PETROLIA NOCO AS

Annual report 2019

DIRECTORS' REPORT 2019

PETROLIA NOCO AS

Nature of Business and Business Locations
Petrolia NOCO AS was incorporated on 3rd June 2011.

Petrolia NOCO AS is registered in Bergen.

The Ministry of Petroleum and Energy approved Petrolia NOCO AS as a NCS licensee on the 7th of February 2012 and in November 2016 the company was prequalified as an operator on the Norwegian Continental Shelf (NCS).

Petrolia NOCO AS is an Exploration and Production company with the Norwegian Continental Shelf (NCS) as its focus.

On the 4th of August 2020, the company announced a significant and commercial discovery in the 20% owned PL882. Refer to note 27.

Financial Result
Petrolia NOCO AS recorded a net loss in 2019 of NOK 22 459 912 compared to a net loss of NOK 27 345 198 in 2018. The net loss was transferred to retained earnings.

The total equity was NOK 27 186 345 as at 31.12.2019.

Financial Risk
The main financial risk factors for Petrolia NOCO AS are related to fluctuations in oil prices, exchange rates and interest levels and the need of capital funding.

Going concern
Pursuant to the Norwegian Accounting Act section 3-3a, the Board confirms that the requirements of the going concern assumption are met and that the annual accounts have been prepared on that basis. The financial position and the liquidity of the company are considered to be satisfactory in relation to planned activity level.

The temporary changes to petroleum tax law approved in 2020 significantly improve the Company's financial capacity and allow a higher activity level.

Organisation
Petrolia NOCO AS had 16 full time employees and 2 part time employees as at 31.12.2019. 55% of the company's employees are women. The company pays equal salaries and gives equal compensation for women and men in positions at the same level. The company's board of directors consists of 3 men. Petrolia NOCO AS emphasises equality between the genders and the equal treatment of all employees. Sick leave in 2019 was 2.9% of total work hours. There were no injuries or accidents in 2019. The COVID – 19 pandemic has had limited effect on the company's operations and home office has proven to be very efficient.

Health, Safety & Environment
Activities related to exploration, development and production of oil and gas may cause emissions to the sea and air. The operations were in accordance with all regulatory requirements in 2019.

Petrolia NOCO AS confirms that the annual statement of accounts for 2019 in our best conviction has been prepared in accordance with the prevailing accounting standards, and that the information gives a true picture of the business and corporations assets, debt, financial position and results as a whole.

Petrolia NOCO AS has continued to develop its portfolio on the Norwegian Continental Shelf. The company will continue to explore creative ideas and new technologies in the search for new discoveries and pursue value creating opportunities.

The Board confirms that the going concern assumption is valid and the financial statements have been prepared on a going concern basis.

Bergen, 10 August 2020

Robert John Arnott Executive Chairman of the Board	Brede Bjøvad Larsen Board Member
Sjur Storaas Board Member	Linn Katrine Høie Chief Executive Officer

INCOME STATEMENT

(Amounts in NOK)	**Note**	**2019**	**2018**
Operating income	4	19,385,091	769,398
Production cost	5	-1,471,075	-117,942
Change in over-/underlift position	5,13	-7,164,900	114,400
Exploration expenses	6	-67,649,894	-44,295,009
Payroll and related cost	7	-9,056,995	-15,856,157
Depreciation and amortisation	12,22	-3,330,176	-581,266
Other operating expenses	8	-19,065,307	-12,956,624
Operating profit (loss)		**-88,353,255**	**-72,923,201**
Finance income	9	586,000	182,735
Finance costs	9	-5,723,040	-3,231,045
Net financial items		**-5,137,040**	**-3,048,311**
Profit (loss) before income tax		**-93,490,296**	**-75,971,511**
Calculated refund tax value of exploration costs		70,642,960	55,232,036
Change deferred tax		387,424	-6,605,723
Net Income tax credit	10	**71,030,384**	**48,626,313**
Profit (loss) for the year		**-22,459,912**	**-27,345,198**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK)	**Note**	**2019**	**2018**
Profit (loss) for the year		-22,459,912	-27,345,198
Other comprehensive income, net of tax:		-	-
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income for the year		**-22,459,912**	**-27,345,198**
Earnings per share	17		
Basic, profit for the year attributable to ordinary equity holders of the parent		-0.18	-0.25
Diluted, profit for the year attributable to ordinary equity holders of the parent		-0.18	-0.25

BALANCE SHEET

(Amounts in NOK)	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Exploration and evaluation assets	11	4,659,853	-
Deferred tax asset	10	23,970,780	23,583,356
Right-of-use assets	22	3,904,967	-
Property, plant and equipment	12	915,401	4,004,463
Total non-current assets		**33,451,001**	**27,587,819**
Current assets			
Inventory	13	12,677	7,177,578
Receivables, related parties	20	-	72,362
Prepayments and other receivables	14	20,078,823	8,087,178
Tax receivable refund tax value exploration expenses	10	70,642,960	55,154,037
Cash and cash equivalents	15	20,518,757	35,958,410
Total current assets		**111,253,218**	**106,449,566**
Total assets		**144,704,219**	**134,037,384**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	12,148,707	121,487,072
Premium paid-in capital		-	-
Other reserves/Uncovered loss		15,037,637	-71,840,816
Total equity		**27,186,344**	**49,646,256**
Liabilities			
Decommissioning provision	21	1,414,459	3,000,000
Lease liability	22	2,291,828	-
Borrowings	20	94,750,000	64,000,000
Total non-current liabilities		**98,456,287**	**67,000,000**
Current liabilities			
Trade creditors	18	7,123,644	11,698,129
Lease liability - current	22	1,706,889	-
Other current liabilities	19	10,231,055	5,692,999
Total current liabilities		**19,061,587**	**17,391,128**
Total liabilities		**117,517,874**	**84,391,128**
Total equity and liabilities		**144,704,219**	**134,037,384**

