PETROLIA NOCO AS

Annual report 2020

DIRECTORS' REPORT 2020

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 ("Dugong") in the 20% owned PL882.

Financial Result

Petrolia NOCO AS recorded a net loss in 2020 of NOK 26 857 841 compared to a net loss of NOK 22 459 912 in 2019. The net loss was transferred to retained earnings.

The total equity was NOK 41 673 752 as at 31.12.2020.

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 Company is committed to further exploration activities in 2021. The financial position and the liquidity of the company are considered to be manageable in relation to planned activity level, through a combination of funds covered by existing loan facilities (refer to note 20) and available liquidity from main shareholders. The main shareholders have expressed willingness and documented capacity to provide funding of the remaining activities. Refer to note 2 for further information.
The temporary Covid-19 changes to petroleum fiscal regime approved in 2020 significantly improve the Company's financial capacity and allow a higher activity level.

Our approach to ESG

Our approach to sustainability is to create value in a robust and sustainable way through cross-organisation collaboration on the NCS. We aim to discover every time we drill through safe and efficient operations. We collaborate with the strongest operators on the NCS who have a documented track record of delivering operations with low-carbon emissions.

People & Organisation

We believe that robust and healthy employees make better decisions and act safer both at work and at home. Health and well-being is a key focus in the team and embedded in all we do. Our team is diverse, young and dedicated. Petrolia NOCO has a diverse organisation with an average age of 38, and 90% of the employees below the age of 50. Currently 56 % of the organisation are women, and 4 out of 6 in the management group are women, representing 3 different nationalities. The company pays equal salaries and gives equal compensation for women and men in positions at the same level. As of 31.12.2020, the company had 14 full time employees and 2 part time employees, in addition to 4 temporary staff.

Responsible operations

Through a change in exploration strategy focusing on increasing the probability of discovering sustainable, near field hydrocarbons, Petrolia made the second largest discovery in 2020. The operation was done without any incidents, nor harm to the environment. Through detailed planning and strong collaboration with the partners and contractors, we managed to avoid any Covid-19 infections during our operations both onshore and offshore. There were no injuries or accidents in 2020, despite of high activity level and an ongoing pandemic.

Petrolia NOCO AS confirms that the annual statement of accounts for 2020 and to 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.

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

Bergen, 26 April 2021

Robert John Arnott Executive Chairman of the Board	**Brede Bjøvad Larsen** Board Member
Sjur Storaas Board Member	**Linn Katrine Høie** Managing Director

INCOME STATEMENT

(Amounts in NOK)	Note	2020	2019
Operating income	4	3,893,183	19,385,091
Production cost	5	-2,894,292	-1,471,075
Change in over-/underlift position	5,13	3,140,434	-7,164,900
Exploration expenses	6	-51,166,807	-67,649,894
Payroll and related cost	7	-16,955,621	-9,056,995
Depreciation and amortisation	11,12,23	-9,285,436	-3,330,176
Other operating expenses	8	-11,622,624	-19,065,307
Operating profit (loss)		**-84,891,162**	**-88,353,255**
Finance income	9	4,977,569	586,000
Finance costs	9	-13,099,465	-5,723,040
Net financial items		**-8,121,895**	**-5,137,040**
Profit (loss) before income tax		**-93,013,058**	**-93,490,296**
Calculated refund tax value of exploration costs		116,030,791	70,642,960
Change deferred tax		-49,875,574	387,424
Net Income tax credit	10	**66,155,217**	**71,030,384**
Profit (loss) for the year		**-26,857,841**	**-22,459,912**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK)	Note	2020	2019
Profit (loss) for the year		-26,857,841	-22,459,912
Other comprehensive income, net of tax:		-	-
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income for the year		**-26,857,841**	**-22,459,912**
Earnings per share	17		
Basic, profit for the year attributable to ordinary equity holders of the parent		-0.22	-0.18
Diluted, profit for the year attributable to ordinary equity holders of the parent		-0.22	-0.18

