

PETROLIA NOCO AS



Innovative Exploration

INTERIM REPORT FOR FIRST HALF 2019

Highlights for the first half 2019

- Awarded five licenses in the APA 2018 by the Norwegian Ministry of Petroleum and Energy, including the second operated licence for the company
- Operating income of NOK 10.7 million (0.4)
- Positive decision to drill Dugong prospect at PL 882. The well will probably be drilled in 2020
- First production for the company from the recently acquired Flyndre Field
- The Petrolia NOCO AS shares were registered with ISIN NO0010844301 at the Norwegian Central Securities Depository, VPS, and made freely tradable

Events subsequent to the period

- Linn Katrine Høie appointed managing director with effect from 5th August 2019
- The Petrolia NOCO AS shares registered with ticker PNO on the NOTC, a market place for unlisted shares

Key figures*

	Unit	1H 2019	1H 2018
Revenues	NOK million	10.7	0.4
Profit (loss)	NOK million	-14.0	-8.1
Cash flow from operations	NOK million	-56.1	-32.4
Cash flow from financing	NOK million	21.7	55.9

ABOUT PETROLIA NOCO AS

Petrolia NOCO AS (Petrolia NOCO) is a privately-owned independent oil company which has operatorship of two licenses and is a partner on 10 further licenses on the Norwegian Continental Shelf.

Its shares are registered in the Norwegian Central Securities Depository (Verdipapirsentralen, VPS) with ISIN: NO0010844301. The shares are registered with ticker PNO on the NOTC (www.notc.no), a market place for unlisted shares. The LEI code is 5493000TY8HENWE3AL33.

Petrolia NOCO AS has been involved in exploration in Norway since 2012 and has 12 licences including two operatorships, one in the northern North Sea (PL 933) and one in the Norwegian Sea (PL 1013).

Petrolia NOCO AS is geared towards creating significant value for stakeholders through its strategy of focusing on material exploration success. By applying smart and cost-effective technology with Norwegian Continental Shelf competence, the company is challenging consensus to open new exploration plays.

FINANCIAL REVIEW

Petrolia NOCO reported revenues in the first half 2019 of NOK 10.7 million (0.4) following the acquisition of 0.825% of the producing Flyndre Field. The production costs ended at NOK 7.1 million (0).

The company had exploration expenses of NOK 47.9 million (19.0). Of this NOK 15.2 million (6.6) was joint interest costs, NOK 27.9 million (7.3)

was seismic and well data and NOK 4.9 million (5.1) was other costs.

Operating profit ended at NOK -62.7 million (-31.7) and profit before tax was NOK – 64.4 million (-32.8 million) in the first half of 2019.

The calculated refund of exploration costs was NOK 45.0 million, up from NOK 24.5 million, contributing to a loss of NOK 14.1 (8.1) for the period.

Petrolia has total assets of NOK 139.5 million per 30. June 2019, compared to NOK 134.0 million at the end of 2018. , The tax receivable refund value of exploration expenses amounted to NOK 100.9 million (55.2).

The net cash flow from operations was NOK -56.1 million (-32.4), mainly following the exploration activities, and the net cash flow from financing activities ended at NOK 21.7 million. The company has increased its debt from NOK 67 million at the end of 2018 to NOK 85.7 million at the end of the first half of 2019.

STRATEGY

Focused on niche exploration

Petrolia NOCO is a niche exploration player, challenging the consensus as this opens up new opportunities. Petrolia NOCO focuses on new plays with potential for large discoveries. At present the primary focus is on basement opportunities, an underexplored play with significant potential.

The company recognised early on that the basement play, already proven in the UK (e.g. Lancaster Field), is likely to be present on the NCS along an extension of the Rona Ridge. In the 2017 APA awards, Petrolia NOCO was

awarded three licenses with basement plays, one as operator. The company continues to build a strong technical foundation in basement plays by maturing further exploration targets in preparation for future license awards.

Petrolia NOCO's competence in basement plays has been recognised by both industry and authorities, leading to excellent acreage positions.

LICENSE PORTFOLIO

Norwegian Sea licenses

- PL 887 20%
- PL 936 30%
- PL 937 30%
- PL 937 B 30%
- PL 948 30%
- PL 998 20%
- PL 1013 (Petrolia operated, 60%)

North Sea Licenses

- PL 018 C 11.654%
- PL 882 30%
- PL 992 30%
- PL 994 30%
- PL 933 (Petrolia operated, 40%)

OPERATIONAL DEVELOPMENTS

APA 2018

Petrolia NOCO was awarded five licenses in the APA 2018 by the

Norwegian Ministry of Petroleum and Energy. Two of the licenses (PL 992 and PL 994) are located in the northern North Sea and three in the Norwegian Sea (PL 937 B, PL 998 and PL 1013), where Petrolia also obtained one operatorship (PL 1013).