Bergen, 10 August 2020

Robert John Arnott
Chairman of the Board

Brede Bjøvad Larsen
Board Member

Sjur Storaas
Board Member

Linn Katrine Høie
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK)	**Share capital**	**Premium paid-in capital**	**Uncovered loss/Other capital**	**Total equity**
Equity at 1st of January 2018	86,136,848	-	-44,495,617	41,641,231
Profit (loss) for the year			-27,345,198	-27,345,198
Other comprehensive income for the year			-	-
Total comprehensive income for the year			-27,345,198	-27,345,198
Shares issued in 2018	35,350,224	-		35,350,224
Equity at 31st of December 2018	**121,487,072**	**-**	**-71,840,816**	**49,646,256**
Equity at 1st of January 2019	121,487,072	-	-71,840,816	49,646,256
Profit (loss) for the year			-22,459,912	-22,459,912
Other comprehensive income for the year			-	-
Total comprehensive income for the year			-22,459,912	-22,459,912
Decrease of share capital to cover loss/transferral to other capital	-109,338,365		109,338,365	-
Shares issued in 2019	-	-		-
Equity at 31st of December 2019	**12,148,707**	**-**	**15,037,638**	**27,186,345**

CASH FLOW STATEMENT

(Amounts in NOK)	Note	2019	2018
Cash flow from operating activities			
Profit (loss) before income tax		-93,490,296	-75,971,511
Adjustments:			
Tax refunded	10	55,154,037	39,075,276
Depreciation and amortisation	12,22	3,330,176	581,266
Gain/loss on disposal of PP&E and exploration assets	11,12	-2,855,865	0
Changes in trade creditors		-4,574,485	9,896,029
Changes in other accruals		-118,137	-3,815,698
Net cash flow from operating activities		-42,554,571	-30,234,638
Cash flow from investing activities			
Investment in exploration and evaluation assets	11	-6,989,402	0
Purchase of property, plant and equipment	12,25	-357,542	-12,686,239
Proceeds from sale of PP&E and Exploration assets	12	5,346,388	0
Net cash flow from investing activities		-2,000,556	-12,686,239
Cash flow from financing activities			
Funds drawn non-current borrowings		89,636,800	41,500,000
Repayments of current borrowings		-58,886,800	-1,000,000
Repayment of lease liabilities	22	-1,706,889	0
Net proceeds/payments from borrowings, related party	20	72,362	551,706
Proceeds from share issues		0	35,350,224
Net cash flow from financing activities		29,115,474	76,401,930
Net change in cash and cash equivalents		**-15,439,653**	**33,481,053**
Cash and cash equivalents at 1st January		35,958,410	2,477,358
Cash and cash equivalents at 31st of December		**20,518,757**	**35,958,410**

Note 1. General information

The Financial statements of Petrolia NOCO AS for 2019 were approved by the board of directors and CEO on 10 August 2020.

Petrolia NOCO AS is a private limited company incorporated and domiciled in Norway, with its main office in Bergen. The company was incorporated 3 June 2011.

The company's business segments are exploration for and production of oil and gas on the Norwegian continental shelf.

Note 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis for preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis and on a going concern assumption.

The Board is of the opinion that the financial statements are to be prepared on a going concern basis. At the time of reporting our industry is strongly affected by the sharp drop in the oil price and the Covid-19 pandemic. This can significantly affect the availability of cash needed to fund planned activities, and it can also result in delays of such activities. The Board is in close contact with the main shareholders to facilitate sufficient funding at all times and the Board and the management have implemented strict cash management, The authorities have implemented various measures aimed at improving the liquidity of businesses, including putting banks in a position to provide liquidity but most importantly the company now receives negative tax prepayments thus reducing the need for funding significantly. The Board expects that the challenges will continue, but remains confident that the company will obtain sufficient financial resources to enable it to continue as a going concern in the foreseeable future.

Business combinations and acquisition of non-controlling interests
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Foreign currency
Functional currency and presentation currency
The company's functional and presentation currency is Norwegian kroner (NOK).

Transactions in foreign currency
Foreign currency transactions are translated into NOK using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment including Oil and Gas Properties
Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciation of other assets than oil and gas properties are calculated on a straight line basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually and where they differ from previous estimates, depreciation periods are changed accordingly.
Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

Depreciation of Oil and Gas Properties
Capitalised costs for oil & gas fields in production are depreciated individually (on a field level) using the unit-of-production method. The depreciation is calculated based on proved and probable reserves. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. The rate of depreciation is multiplied with the carrying value including estimated future investments. Any changes in the reserves estimate that affect unit-of-production calculations, are accounted for prospectively over the revised remaining reserves.

Exploration costs for oil and gas properties
The Company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Costs of acquiring licenses are capitalised as intangible assets.

Drilling cost for exploration wells are temporarily capitalised pending the evaluation of potential discoveries of oil and gas reserves. If no reserves are discovered, or if recovery of the reserves is not considered technically or commercially viable, expenses relating to the drilling of exploration wells are charged to income statement. Such costs can remain capitalised for more than one year. The main criteria are that there must be definite plans for future drilling in the licence or that a development decision is expected in the near future.

Joint operations and similar arrangements, joint ventures and associates
A joint arrangement is present where The Company holds a long-term interest which is jointly controlled by The Company and one or more other companies under a contractual arrangement in which decisions about the relevant activities require the unanimous consent of the parties sharing control. Such joint arrangements are classified as either joint operations or joint ventures.