BALANCE SHEET

(Amounts in NOK)	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Goodwill	11	-	-
Exploration and evaluation assets	11	71,892,363	4,659,853
Deferred tax asset	10	-	23,970,780
Right-of-use assets	23	2,166,983	3,904,967
Property, plant and equipment	12	7,727,257	915,401
Other financial assets		-	-
Total non-current assets		**81,786,602**	**33,451,001**
Current assets			
Inventory	13	4,260,097	12,677
Receivables, related parties	21	-	-
Prepayments and other receivables	14	25,561,550	20,078,823
Tax receivable refund tax value exploration expenses	10	42,070,811	70,642,960
Cash and cash equivalents	15	17,800,448	20,518,757
Total current assets		**89,692,906**	**111,253,218**
Total assets		**171,479,508**	**144,704,219**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	13,330,000	12,148,707
Premium paid-in capital		28,343,752	-
Other reserves/Uncovered loss		-	15,037,637
Total equity		**41,673,752**	**27,186,344**
Liabilities			
Deferred taxes	10	28,220,083	-
Decommissioning provision	22	11,713,783	1,414,459
Lease liability	23	1,199,075	2,291,828
Borrowings	21	54,750,000	94,750,000
Total non-current liabilities		**95,882,941**	**98,456,287**
Current liabilities			
Trade creditors	18	3,457,757	7,123,644
Lease liability - current	23	1,072,586	1,706,889
Other current liabilities	19	29,392,473	10,231,055
Total current liabilities		**33,922,815**	**19,061,587**
Total liabilities		**129,805,756**	**117,517,874**
Total equity and liabilities		**171,479,508**	**144,704,219**

Bergen, 26 April 2021

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 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	-109,338,365		109,338,365	-
Equity at 31st of December 2019	**12,148,707**	**-**	**15,037,637**	**27,186,345**
Equity at 1st of January 2020	12,148,707	-	15,037,637.28	27,186,345
Profit (loss) for the year			-26,857,841	-26,857,841
Other comprehensive income for the year			-	-
Total comprehensive income for the year			-26,857,841	-26,857,841
Decrease of share capital to cover loss/transferral to other capital	-		-	-
Shares issued in 2020	1,181,293	40,163,955	-	41,345,248
Transferred		-11,820,204	11,820,204	-
Equity at 31st of December 2020	**13,330,000**	**28,343,752**	**-**	**41,673,752**

CASH FLOW STATEMENT

(Amounts in NOK)	**Note**	**2020**	**2019**
Cash flow from operating activities			
Profit (loss) before income tax		-93,013,058	-93,490,296
Adjustments:			
Tax refunded	10	144,602,940	55,154,037
Depreciation and amortisation	12,23	9,285,436	3,330,176
Interest expenses not paid		0	0
Gain/loss on disposal of PP&E and exploration assets	11,12	-1,132,639	-2,855,865
Changes in trade creditors		-3,665,887	-4,574,485
Changes in other accruals		8,549,246	-118,137
Net cash flow from operating activities		64,626,038	-42,554,571
Cash flow from investing activities			
Investment in goodwill, exploration and evaluation assets	11	-67,043,594	-6,989,402
Purchase of property, plant and equipment	12,27	-2,880,800	-357,542
Proceeds from sale of PP&E and Exploration assets	12	2,977,714	5,346,388
Net cash flow from investing activities		-66,946,679	-2,000,556
Cash flow from financing activities			
Funds drawn non-current borrowings		45,000,000	89,636,800
Repayments of current borrowings		-85,000,000	-58,886,800
Repayment of lease liabilities	23	-1,742,916	-1,706,889
Net proceeds/payments from borrowings, related party	21	0	72,362
Proceeds from share issues		41,345,248	0
Net cash flow from financing activities		-397,668	29,115,474
Net change in cash and cash equivalents		**-2,718,309**	**-15,439,653**
Cash and cash equivalents at 1st January		20,518,757	35,958,410
Cash and cash equivalents at 31st of December		**17,800,448**	**20,518,757**

Note 1. General information

The Financial statements of Petrolia NOCO AS for 2020 were approved by the board of directors and CEO on 26 April 2021.