Flyndre (0.825%)

The Flyndre Field is an oil and gas producing field on the border between the Norwegian and UK sectors of the North Sea, 35 km northwest of the Ekofisk Field. The field is operated by Total Oil UK Limited.

The production at the Flyndre Field averaged 35 barrels of oil equivalents per day (Boepd) during the first half of 2019.

PL882 (30%)

PL 882 was awarded as part of the APA 2016 round, where Petrolia recognised that the blocks to the west of Snorre Field were under-explored and the area would be better imaged with a new broadband data.

The strong partnership with Neptune (operator) and Concedo has led to de-risking of prospectivity and a positive decision to drill the Dugong prospect, most likely in 2020.

CORPORATE DEVELOPMENTS

New appointments

The company announced Anette Broch Mathisen Tvedt as new exploration manager and Joanna Ponicka as business development manager.

Freely tradable shares

The Petrolia NOCO shares were registered at the Norwegian Central Securities Depository, "VPS" with ISIN: NO 0010844301 and the Articles of Association were updated to make the

shares freely tradable without neither pre-emption rights to existing shareholders nor need of board approval.

Since the last period, Independent Oil & Resources PLC divested its 28% shareholding in Petrolia NOCO to its 700 shareholders.

SUBSEQUENT EVENTS

NOTC listing

The Petrolia NOCO shares were registered with ticker PNO on the NOTC (www.notc.no), a market place for unlisted shares.

New managing director

The Board of Directors of Petrolia NOCO announced the appointment of Linn Katrine Høie as managing director.

Høie (42) comes to Petrolia NOCO with broad experience from the energy sector, most recently working with digitalisation of field development in Aker BP. She has held various management positions during her career and has a very broad technical and cross discipline understanding of the industry.

Bergen, 28 August 2019

(Sign)
Brede Bjøvd Larsen
Board member

(Sign)
Dr Robert Arnot
Chairman

(Sign)
Sjur Storaas
Board member

INCOME STATEMENT

<i>(Amounts in 1,000 NOK)</i>	H1 2019	H1 2018
Operating income	10,714	399
Production cost	-7,133	0
Exploration expenses	-47,916	-19,047
Payroll and related cost	-6,772	-7,293
Depreciation and amortisation	-858	-121
Other operating expenses	-10,734	-5,547
Operating profit (loss)	-62,699	-31,609
Finance income	0	0
Finance costs	-1,695	-1,220
Net financial items	-1,695	-1,220
Profit (loss) before income tax	-64,394	-32,829
Calculated refund of exploration costs	45,707	24,452
Change deferred tax	4,633	315
Net Income tax credit	50,340	24,767
Profit (loss) for the year	-14,054	-8,062

STATEMENT OF FINANCIAL POSITION

<i>(Amounts in 1,000 NOK)</i>	30 June 2019	Audited 2018
ASSETS		
Non-current assets		
Deferred tax asset	28,216	23,583
Property, plant and equipment	3,207	4,004
Intangible assets	209	0
Total non-current assets	31,632	27,587
Current assets		
Inventory	698	7,178
Receivables, related parties	0	72
Prepayments and other receivables	5,017	8,088
Tax receivable refund tax value exploration expenses	100,861	55,154
Cash and cash equivalents	1,305	35,958
Total current assets	107,881	106,450
Total assets	139,513	134,037
EQUITY AND LIABILITIES		
Equity		
Share capital	121,487	121,487
Uncovered loss	-85,895	-71,841
Total equity	35,592	49,646
Liabilities		
Decommissioning provision	3,000	3,000
Borrowings	85,700	64,000
Total non-current liabilities	88,700	67,000
Current liabilities		
Trade creditors	12,115	11,698
Other current liabilities	3,106	5,693
Total current liabilities	15,221	17,391
Total liabilities	103,921	84,391
Total equity and liabilities	139,513	134,037

CASH FLOW STATEMENT

<i>(Amounts in NOK)</i>	YTD 2019	YTD 2018
Net cash flow from operating activities	-56,084	-32,370
Net cash flow from investing activities	-269	-245
Net cash flow from financing activities	21,700	55,850
Net change in cash and cash equivalents	-34,653	23,235
Cash and cash equivalents at 1st January	35,958	2,477
Cash and cash equivalents at 30th of June	1,305	25,712

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