The parties to a joint operation have rights to the assets and obligations for the liabilities, relating to their respective share of the jointarrangement. In determining whether the terms of contractual arrangements and other facts and circumstances lead to a classificationas joint operations, The Company considers the nature of products and markets of the arrangements and whether the substance of their agreements is that the parties involved have rights to substantially all the arrangement's assets. The Company accounts for its share of assets, liabilities, revenues and expenses in joint operations in accordance with the principles applicable to those particular assets, liabilities, revenues and expenses. Acquisition of ownership shares in joint operations in which the activity constitutes a business, are accounted for in accordance with the requirements applicable to business combinations.

Those of The Company's exploration and production licence activities that are within the scope of IFRS 11 Joint Arrangements have been classified as joint operations.

The Company as operator of joint operations and similar arrangements

Indirect operating expenses such as personnel expenses are accumulated in cost pools. These costs are allocated on an hours' incurred basis to The Company operated joint operations under IFRS 11.
Costs allocated to the other partners' share of operated joint operations and similar arrangements reduce the costs in the Statement of income. Only The Company's share related to joint operations and similar arrangements are reflected in the Statement of income and the Balance sheet. The Company holds currently no lease contracts under IFRS 16 in joint operations.

Leases (as lessee)

Until 2018, leases in which most of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease.

The company adopted IFRS 16 – Leases from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the company's calculated borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability.

Financial assets and financial liabilities
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.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows,
selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrumentby-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments designated at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Company does not have assets at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Critical accounting judgements, estimates and assumptions (Note 3)
- Financial risk management, Credit risk (Note 3)

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interestbearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to Borrowings. For more information, refer
to Note 18.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short- term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Taxes
Income taxes for the period comprise tax payable, refundable tax from refund tax value of exploration expenses and changes in deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Uplift
Uplift is a special allowance in the basis for petroleum surtax in Norway. The uplift is computed on the basis of the original capitalised cost of offshore production installations, and amount to 5.3% of the investment per year (changed to 5.2% from 1 January 2019). The uplift may be deducted from taxable income for a period of four years (i.e. totals 21.6% over four years), starting in the year in which the capital expenditures are incurred. Uplift benefit is recorded when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Provisions and Contingent Liabilities
General
A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The amount of the provision is the present value of the risk adjusted expenditures expected to be required to settle the obligation, determined using the estimated risk-free interest rate as discount rate. Where discounting is used, the carrying amount of provision increases in each period to reflect the unwinding of the discount by the passage of time. This increase is recognised as finance cost.

Contingent liabilities are not recognised apart from contingent liabilities which are acquired through a business combination. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Asset Retirement Obligations
The Company recognises the estimated fair value of asset retirement obligations in the period in which it is incurred.

The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. This cost includes the cost of dismantlement or removal of oil and gas installations. The present value of the obligations is recognised when the assets are constructed and ready for production, or at the later date when the obligation is incurred.

Related asset retirement costs are capitalised as part of the carrying value of the tangible fixed asset and are depreciated over the useful life of the asset, i.e. unit-of-production method. The liability is accreted for the change in its present value each reporting period. Accretion expense related to the time value of money is classified as part of financial expense.

The provision and the discount rate are reviewed at each balance sheet date.
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Segment reporting
The company has one business segment, Exploration for and production of oil and gas on the Norwegian continental shelf. Due to this 2018 and therefore no segment note is presented. This is in accordance with management's reporting.

Cost of equity transactions
Transaction costs directly linked to an equity transaction are recognised directly in equity, net after deducting tax.

Revenue recognition
Revenues from sales of services are recorded when the service has been performed.

Revenue from the sale of petroleum products is recognised when the Company's contractual performance obligation has been fulfilled; at delivery. The lifting schedule will vary with the production. The cash receipt from oil sales is normally within a month of delivery. These sales are also to large international oil companies with investment grading. The pricing of the sales of petroleum products is based on current market terms for each product.

There is no significant judgement related to applying IFRS 15 to the Company's contracts.

Over-underlift of petroleum products
Due to the physical nature of lifting of oil, it is often more efficient for each licence partner to lift a full tanker-load at a time. Thus, at the balance sheet date, the amount of oil lifted by the Company may differ from its ownership share in the respective field. Oil sales exceeding (falling below) the Company's ownership share of production is booked as overlift (underlift). Underlift is booked as an asset in the balance sheet as it represents the right to receive additional oil from future production without an obligation to fund the production of that additional oil. Vice versa, overlift is booked as a liability in the balance sheet as it is an obligation to redeliver according to the entity's share of future production. Overlift and underlift on the statement of financial position date are valued at production costs.

Earnings per share
The calculation of basic earnings per share is based on the profit attributable to the owners of ordinary shares of the company using the weighted average number of ordinary shares outstanding during the year after deduction of the average number of treasury shares held over the period.
The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:
• The profit/loss for the period is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
• The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Cash flow statement
The cash flow statement is prepared by using the indirect method.

Events after the balance sheet date
The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

Changes in accounting policies and disclosures

New and amended standards and interpretations adopted by the Company
IFRS 16 Leases (as lessee)
As described in the company's annual financial statements for 2018, IFRS 16 Leases entered into force from 1 January 2019. The implementation resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The company adopted the standard using the modified retrospective approach and accordingly comparative information has not been restated. The implementation had no impact on net equity. See note 22.

New and amended standards and interpretations issued but not adopted by the Company
At the end of the reporting year, the following Standards and Interpretations which are relevant to the Company's operations were in issue but not yet effective. The Company does not intend to adopt any standard, interpretation or amendment that has been issued but is not yet effective before their effective date. Management anticipates that the adoption of all other Standards and Interpretations in future years will have no significant impact on the results and financial position presented in these financial statements.

(i) Issued by the IASB and adopted by the European Union
IFRS 3 (''Business Combinations") – "Amendments to clarify the definition of a business" (effective for annual periods beginning on or after 1 January 2020).

(ii) Issued by the IASB but not yet adopted by the European Union

IAS 1 (''Presentation of Financial Statements and IAS 8 (''Accounting Policies, Changes in Accounting Estimates and Errors") – "Amendments regarding the definition of material" (effective for annual periods beginning on or after 1 January 2020).