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 has experienced some recovery in oil price, but still the oil demand side is affected by the ongoing Covid-19 pandemic. The uncertainty about further development and pace of vaccination process 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, Measures implemented by the authorities, by receiving negative tax prepayments, have had a positive liquidity impact and reducing the need for funding. At the reporting date the main shareholders have expressed willingness and documented capacity to provide funding of the remaining activities estimated to NOK 250-300 million. The main shareholders are also positive to potential new equity and debt investors. Refer to note 20 regarding the secured loan facility.
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 5.2% of the investment per. The uplift may be deducted from taxable income for a period of four years (i.e. totals 20.8% 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 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
(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).

Other amendments and interpretations may apply for the first time in 2020 but are not considered to have any material impact on the Company's financial statements.

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.

Impairment
At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. An asset is written down to its recoverable amount when the recoverable amount is lower than the carrying value of the asset. The recoverable amount is the higher of fair value less expected cost to sell and value in use (present value based on the future use of the asset). All impairment assessments require a high degree of estimation, including assessments of expected future cash flows from the cash generating unit and the estimation of applicable discount rates. Impairment testing requires long-term assumptions to be made concerning a number of economic factors, such as future production levels, market conditions, production expense, discount rates and political risk among others. There is a high degree of reasoned judgement involved in establishing these assumptions and in determining other relevant factors.

Note 4. Operating income

(Amounts in NOK)	2020	2019
Sale of oil [1]	2,725,704	16,260,812
Sale of gas	34,841	25,243
Other income	0	243,170
Gain sale of assets [2]	1,132,639	2,855,865
Total operating income	**3,893,183**	**19,385,091**

[1] Sale of oil is all to one customer; Equinor ASA.
[2] Gain from sale of assets, relates to sale of 30% in PL 936 to Neptune Energy Norge AS (2019: 10% in PL 882 to Idemitsu Petroleum Norge AS)

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

Production costs, excl. DD&A:

(Amounts in NOK)	2020	2019
From licences	2,625,359	1,148,258
Other production costs (insurance, transport)	268,933	322,817
Total production costs	**2,894,292**	**1,471,075**

Production costs per Barrels of oil equivalents (boe):	2020	2019
Production costs (NOK)	2,894,292	1,471,075
Produced volumes (boe)	15,572	12,679
Production costs per boe (NOK)	**185.9**	**116.0**

[1] Barrels of oil equivalents (=boe)

Changes in over-/underlift positions:

(Volumes in boe)	2020	2019
Over-/underlift, opening balance	-34.8	17,223.7
Produced volumes	15,572.3	12,678.5
Acquisition through business combination	3,168.0	-
Net sold volumes	-8,408.0	-29,937.0
Over-/underlift, closing balance	**10,297.6**	**-34.8**

Note 6. Exploration Expenses

(Amounts in NOK)	**2020**	**2019**
Share of exploration expenses from participation in licences	29,630,261	24,612,677
Other direct seismic costs and field evaluation	13,393,726	40,892,278
Other exploration expenses	8,142,820	2,144,939
Total exploration expenses	**51,166,807**	**67,649,894**

Note 7. Payroll and related cost

(Amounts in NOK)	**2020**	**2019**
Salaries	20,144,922	19,519,801
Payroll tax	2,943,226	3,117,292
Pension costs	2,010,652	2,015,521
Other employee related expenses	710,774	798,554
Invoiced to operated licenses	-8,853,954	-16,394,174
Total	**16,955,621**	**9,056,995**
Number of FTS's	17	21

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)	**2020**	**2019**
Rental costs	0	0
Office costs	1,360,072	1,496,076
It costs	1,277,399	2,108,459
Accounting-, audit- and legal services	3,357,561	4,231,135
Consulting services	2,004,165	6,966,107
Consulting services, related party	1,377,694	402,336
Travel costs	359,468	1,166,796
Other costs	1,886,265	2,694,398
Total [1]	**11,622,624**	**19,065,307**

