with the liquidity requirements of this test at all times during the year.

Company capital and net debt as at 31 December 2019 were made up as follows:

	US$
Amounts payable to parent company	**765,514**
Less: Cash and cash equivalents	**(13,641)**
Net debt	**751,873**
Equity	**8,512,282**
Company capital and net debt	**9,264,155**
Gearing ratio	**8%**

11 Related party transactions

The Company's balance payable to the parent entity is US$765,514. The outstanding amounts are unsecured, repayable on demand and will be settled in cash. No guarantees have been given.

The Company received invoices of US$314,933 during the period 17 May 2018 and 31 December 2019 from group companies.

Remuneration of key management personnel

See note 2.

12 Capital Commitments

Oil and gas expenditure:	**At 31 December 2019 US$**
Intangible exploration/appraisal assets	**508,000**
Contracted for:	**508,000**

Capital commitments represent the Company's obligation in relation to the licences in Suriname.

13 Ultimate parent company

The Company is a wholly owned subsidiary of Capricorn Energy Limited. The results of the Company are consolidated into those of the ultimate parent company, Cairn Energy PLC, registered in Scotland, whose principal place of business is at 50 Lothian Road, Edinburgh, EH3 9BY.

Copies of Cairn Energy PLC's financial statements are available to the public and may be obtained from the above-mentioned address.

14 Appropriation of Profit

The Board of Directors proposes that the loss of US$12,719 for the period 17 May 2018 to 31 December 2019 be added to the accumulated losses.

15 Post Balance Sheet Event

Subsequent to the financial year-end the COVID-19 virus has spread rapidly throughout the world with a significant number of infections. Measures taken by governments to contain the virus have affected economic activity.

At this stage, the impact on the Company and its results is limited. The Company deferred capital expenditure from its 2020 work programme into to 2021 in light of the ongoing pandemic, but no further delay is expected. The Company will continue to follow the relevant national institutes policies and advice and in parallel will do its utmost to continue operations in the best and safest way possible.

Subsequent to the year end, loans due to the parent undertaking (see note 8) were converted into share premium.