Note 3. Financial risk management

Financial risks
Exploration for oil and gas involves a high degree of risk, and the company is subject to the general risk factors pertaining to this business, such as (i) volatility of oil and gas prices, (ii) uncertainty pertaining to estimated oil and gas reserves, (iii) operational risk related to oil and gas exploration and (iv) volatility in exchange rates. Furthermore, only few prospects that are explored are ultimately developed into production.

Furthermore, the company is exposed to certain types of financial risks. Management involves receivables, loans, accounts payable and drawing rights to financial institutions. The business activities of the company involve exposure to credit risk, interest rate risk, liquidity risk and currency risk.

Critical accounting estimates and judgements
The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimates and assumptions which represent a considerable risk for material changes in carrying amounts of assets and liabilities during the next fiscal year, are presented below.

Tax receivable from refund tax value exploration expenses:
The Norwegian taxation authorities may have a different understanding than the Company regarding the definition of exploration expenses according to the Norwegian Petroleum Tax Act. See note 10.
Reserves:
The cost of Fields in production is amortised using the unit of production method. A change in the estimated reseves can materially affect the amortisation and/or trigger an impairment. Estimating Reserves is based on several uncertain factors.

Critical judgements in applying the company's accounting policies
Management has made judgements also in the process of applying the company's accounting policies. Such judgements with the most significant effect on the amounts recognised in the financial statements are presented in the following:

Accounting policy for exploration expenses:
The Company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred.

Asset Retirement Obligations
Production of oil and gas is subject to statutory requirements relating to decommissioning and removal once Production has ceased. Provisions to cover these future asset retirement obligations must be accrued for at the time the statutory requirement arises. The ultimate asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response the changes in reserves or changes in laws and regulations or their interpretation.

Note 4. Operating income

(Amounts in NOK)	**2019**	**2018**
Sale of oil [(1)]	16,260,812	0
Sale of gas	25,243	0
Other income	243,170	769,398
Gain sale of assets [(2)]	2,855,865	0
Total operating income	**19,385,091**	**769,398**

[(1)] Sale of oil is all to one customer; Equinor ASA.
[(2)] Gain from sale of assets, relates to sale of 10% in PL 882 to Idemitsu Petroleum Norge AS

Note 5. Production cost and changes in over-/underlift position

Production costs:

(Amounts in NOK)	**2019**	**2018**
From licences	1,148,258	114,400
Other production costs (insurance, transport)	322,817	3,542
Total production costs	**1,471,075**	**117,942**

Production costs per Barrels of oil equivalents (boe):	**2019**	**2018**
Production costs (NOK)	1,471,075	117,942
Produced volumes (boe)	12,679	2,032
Production costs per boe (NOK)	**116.0**	**58.1**

[(1)] Barrels of oil equivalents (=boe)

Changes in over-/underlift positions:

(Volumes in boe)	**2019**	**2018**
Produced volumes	12,679	2,032
Acquisition through business combination	-	15,192
Change over-/underlift	17,258	-17,224
Net sold volumes	**29,937**	**0**

Note 6. Exploration Expenses

(Amounts in NOK)	**2019**	**2018**
Share of exploration expenses from participation in licences	24,612,677	17,242,269
Other direct seismic costs and field evaluation	40,892,278	25,989,341
Other exploration expenses	2,144,939	1,063,399
Total exploration expenses	**67,649,894**	**44,295,009**

Note 7. Payroll and related cost

(Amounts in NOK)	**2019**	**2018**
Salaries	19,519,801	17,122,221
Payroll tax	3,117,292	2,697,348
Pension costs	2,015,521	1,568,033
Other employee related expenses	798,554	623,655
Invoiced to operated licenses	-16,394,174	-6,155,100
Total	**9,056,995**	**15,856,157**
Number of FTS's	21	15

Remuneration to board of directors and management:

See information in Note 20 "Related parties" regarding remuneration of key management.

Pensions

The Company has a defined contribution pension plan which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

Note 8. Other operating expenses

Other operating expenses include:

(Amounts in NOK)	**2019**	**2018**
Rental costs	0	1,761,362
Office costs	1,496,076	1,109,457
It costs	2,108,459	459,461
Accounting-, audit- and legal services	4,231,135	1,167,153
Consulting services	6,966,107	5,852,709
Consulting services, related party	402,336	345,344
Travel costs	1,166,796	828,350
Other costs	2,694,398	1,432,788
Total [1]	**19,065,307**	**12,956,624**

[1] Other operating expenses includes payments to related parties. See note 20 for further information.

Remuneration to auditor is allocated as specified below:

(Amounts in NOK)	**2019**	**2018**
Statutory audit	421,333	180,000
Audit-related services	0	0
Other assistance	0	0
Total, excl. VAT	421,333	180,000

Note 9. Finance income and costs

Finance income:

(Amounts in NOK)	**2019**	**2018**
Interest income	586,000	182,735
Total finance income	**586,000**	**182,735**

Finance costs:

(Amounts in NOK)	**2019**	**2018**
Interest expense, related party	5,373,121	2,571,667
Net foreign exchange effects	5,991	519,663
Accretion IFRS 16	241,525	0
Accretion ARO	90,000	0
Other finance costs	12,403	139,715
Total finance costs	**5,723,040**	**3,231,045**

Note 10. Tax

Specification of income tax:

(Amounts in NOK)	**2019**	**2018**
Tax value of eligible exploration costs	70,642,960	55,154,037
Changes in deferred tax	387,424	-6,605,723
Adjustment for tax earlier years	0	77,999
Total income tax credit	**71,030,384**	**48,626,313**

Tax refund on the Norwegian Continental Shelf

Companies operating on the Norwegian Continental Shelf (NCS) was in 2019 subject to a 56% special oil taxation in addition to the ordinary 22% corporate tax. Companies that are not in a taxable position can claim a 78% refund on exploration costs on the NCS. This refund is normally payable in November the following year.