[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)	**2020**	**2019**
Statutory audit	255,000	421,333
Audit-related services	0	0
Other assistance	0	0
Total, excl. VAT	255,000	421,333

Note 9. Finance income and costs

Finance income:

(Amounts in NOK)	**2020**	**2019**
Interest income	4,977,569	586,000
Total finance income	**4,977,569**	**586,000**

Finance costs:

(Amounts in NOK)	**2020**	**2019**
Interest expense, related party	7,683,082	5,373,121
Net foreign exchange effects	84,719	5,991
Accretion IFRS 16	171,421	241,525
Accretion ARO	194,962	90,000
Other finance costs	4,965,280	12,403
Total finance costs	**13,099,465**	**5,723,040**

Note 10. Tax

Specification of income tax:

(Amounts in NOK)	**2020**	**2019**
Tax value of eligible exploration costs and refund of tax losses	115,992,176	70,642,960
Changes in deferred tax	-49,875,574	387,424
Adjustment for tax earlier years	38,615	0
Total income tax credit	**66,155,217**	**71,030,384**

Tax refund on the Norwegian Continental Shelf and temporary changes due to Covid-19
Companies operating on the Norwegian Continental Shelf (NCS) was in 2020 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.

As a measure to maintain activity in the oil and gas related industry during the Covid-19 pandemic, the Norwegian Government on 19 June 2020 enacted temporary targeted changes to Norway's petroleum tax system for investments incurred in 2020 and 2021 and for new projects with Plans for development and operations (PDOs) or Plans for installation and operations (PIOs) submitted to the Ministry of Oil and Energy by the end of 2022 and approved prior to 1 January 2024.
The changes are effective from 1 January 2020 and provide companies with a direct tax deduction in the special petroleum tax (56% tax rate) instead of tax depreciation over six years.

In addition, the tax uplift benefit, which has increased from 20.8% to 24%, will be recognised over one year instead of four years. Tax depreciation towards the ordinary offshore corporate tax (22% tax rate) will continue with a six-year depreciation profile. The tax value of any total taxable losses and unused tax uplift benefit incurred in 2020 and 2021, may be refunded from the authorities. This refund may, for 2020 and 2021, be received in 6 instalments, 3 installment in the current year and 3 installments next each year.

The tax refund totals NOK 115 498 thousand for 2020 (2019: NOK 70 643 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.
Deferred tax assets and liabilities at 31.12.20 are calculated using the tax rates effective from 1 January 2021.

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

(Amounts in NOK)	**2020**	**2019**
Property, plant and equipment	-6,199,909	-1,208,607
Capitalised exploration and license costs	-56,076,043	-3,634,685
Decommissioning provision	9,136,751	2,410,200
Lease liability, IFRS 16	1,771,895	3,118,999
Over-/Under-lift	94,285	0
Earned uplift, 56%/55%	577,783	570,369
Tax loss onshore, 22% / 22%	1,448,476	1,448,476
Tax loss offshore, 22% / 22%	9,859,239	10,108,169
Tax loss offshore, 56% / 56%	12,615,915	12,606,335
Deferred tax liability (-) / tax asset (+)	-26,771,607	25,419,256
Not capitalised deferred tax asset (valuation allowance)	-1,448,476	-1,448,476
Deferred tax liability (-) / tax asset (+) in balance	**-28,220,083**	**23,970,780**

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)	**2020**	**2019**
Profit (loss) before tax	-93,013,058	-93,490,296
Expected income tax 78%	72,550,185	72,922,431
Adjusted for tax effects (22% - 78%) of the following items:		
Permanent differences	-1,896,446	465,486
Taxable income onshore, 22% / 22%	-4,334,728	-2,638,353
Adjustments previous years	-193,320	207,036
Uplift, earned this year	29,526	73,785
Change in tax rate	0	0
Tax loss onshore, not recognized	0	0
Total income tax credit	**66,155,217**	**71,030,384**

