

Petrolia Noco

We find value by
working together

Financial report for the first half of 2020

HIGHLIGHTS FOR 1H 2020

- Drilling of the Dugong prospect (PL 882) on Tampen in which Petrolia NOCO holds 20% with Neptune as operator. The well was completed after the closing of the period in an efficient and safe manner, 20 days ahead of schedule.
- The Dugong well was announced as a commercial oil discovery in an area where Petrolia Noco has additional acreage on the same trend west of Snorre.
- Temporary COVID-19 measures to the petroleum tax law has a positive impact for Petrolia NOCO and will reduce the company's need for funding and allow a higher level of activity.

Key figures (NOK million)

	1H2020	1H2019
Revenues	1.8	10.7
Loss	10.8	14.0
Cash flow from operations	-31.5	-56.1
Cash flow from financing	39.1	21.7

ABOUT PETROLIA NOCO AS

Petrolia NOCO AS (Petrolia NOCO) is an independent E&P company that utilises efficient and intelligent exploration processes together with machine learning. The company aims to find oil and gas in prolific areas of the Norwegian continental shelf in order to maximise utilisation of existing infrastructure in a sustainable way to create value for all stakeholders.

Petrolia NOCO is a private limited company incorporated and domiciled in Norway, with its main office in Bergen. The company is operator on exploration license (PL 1013) and has Norway's youngest subsurface team. Petrolia NOCO was incorporated 3 June 2011 and has 690 shareholders. 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.

FINANCIAL REVIEW

Petrolia NOCO reported revenues in the first half of 2020 of NOK 1.8 million (10.7)

The company had exploration expenses of NOK 26.5 million (47.1).

Operating loss ended at NOK 35.5 million (62.7) and loss before tax was NOK 39.0 million (64.4 million) in the first half of 2020.

The net income tax credit was NOK 28.2 million (50.3) contributing to a loss of NOK 10.8 (14.1) for the period.

Petrolia NOCO has total assets of NOK 170.5 million per 30. June 2020, compared to NOK 144.7 million at the end of 2019. The tax receivable refund value of exploration expenses amounted to NOK 110.9 million (70.6).

In the first half of 2020, the net cash outflow from operations was NOK 31.5 million (56.1), mainly following the exploration activities, net cash outflow from investing activities was NOK 18.2 million (0.3) and the net cash flow from financing activities was NOK 39.1 million (21.7). The company has increased its debt from NOK 118 million at the end of 2019 to NOK 154 million at the end of the first half of 2020.

STRATEGY

Petrolia NOCO believes in creating value through innovative and cost-efficient exploration by challenging underexplored play models and discovering more resources in near-field core areas on the Norwegian continental shelf.

The company combines traditional exploration methods with new AI and machine learning technologies. Petrolia NOCO takes advantage of being a young, lean and data driven exploration team, free from established truths, motivated by strong and innovation focused management.

This creative business approach is based on building strong strategic

alliances with license partners and technology companies. Petrolia NOCO aims to change the traditional license partnership model from an organization consisting of different partners to one collaborative team — sharing openly and transparently instead of selectively. All with the shared objective of creating more value for the next generation.

Petrolia has a two-fold strategy:

- Exploration: Near-field exploration in core areas, unlocking potential high value uplift with the lowest possible capex requirements.
- Production: Acquire production assets and cash flow, in addition to contributing to increased recovery by reducing costs and CO₂-emissions.

The common denominator for both the exploration and production approach is active portfolio management designed to create value for all stakeholders.

LICENSE PORTFOLIO

Comprises 9 licenses, whereof partner in 8 exploration licenses with Equinor, ConocoPhillips, Total, DNO, Lundin, Neptune, Concedo, and Idemitsu. Operator in one license with INEOS as partner.

Norwegian Sea licenses

- PL 933 (40%)
- PL 935 (20%)

- PL 998 (20%)
- PL 1013 (operated, 60%)

North Sea Licenses

- PL 018 C (11.654%)
- PL 048 D (21.8%)
- PL 882 (20%)
- PL 992 (30%)
- PL 994 (30%)

OPERATIONAL DEVELOPMENTS

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 Petrogas NEO UK Limited.

The working interest of the production at the Flyndre Field averaged 36 barrels of oil equivalents per day (Boepd) for Petrolia NOCO during the first half of 2020.

Enoch (4.36%)

The Enoch Field is an oil and gas producing field in the central part of the North Sea on the border to the British sector, 10 km northwest of the Gina Krogh field. The field is operated by Repsol Sinopec North Sea Limited.