This tax refund totals NOK 70 643 thousand for 2019 (2018: NOK 55 154 thousand). Tax loss carried forward (offshore) may be utilized against a possible future taxable income (offshore).

Alternatively, the tax value of loss carry forwards connected to operations on the NCS will be received in the event of a possible termination of the business. Deferred tax effect has been capitalised to the extent future realisation is deemed probable.

The tax rates for 2020 is the same as for 2019. Refer also to note 27 regarding temporary changes to the tax regime, which will allow higher activity levels for the Company.

Deferred tax assets at 31.12.19 are calculated using the tax rates effective from 1 January 2020.

Specification of tax effects on temporary differences, tax losses carried forward and deferred tax:

(Amounts in NOK)	**2019**	**2018**
Property, plant and equipment	-4,843,292	4,142,304
Capitalised exploration and license costs	0	0
Decommissioning provision	2,410,200	2,340,000
Lease liability, IFRS 16	3,118,999	0
Under-lift measured as fair value in the business combination	0	-5,903,000
Earned uplift, 56%/55%	570,369	492,155
Tax loss onshore, 22% / 23%	1,448,476	1,448,476
Tax loss offshore, 22% / 23%	10,108,169	10,018,007
Tax loss offshore, 56% / 55%	12,606,335	12,493,890
Deferred tax liability (-) / tax asset (+)	25,419,256	25,031,831
Not capitalised deferred tax asset (valuation allowance)	-1,448,476	-1,448,476
Deferred tax liability (-) / tax asset (+) in balance	**23,970,780**	**23,583,356**

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 22% in 2020 (22% in 2019), to which is added a special tax for oil and gas companies at the rate of 56% in 2020 (56% in 2019), giving a total tax rate of 78%.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

Reconciliation of effective tax rate:

(Amounts in NOK)	**2019**	**2018**
Profit (loss) before tax	-93,490,296	-75,971,511
Expected income tax 78%	72,922,431	59,257,779
Adjusted for tax effects (22% - 78%) of the following items:		
Permanent differences	465,486	-81,125
Taxable income onshore, 22% / 23%	-2,638,353	-1,548,463
Adjustments previous years	207,036	-8,754,068
Uplift, earned this year	73,785	3,937
Change in tax rate	0	-298,098
Tax loss onshore, not recognized	0	46,352
Total income tax credit	**71,030,384**	**48,626,313**

Note 11. Exploration and evaluation assets

(Amounts in TNOK)	**2019**	**2018**
Cost:		
At 1 January	-	-
Additions	6,989,402	-
Disposals	-2,329,550	-
Cost at 31 December	4,659,853	-
Amortisation and impairment losses		
At 1 January	-	-
Amortisation this year	-	-
Impairment this year	-	-
Disposals	-	-
Accumulated amortisation and impairment at 31 December	-	-
Carrying amount at 31 December	**4,659,853**	**-**

License portfolio 31 December 2019	**Share**
PL 018C	11.654 %
PL 882 (refer also to note 27 regarding commercial discovery in 2020)	20.0 %
PL 887	20.0 %
PL 933	40.0 %
PL 936	30.0 %
PL 937	30.0 %
PL 937B	30.0 %
PL 948	30.0 %
PL 992	30.0 %
PL 994	30.0 %
PL 998	20.0 %
PL 1013	60.0 %

Note 12. Property, plant and equipment

(Amounts in NOK)

	Fields in production	Furniture, fixtures and office machines	Total
2019			
Cost:			
At 1 January 2019	4,261,833	9,369,955	13,631,788
Additions	70,530	287,012	357,542
Change in ARO estimate, see note 20	-1,675,541	0	-1,675,541
Disposals	0	0	0
Cost at 31 December 2019	**2,656,822**	**9,656,967**	**12,313,789**
Depreciation, amortisation and impairment:			
At 1 January 2019	384,275	9,243,051	9,627,326
Depreciation this year	1,654,607	116,455	1,771,062
Impairment this year	0	0	0
Disposals	0	0	0
Accumulated depreciation, amortisation and impairment at 31 December 2019	2,038,882	9,359,506	11,398,388
Carrying amount at 31 December 2019	**617,940**	**297,461**	**915,401**
2018			
Cost:			
At 1 January 2018	0	9,307,452	9,307,452
Additions	4,261,833	62,503	4,324,336
Disposals		0	0
Cost at 31 December 2018	**4,261,833**	**9,369,955**	**13,631,788**
Depreciation, amortisation and impairment:			
At 1 January 2018	0	9,046,060	9,046,060
Depreciation this year	384,275	196,991	581,266
Impairment this year	0	0	0
Disposals	0	0	0
Accumulated depreciation, amortisation and impairment at 31 December 2018	384,275	9,243,051	9,627,326
Carrying amount at 31 December 2018	**3,877,558**	**126,905**	**4,004,463**
Economic life		3-5 years	
Depreciation method	Unit of production	linear	

Note 13. Inventory

(Amounts in NOK)	**2019**	**2018**
Spareparts	20,584	20,584
Underlift	-7,907	7,156,993
Total	**12,677**	**7,177,578**

Note 14. Prepayments and other receivables

Prepayments and other receivables include:

(Amounts in NOK)	**2019**	**2018**
Prepaid expenses	2,803,205	1,909,144
VAT receivables	1,543,824	941,820
Working capital and overcall, joint venture	6,462,095	3,434,797
Other short term receivables	9,269,700	1,801,418
Total	**20,078,823**	**8,087,178**