Reconciliation of tax receivable:

(Amounts in NOK)	**2020**	**2019**
Tax recievable, opening balance	70,642,960	55,154,037
Tax refund, calculated in Profit & Loss	116,030,791	70,642,960
Tax refund, booked as acquisition cost	-7,422	0
Tax refund, received	-70,681,575	-55,154,037
Installment recieved	-73,913,943	0
Tax receivable, closing balance	42,070,811	70,642,960

Note 11. Goodwill, exploration and evaluation assets

(Amounts in NOK)

	Goodwill [1]	Exploration & evaluation assets	Total intangible assets
2020			
Cost:			
At 1 January 2020	0	4,659,853	4,659,853
Additions	1,844,877	67,232,510	69,077,387
Disposals	0	0	0
Cost at 31 December 2020	**1,844,877**	**71,892,363**	**73,737,240**
Amortisation and impairment:			
At 1 January 2020	0	0	0
Impairment this year [2]	1,844,877	0	1,844,877
Disposals	0	0	0
Accumulated amortisation and impairment at 31 December 2020	1,844,877	0	1,844,877
Carrying amount at 31 December 2020	**0**	**71,892,363**	**71,892,363**

[1] Acquisition of Goodwill in 2020 relates to the acquisition of Enoch Field, see note 26.
[1] For further inforamtion about the impairment charge, see note 12.

(Amounts in NOK)

	Goodwill	Exploration and	Total
2019			
Cost:			
At 1 January 2019	0	6,989,402	6,989,402
Additions	0	0	0
Disposals	0	-2,329,550	-2,329,550
Cost at 31 December 2019	**0**	**4,659,853**	**4,659,853**
Amortisation and impairment:			
At 1 January 2019	0	0	0
Impairment this year	0	0	0
Disposals	0	0	0
Accumulated amortisation and impairment at 31 December 2019	0	0	0
Carrying amount at 31 December 2019	**0**	**4,659,853**	**4,659,853**

License portfolio 31 December 2020	**Share**
PL 018C	11.654 %
PL 048D	21.800 %
PL 882	20.0 %
PL 933	40.0 %
PL 935	20.0 %
PL 992	30.0 %
PL 994	30.0 %
PL 998 (relinquished 1 March 2021)	20.0 %
PL 1013	60.0 %

Note 12. Property, plant and equipment

(Amounts in NOK)

	Fields in production	Furniture, fixtures and office machines	Total
2020			
Cost:			
At 1 January 2020	2,656,822	9,656,967	12,313,789
Additions	2,506,364	48,679	2,555,043
Change in ARO estimate, see note 20	10,104,362	0	10,104,362
Disposals	0	0	0
Cost at 31 December 2020	**15,267,549**	**9,705,646**	**24,973,195**
Depreciation, amortisation and impairment:			
At 1 January 2020	2,038,882	9,359,506	11,398,388
Depreciation this year	2,357,300	130,898	2,488,198
Impairment this year [1]	3,359,352	0	3,359,352
Disposals	0	0	0
Accumulated depreciation, amortisation and impairment at 31 December 2020	7,755,534	9,490,404	17,245,938
Carrying amount at 31 December 2020	**7,512,015**	**215,242**	**7,727,257**

[1] The impairment in 2020 relates to the Enoch field.

	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
	-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**
Economic life		3-5 years	
Depreciation method	Unit of production	linear	

Impairment testing
At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. An assessment of the recoverable amount is made when an impairment indicator exists. Impairment is recognized when the carrying amount of an asset or a CGU, including associated goodwill, exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use. For both the value in use and fair value, the impairment testing is performed based on discounted cash flows. The impairment assessment at end of 2020 was based on the value in use approach. The expected future cash flows are discounted to the net present value by applying a discount rate before tax.
Cash flows are projected for the estimated lifetime of the fields or license, which for Enoch field is estimated to 2021-2023 (Cease of Production in 2023), and a removal period from 2024-2026. The key driver for the impairment of the Enoch field in 2020 was a decrease in the estimated reserves as of 31 December 2020.
Below is an overview of the key assumptions applied for impairment assessment purposes as of 31 December 2020.