The working interest of the production at the Enoch Field averaged 40 barrels of oil equivalents

per day (Boepd) for Petrolia NOCO during the first half of 2020.

PL882 (20%)

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 led to de-risking of prospectivity in the Dugong prospect which was spudded towards the end of the second quarter. Subsequent to the end of the accounting period the partnership in PL 882 announced that the Dugong well was a commercial discovery.

The adjacent Dugong Tail prospect is of similar size and may be drilled later.

The PL 882 discovery is located close to the Snorre platform, which has been upgraded for production beyond 2040.

PL 933 (40%)

As operator, Petrolia NOCO has successfully matured the prospect into a positive drilling decision. Equinor has taken over as operator of the license, as planned.

PL 1013 (operatorship, 60%)

As operator, Petrolia NOCO has been working on maturing the prospect together with INEOS towards a drill or drop decision this fall.

EVENTS AFTER BALANCE SHEET DATE

4 August 2020, Petrolia NOCO announced a commercial discovery of oil at the Dugong well in the Norwegian sector of the North Sea. The discovery was the largest in Norway so far this year.

The volumes are estimated to be in the range of 6.3 – 19.0 million standard cubic meters (MSm³) of recoverable oil equivalent, or 40 – 120 million barrels of oil equivalent. In addition another prospect has been identified, estimated by the operator at 5.2 million standard cubic meters (MSm³) of recoverable oil equivalent, or 33 million barrels of oil equivalent.

The forward appraisal and commercialisation strategy for the Dugong discovery will be based upon a full evaluation of the information collected at both the main bore and side-track well. Dugong is located nearby existing production facilities.

The discovery enhances the prospectivity of the entire PL 882 license, where the company owns 20%. The adjacent Dugong Tail prospect has a considerable resource upside. Additional prospects and leads have also been identified by the PL882 partnership. Petrolia NOCO also holds 30% shares in two adjacent licenses (PL992 and PL994).

Bergen, August 24th 2020

Brede Bjøvd Larsen
Board member

Dr Robert Arnott
Chairman

Sjur Storaas
Board member

INCOME STATEMENT

(Amounts in 1,000 NOK)	1H 2020	1H 2019
Operating income	1,770	10,714
Production cost	-401	-7,133
Exploration expenses	-26,504	-47,916
Payroll and related cost	-3,811	-6,772
Depreciation and amortisation	-1,062	-858
Other operating expenses	-5,482	-10,734
Operating loss	-35,490	-62,699
Finance income	1,362	0
Finance costs	-4,897	-1,695
Net financial items	-3,535	-1,695
Loss before income tax	-39,025	-64,394
Net Income tax credit	28,225	50,340
Loss for the year	-10,800	-14,054

STATEMENT OF FINANCIAL POSITION

(Amounts in 1,000 NOK)	30 June 2020	Audited 2019
ASSETS		
Non-current assets		
Exploration and evaluation assets	22,775	4,660
Deferred tax asset	11,926	23,971
Right of use assets	3,125	3,905
Property, plant and equipment	686	915
Total non-current assets	38,512	33,451
Current assets		
Inventory	0	13
Prepayments and other receivables	11,032	20,078
Tax receivable refund tax value exploration expenses	110,913	70,643
Cash and cash equivalents	10,040	20,519
Total current assets	131,985	111,253
Total assets	170,497	144,704
EQUITY AND LIABILITIES		
Equity		
Share capital	12,149	12,149
Other equity	4,237	15,037
Total equity	16,386	27,186
Liabilities		
Decommissioning provision	1,414	1,414
Lease liability	1,532	2,292
Borrowings	134,750	94,750
Total non-current liabilities	137,696	98,456
Current liabilities		
Trade creditors	11,690	7,124
Lease liability – current	1,707	1,707
Other current liabilities	3,018	10,231
Total current liabilities	16,415	19,062
Total liabilities	154,111	117,518
Total equity and liabilities	170,497	144,704

CASH FLOW STATEMENT

(Amounts in 1,000 NOK)	1H 2020	1H 2019
Net cash flow from operating activities	-31,458	-56,084
Net cash flow from investing activities	-18,168	-269
Net cash flow from financing activities	39,147	21,700
Net change in cash and cash equivalents	-10,479	-34,653
Cash and cash equivalents at start of period	20,519	35,958
Cash and cash equivalents at end of period	10,040	1,305

Petrolia Noco

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