Note 15. Cash and cash equivalents

(Amounts in NOK)	**2019**	**2018**
Bank deposits	20,518,757	35,958,410
Total cash and cash equivalents	**20,518,757**	**35,958,410**
Of this:		
Restricted cash for withheld taxes from employees salaries	1,228,245	1,030,773

Note 16. Share capital and shareholder information

Movements in share capital

(Amounts in NOK)	**Number of shares**	**Share capital (NOK**
Issued at 1 January 2018	769,079	86,136,848
Capital increase in 2018	315,627	35,350,224
End balance at 31 December 2018	**1,084,706**	**121,487,072**
Split of shares	120,402,366	-
Capital decrease in 2019		-109,338,365
Capital increase in 2019	-	-
End balance at 31 December 2019	**121,487,072**	**12,148,707**

31 January 2019; (i) the company shares were split 1:112 to increase the number of shares. The share capital remained unchanged at NOK 121.5 million. The par value was reduced from NOK 112 per share to NOK 1 per share and the number of shares increased from 1.084.706 to 121.487.072. 23 October 2019, the share capital was written down from NOK 121 487 072 to NOK 12 148 707.20. The reduction of the share capital was used to cover loss (NOK 71,840,815.92) and the residual, NOK 37 497 548,88, was transferred to other reserves.

Shareholders as of 31 December 2019	Shares	Ownership
PETROLIA AS	42,589,680	35.06%
NOCO (UK) Ltd	24,842,496	20.45%
PETROLIA SE	18,032,000	14.84%
INCREASED OIL RECOVERY AS	14,713,483	12.11%
Noco Oil & Resources Ltd	6,423,550	5.29%
LARSEN OIL & GAS AS	5,046,858	4.15%
TIME CRITICAL PETROLEUM RESOURCES	4,977,366	4.10%
TOKALA AS	1,107,605	0.91%
ASKAS AS	314,070	0.26%
EGD CAPITAL AS	272,116	0.22%
KONGSBERG TRANSPORT AS	200,000	0.16%
SERIOUS AS	197,684	0.16%
SILVERCOIN INDUSTRIES AS	152,312	0.13%
DAHLE	141,613	0.12%
MILLYEN AS	139,979	0.12%
HAVLI AS	138,151	0.11%
HANSTVEIT	136,080	0.11%
SVENDSEN	132,580	0.11%
JANEM AS	122,021	0.10%
SKARET INVEST AS	112,329	0.09%
Other	1,695,099	1.40%
Total number of shares	121,487,072	100%

Note 17. Earnings per share

Amounts in NOK	2019	2018
Profit attributable to ordinary equity holders	-22,459,912	-27,345,198
Profit attributable to ordinary equity holders for basic earnings	-22,459,912	-27,345,198
Interest on convertible preference shares	-	-
Profit attributable to ordinary equity holders adjustedfor the effect of dilution	-22,459,912	-27,345,198

Number of shares:	**2019**	**2018**
Weighted average number of ordinary shares for basic EPS	121,487,072	108,509,182
Effects of dilution from:		
Share options	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	121,487,072	108,509,182

As Petrolia NOCO AS does not have any share options or convertible preference shares as of 31 December 2019, there are no differences between basic and diluted EPS.

Weighted average number of ordinary shares for 2018 and 2019 are corrected for the split that took place on 31 January 2019, see note 16.

Note 18. Financial instruments

Financial instruments by category
(Amounts in NOK)

At 31 December 2019

Financial assets	**Loans and receivables**	**Total carrying amount**
Other receivables [1)]	86,374,754	86,374,754
Cash and cash equivalents	20,518,757	20,518,757
Total	**106,893,511**	**106,893,511**

[1)] Prepayments and VAT receivables are not included.

Financial liabilities	**Amortised cost**	**Total carrying amount**
Borrowings	94,750,000	94,750,000
Trade creditors	7,123,644	7,123,644
Other current liabilities [1)]	3,472,883	3,472,883
Total	**105,346,527**	**105,346,527**

[1)] Public duties payable and accruals are not included.

At 31 December 2018

Financial assets	Loans and receivables	Total carrying amount
Receivables, related parties	72,362	72,362
Other receivables [1)]	60,390,252	60,390,252
Cash and cash equivalents	35,958,410	35,958,410
Total	**96,421,024**	**96,421,024**

[1)] Prepayments and VAT receivables are not included.

Financial liabilities	Amortised cost	Total carrying amount
Borrowings	64,000,000	64,000,000
Trade creditors	11,698,129	11,698,129
Other current liabilities [1)]	3,738,387	3,738,387
Total	**79,436,517**	**79,436,517**

[1)] Public duties payable and accruals are not included.

Fair value of financial instruments
It is assessed that the carrying amounts of financial instruments recognised at amortised cost in the financial statements approximate their fair values.

Financial risk management

Overview

The Company has some exposure to risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

Market risk from financial instruments

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Company's financial instruments are mainly exposed to interest rate and currency risks.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest risk arises from long-term borrowings. Borrowings issued at variable rates expose it to cash flow risk. Borrowings issued at fixed rates expose it to fair value interest rate risk.

Interest rate sensitivity
The following table demonstrates the sensitivity to a possible change in interests rates, with all other variables held constant, on the Company's profit before tax:

	Increase/ decrease in basis points	Effects on profit before tax (NOK)	Effects on equity (NOK)
31 December 2019	+/-100	+/- 742 312	+/- 571 581
31 December 2018	+/-100	+/- 280 416	+/- 215 920

Foreign currency risk

b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is primarily exposed to foreign exchange risk arising from various currency exposures with respect to the USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions.

Credit risk

The carrying amounts of financial assets represents the Company's maximum credit exposure. The counterparty to the cash and cash equivalents and other financial assets are large banks with solid credit ratings. The Company monitors the credit ratings of its main counterparties on a regular basis.

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company’s approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of appropriate funding.