Oil and gas prices and currency rates
Forecasted oil and gas prices and currency rates are based on management's estimates and market data (forward prices).
The nominal oil and gas price assumptions applied for impairment assessments at yearend 2020 were USD 60/bbl for the period 2021-2023. Currency rates for the years 2021-2023 are USD/NOK 8.5.

Discount rate
The discount rate used in the calculation of net present value is 11%.

Impairment charge (amounts in NOK) in Income statement:

CGU	Recoverable amount pre tax	Impairment charge pre tax	Tax income	Impairment charge post tax
Enoch field	6,548,436	-5,204,229	2,620,295	-2,583,934

Impairment charge (amounts in NOK) in Balance sheet:

CGU	Goodwill	Fields in production	Deferred tax liability	Effect on Equity, post tax
Enoch field	-1,844,877	-3,359,352	2,620,295	-2,583,934

Note 13. Inventory

(Amounts in NOK)	**2020**	**2019**
Spareparts	79,506	20,584
Underlift	4,180,591	-7,907
Total	**4,260,097**	**12,677**

Note 14. Prepayments and other receivables

Prepayments and other receivables include:

(Amounts in NOK)	**2020**	**2019**
Prepaid expenses	747,747	2,803,205
VAT receivables	801,411	1,543,824
Working capital and overcall, joint venture	22,078,217	6,462,095
Other short term receivables	1,934,176	9,269,700
Total	**25,561,550**	**20,078,823**

Note 15. Cash and cash equivalents

(Amounts in NOK)	**2020**	**2019**
Bank deposits	17,800,448	20,518,757
Total cash and cash equivalents	**17,800,448**	**20,518,757**
Of this:		
Restricted cash for withheld taxes from employees salaries	1,489,872	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 2019	1,084,706	121,487,072
Split of shares 31 January 2019	120,402,366	-
Capital decrease 23 October 2019	-	-109,338,365
Closing balance at 31 December 2019	**121,487,072**	**12,148,707**
Capital increase in 2020	11,812,928	1,181,293
Closing balance at 31 December 2020	**133,300,000**	**13,330,000**

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. The par value at 31 December 2020 is NOK 0.10 per share.

Shareholders as of 31 December 2020	Shares	Ownership
PETROLIA AS	48,484,331	36.37%
NOCO (UK) Ltd	24,842,496	18.64%
PETROLIA SE	18,032,000	13.53%
INCREASED OIL RECOVERY AS	16,144,165	12.11%
Noco Oil & Resources Ltd	6,423,550	4.82%
LARSEN OIL & GAS AS	5,537,595	4.15%
TIME CRITICAL PETROLEUM RESOURCES	5,461,346	4.10%
INDEPENDENT OIL & RESOURCES PLC	2,864,528	2.15%
TOKALA AS	1,107,605	0.83%
ASKAS AS	314,070	0.24%
EGD CAPITAL AS	272,116	0.20%
SERIOUS AS	216,906	0.16%
SVENDSEN, GEIR ARILD	195,472	0.15%
SILVERCOIN INDUSTRIES AS	167,122	0.13%
EQUIVEST AS	160,900	0.12%
HAVLI AS	151,584	0.11%
HANSTVEIT, JON	149,312	0.11%
DAHLE, BJØRN	141,613	0.11%
MILLYEN AS	139,979	0.11%
JANEM AS	135,000	0.10%
Other	2,358,310	1.77%
Total number of shares	133,300,000	100%

Note 17. Earnings per share

Amounts in NOK	2020	2019
Profit attributable to ordinary equity holders	-26,857,841	-22,459,912
Profit attributable to ordinary equity holders for basic earnings	-26,857,841	-22,459,912
Interest on convertible preference shares	-	-
Profit attributable to ordinary equity holders adjustedfor the effect of dilution	-26,857,841	-22,459,912

Number of shares:	**2020**	**2019**
Weighted average number of ordinary shares for basic EPS	124,424,166	121,487,072
Effects of dilution from:		
Share options	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	124,424,166	121,487,072

As Petrolia NOCO AS does not have any share options or convertible preference shares as of 31 December 2020, there are no differences between basic and diluted EPS.