The following table details the contractual maturities for the Company's financial liabilities. The tables includes amounts for both principal and interest payments. The contractual amounts were estimated based on closing exchange rate at balance sheet date.

Per 31 December 2019

(Amounts in NOK)	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Borrowings, long term	947,500	4,737,500	123,175,000	128,860,000
Trade creditors and other short term liabilities	8,320,942	2,275,585	-	10,596,527
Total liabilities	**9,268,442**	**7,013,085**	**123,175,000**	**139,456,527**

Per 31 December 2018

(Amounts in NOK)	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Borrowings, long term	640,000	3,200,000	83,200,000	87,040,000
Trade creditors and other short term liabilities	13,249,320	2,187,196	-	15,436,517
Total liabilities	**13,889,320**	**5,387,196**	**83,200,000.0**	**102,476,517**

Capital management

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Company's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or obtain new loans.

Note 19. Other current liabilities

(Amounts in NOK)	**2019**	**2018**
Public duties payable	2,118,300	1,789,362
Salary and vacation payable	1,965,454	1,887,987
Working capital and undercall, joint venture	1,507,429	1,850,400
Other accruals for incurred costs	4,639,871	165,250
Total	**10,231,055**	**5,692,999**

Note 20. Related party disclosure

(Amounts in NOK)

a) Purchases from and sales to related parties

Purchase of services, interest on loan and sales to related parties	**Description of services**	**2019**	**2018**
Petrolia NUF	Consulting services, purchase	402,336	345,344
Kver AS	Rent, purchase	409,108	349,155
Petrolia AS	Interest on loan	4,580,491	2,571,667
Noco Oil & Resources Ltd	Interest on loan	277,562	-
Independent Oil Resources PLC	Interest on loan	515,068	-
Independent Oil Tools AS	Sale of consulting services	-	399,398
Larsen Oil & Gas AS	Legal consulting services, purchase	156,100	223,300

b) Balances with related parties (trade payables/loan)

Related party	**Description**	**2019**	**2018**
Petrolia AS	Interest bearing loan	94,750,000	64,000,000

c) Balances with related parties (receivables)

Related party		**2019**	**2018**
Independent Oil Tools AS,	Receivable, consulting services	0	72,362

d) Compensation to key management

	2018			2019		
Position	**Salary/ Board fee**	**Pension**	**Total 2018**	**Salary/ Board fee**	**Pension**	**Total 2019**
Linn Katrine Høie, CEO [1]	-	-	-	1,260,415	64,116	1,324,531
Kjetil Forland, CEO [1]	-	-	-	299,198	20,616	319,814
Vidar Bergo Larsen, CEO [1]	2,061,083	162,252	2,223,335	1,183,752	81,126	1,264,878
Robert John Arnott, Chairman [2]	-	-	-	100,000	-	100,000
Tove Kate Larsen, Chairman [2]	-	-	-	-	-	-
Sjur Storaas, Board member	100,000	-	100,000	100,000	-	100,000
Brede Bjøvad Larsen, Board member	-	-	-	-	-	-

[1] Vidar Bergo Larsen was the CEO up to 22 June 2019, and was then followed by Kjetil Forland, who acted as a CEO up to 8 August 2019, when Linn Katrine Høie was appointed as the new CEO. The salary in the table above, is for the period in 2019, when acting as a CEO.

[2] Tove Kate Larsen was the Chairman of the Board up to 1 February 2018, and was then followed by Robert John Arnott as the new Chairman. Mr Arnott has invoiced consulting fees of NOK 4.4 million in 2019 (NOK 2.4 million in 2018).

As at 31 December 2019 there is no agreement of bonus or any other future compensation to the key management.

Loans and guarantees related to key management

The Company has as at 31 December 2019 not issued any loans or guarantees in favour of any employees,

Note 21. Decommissioning provision

Decommissioning provisions:

NOK	2019	2019
Provision at 1 January	**3,000,000**	**-**
Additions through business combination	-	3,000,000
Changes in estimate	-1,675,541	-
Unwinding of discount	90,000	-
Total provisions at 31 December 2019	**1,414,459**	**3,000,000**

The provision is an estimate based on available information from the Operator. The net present value of the estimated obligation is calculated using a discount rate of 3%.

Note 22. Leases

Right-of-use assets:

The Company leases office facilities and parking. The Company's right-of-use assets are categorised and presented in the table below:

Right-of-use assets	**Office facilities, parking**	**Total**
Acquisition cost at initial application 1 January 2019	5,464,081	5,464,081
Addition of right-of-use assets (new lease contracts)	0	0
Disposal of right-of-use assets	0	0
Acquisition cost 31 December 2019	5,464,081	5,464,081
Accumulated depreciation and impairment 1 January 2019	0	0
Depreciation	-1,559,113	-1,559,113
Impairment	0	0
Disposal	0	0
Accumulated depreciation and impairment 31 December 2019	-1,559,113	-1,559,113
Carrying amount of right-of-use assets 31 December 2019	**3,904,967**	**3,904,967**
Lower of remaining lease term or economic life	5 years	
Depreciation method	Linear	

Leasing liabilities:	Total
Lease liabilities at initial application 1 January 2019	5,464,081
Additions (new lease contracts)	0
Disposal (buy out of lease contracts)	0
Accretion lease liabilities	241,525
Payments of lease liabilities	-1,706,889
Total leasing liabilities 31 December 2019	**3,998,717**

Break down of lease debt:	
Short-term	1,706,889
Long-term	2,291,828
Total lease debt	**3,998,717**

Maturity of future undiscounted lease payments under non-cancellable lease agreements:

	31.12.2019
Within 1 year	1,706,889
1 to 5 years	2,606,429
After 5 years	-
Total	**4,313,318**

The weighted average incremental borrowing rate used when calculating lease liabilities at 1 January 2019 was 5.0%.