Weighted average number of ordinary shares for 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 2020

Financial assets	**Loans and receivables**	**Total carrying amount**
Other receivables [1]	66,884,615	66,884,615
Cash and cash equivalents	17,800,448	17,800,448
Total	**84,685,062**	**84,685,062**

[1] Prepayments are not included.

Financial liabilities	**Amortised cost**	**Total carrying amount**
Borrowings	54,750,000	54,750,000
Trade creditors	3,457,757	3,457,757
Other current liabilities	29,392,473	29,392,473
Total	**87,600,229**	**87,600,229**

At 31 December 2019

Financial assets	Loans and receivables	Total carrying amount
Other receivables [1]	87,918,578	87,918,578
Cash and cash equivalents	20,518,757	20,518,757
Total	**108,437,335**	**108,437,335**

[1] Prepayments 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	10,231,055	10,231,055
Total	**112,104,698**	**112,104,698**

In the Financial Statement for 2019, "Other current liabilities" did not include Public duties payable and accruals, but are included in the table above.

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 2020	+/-100	+/- 369 496	+/- 288 207
31 December 2019	+/-100	+/- 742 312	+/- 579 004

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 2020

(Amounts in NOK)	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Borrowings, long term	547,500	2,737,500	71,175,000	74,460,000
Trade creditors and other short term liabilities	30,366,998	2,483,232	-	32,850,229
Total liabilities	**30,914,498**	**5,220,732**	**71,175,000**	**107,310,229**

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	15,079,113	2,275,585	-	17,354,698
Total liabilities	**16,026,613**	**7,013,085**	**123,175,000**	**146,214,698**

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)	**2020**	**2019**
Public duties payable	2,461,360	2,118,300
Salary and vacation payable	2,176,364	1,965,454
Working capital and undercall, joint venture	20,352,386	1,507,429
Other accruals for incurred costs	4,402,362	4,639,871
Total	**29,392,473**	**10,231,055**

Note 20. Interest-bearing loans and borrowings

Changes in liabilities arising from financing activities split on cash and non-cash changes

(Amounts in NOK)	**OB 2020**	**Cash flows**	**Amortization**	**Acquisition**		**CB 2020**
Borrowings	94,750,000	-40,000,000	0	0		54,750,000
Total	94,750,000	-40,000,000	0	0	0	54,750,000

(Amounts in NOK)	**OB 2019**	**Cash flows**	**Amortization**	**Acquisition**		**CB 2019**
Borrowings	64,000,000	30,750,000	0	0		94,750,000
Total	64,000,000	30,750,000	0	0	0	94,750,000

On 14 May 2020, the company entered into an exploration loan agreement with Independent Oil & Resources PLC as Original lender and Security Agent. The main terms of the agreement are:
• Anyone can be a lender, but must minimum lend the equivalent of EUR 100,000
• Lenders and borrower may not assign the loan to a new party without prior consent from the other party
• The agreement is based on traditional exploration loan agreements from banks
• The agreements allow for secured and unsecured tranches
• The loan is secured by refund of exploration costs/ operational losses and the cash balance on a pledged bank account
• The loan cannot be larger than 95% of booked tax receivable + balance on bank account
• Maturity is 14 May 2022. The borrower can extend the maturity by up to two years at a time but a lender can decide not to extend. This is to allow flexibility for borrower and lender regarding maturity. Final maturity date is 14 May 2030.
• The Agreement allows for flexible repayment in case the borrower has surplus liquidity. Lenders may chose not to receive its pro rata share of a repayment and borrower may then offers such amounts as increased repayment to those lenders who want repayment.
• Interests is 10% per annum, payable quarterly.