The leases do not impose any restrictions on the Company's dividend policy or financing opportunities.

Note 23. Contingent liabilities

The company has not been involved in any legal or financial disputes in 2019 where adversely outcome is considered more likely than remote.

Note 24. Shares in licenses and obligations

The Company`s obligations for 2020 related to the license portfolio as at year end are estimated to a total of NOK 143 million. This forecast is based on the approved license budgets and parts of the optional budgets.

Note 25. Business combinations

Acquisitions in 2019
There has been no business combinations in 2019.

Acquisitions in 2018

Acquisition of a 0.825% interest in Flyndre
On 30 November 2018 the Company completed the acquisition of a 0.825% (11.654% in PL018C) working interest in the Flyndre Unit, a cross border unit with 7.08% Norwegian part and 92.92% UK part. The Company bought 0.471% (6.654% in PL018C) from Equinor Energy AS and 0.354% (5% in PL018C) from Petoro AS.

The acquisition was financed through utilising of the credit facility from Petrolia AS.

The transaction has been determined to constitute a business combination and has been accounted for using the acquisition method of accounting as required by IFRS 3. The economic date of the transaction, which will be used for tax purposes, is 1 January 2018. The acquisition date for accounting purposes (transfer of control) has been determined to be 30 November 2018.

A preliminary purchase price allocation (PPA) has been performed and all identified assets and liabilities have been measured at their acquisition date fair values in accordance with the requirements of IFRS 3. The agreed purchase price is NOK 9.8 million. Adjusted for interim period adjustments and working capital, the total cash consideration is estimated to NOK 12.6 million. The Company doesn't expect any changes in the agreed cash consideration.

The fair values of the identifiable assets and liabilities in the transaction as at the date of the acquisition have been estimated as follows:

Amounts in NOK `000

Assets	
Deferred tax asset	3,080
Tangible fixed assets	4,213
Underlift	7,043
Net working capital	1,288
Total assets	15,624
Liabilities	
Asset retirement obligation	3,000
Total liabilities	3,000
Total identifiable net assets at fair value	12,624
Total consideration	12,624
Goodwill	0

From the date of acquisition (30 November 2018), the acquired licences contributed with NOK 0 million of operating income and NOK 0 million to the profit before tax. A preliminary estimation of the impact from the transaction indicates that if the acquisition had taken place at the beginning of the year, total revenues for the year would have been approximately NOK 1.1 million higher and loss before tax would have been approximately NOK 0.5 million higher.

Note 26. Reserves (un-audited)

The following table reflects the Company’s net entitlement proven and probable reserves (after royalty)

Boe	**Flyndre**	**Total reserves**
Opening balance 1 January 2019	29,712.0	29,712.0
Production	-12,678.5	-12,679
Revisions	-	-
Aqusitions or sales	-	-
Increased oil recovery	-	-
Discoveries	-	-
31 December 2019	**17,033.5**	**17,033.5**
Opening balance 1 January 2018	**-**	**-**
Production	-2,031.5	-2,031.5
Revisions	-	-
Aqusitions or sales	31,743.5	31,743.5
Increased oil recovery	-	-
Discoveries	-	-
31 December 2018	**29,712.0**	**29,712.0**

figures above represent management’s best judgment of the most likely quantity of economically recoverable oil and gas estimated at year-end 2019, given the information at the time of reporting. The estimates have a large spread especially for fields for which there is limited data available. The uncertainty will be reduced as more information becomes available through production history and reservoir appraisal. In addition, for fields in the decline phase with limited remaining volumes, fluctuations in oil prices will have a significant impact on the profitability and hence the economic cut-off for production.

Refer also to note 27 regarding a commercial discovery in 2020.

Note 27. Events after the balance sheet date

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Demand for oil is significantly reduced and it is highly uncertain how long this will persist.
At the same time, Saudi Arabia has decided to increase its production. Supply is therefore now significantly higher than demand and storage capacity is limited so the pressure on the oil price will remain very strong until supply and demand again are better balanced.
The financial effect of the current oil crisis and the Covid-19 pandemic on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.
The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.
Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the event is not expected to have an immediate material impact on the business operations.
Management will continue to monitor the situation closely and will assess the need for additional measures in case the period of disruption becomes prolonged.
The Company is prudently conserving its cash resources by rigorously implementing an immediate cost reduction exercise.

On 28th of May 2020 the Company completed the acquisition of a 21.8% in PL 048D from CapeOmega AS. Whilst the transfer relates to Norwegian license interests, license PL 048D forms part of a cross-border unitised interest known as the “Enoch Unit”. The Enoch Unit is an oil- and gas producing field in the central part of the North Sea on the border to the British sector, ten kilometers northwest of the Gina Krogh field, and the Company holds an interest of 4.36% in Enoch Unit after completion of this transaction. The field is operated by Repsol Sinopec North Sea Limited. The effective date for the transaction is 1st January 2020.

On 15th of June 2020 the Norwegian Parliament introduced temporary Covid-19 meassures to the petroleum tax law including negative tax prepayments (2020 and 2021) and immediate expensing of capex (approved after 12 May 2020 - submitted before 1 January 2023 and approved before 1 January 2024). These changes significantly improve the Comany's financial capacity and allow higher activity levels.

On 4th of August 2020 the Company reported a commercial discovery of oil at the Dugong well in the Norwegian sector of the North Sea, the largest discovery 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, the Dugong discovery has identified another prospect 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%, in particular the adjacent Dugong Tail prospect where there is 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).

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Petrolia NOCO AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Petrolia NOCO AS, which comprise the balance sheet as at 31 December 2019, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors’ report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors’ report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than* Audits *or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Penneo Dokumentnøkkel: AOD57-CF8LC-XZYAY-DZZMB-SMHQQ-IESJG

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Stavanger, 14 August 2020
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The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

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Erik Søreng
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