Note 21. 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	2020	2019
Petrolia NUF	Consulting services, purchase	1,377,694	402,336
Kver AS	Rent, purchase	295,109	409,108
Petrolia AS	Interest on loan	5,505,000	4,580,491
Noco Oil & Resources Ltd	Interest on loan	-	277,562
Independent Oil Resources PLC	Interest on loan	2,178,082	515,068
Larsen Oil & Gas AS	Legal consulting services, purchase	74,900	156,100

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

Related party	Description	2020	2019
Petrolia AS	Interest bearing loan	54,750,000	94,750,000

d) Compensation to key management

	2019			2020		
Position	Salary/ Board fee	Pension	Total 2019	Salary/ Board fee	Pension	Total 2020
Linn Katrine Høie, CEO [1]	1,260,415	64,116	1,324,531	2,770,185	172,884	2,943,069
Kjetil Forland, CEO [1]	299,198	20,616	319,814	-	-	-
Vidar Bergo Larsen, CEO [1]	1,183,752	81,126	1,264,878	-	-	-
Robert John Arnott, Chairman [2]	100,000	-	100,000	100,000	-	100,000
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] Robert John Arnott, Chairman has invoiced consulting fees of NOK 4.5 million in 2020 (NOK 4.4 million in 2019).

As at 31 December 2020 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 2020 not issued any loans or guarantees in favour of any employees, members of the Board or the shareholder.

Note 22. Decommissioning provision

Decommissioning provisions:

NOK	2020	2019
Provision at 1 January	**1,414,459**	**3,000,000**
Additions through business combination	9,388,352	-
Changes in estimate	716,010	-1,675,541
Unwinding of discount	194,962	90,000
Amounts used	-	-
Unused reversed	-	-
Currency translation effects	-	-
Total provisions at 31 December 2019	**11,713,783**	**1,414,459**

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% (2019: 3%).

Note 23. 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:

2020 - Right-of-use assets	**Office facilities, parking**	**Total**
Acquisition cost at 1 January 2020	5,464,081	5,464,081
Addition of right-of-use assets (new lease contracts)	71,836	71,836
Disposal of right-of-use assets	-1,456,115	-1,456,115
Acquisition cost 31 December 2020	4,079,801	4,079,801
Accumulated depreciation and impairment 1 January 2020	-1,559,113	-1,559,113
Depreciation	-1,593,009	-1,593,009
Impairment	0	0
Disposal	1,239,304	1,239,304
Accumulated depreciation and impairment 31 December 2020	-1,912,818	-1,912,818
Carrying amount of right-of-use assets 31 December 2020	**2,166,983**	**2,166,983**

2019 - 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	

2020 - Leasing liabilities:	Total
Lease liabilities at 1 January 2020	3,998,717
Additions (new lease contracts)	71,836
Disposal (buy out of lease contracts)	-227,397
Accretion lease liabilities	171,421
Payments of lease liabilities	-1,742,916
Total leasing liabilities 31 December 2020	**2,271,661**

2019 - 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:

NOK	2020	2019
Short-term	1,072,586	1,706,889
Long-term	1,199,075	2,291,828
Total lease debt	**2,271,661**	**3,998,717**

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

	31/12/2020	31/12/2019
Within 1 year	1,074,864	1,706,889
1 to 5 years	1,343,580	2,606,429
After 5 years	-	-
Total	**2,418,444**	**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 24. Contingent liabilities

The company has not been involved in any legal or financial disputes in 2020 where adversely outcome is considered more likely than remote.

Note 25. Payments to and refund from the Norwegian Government

In accordance with the Norwegian Accounting Act Section § 3-3 d), companies engaged in activities within the extractive industries shall annually prepare and publish information about their payments to governments at country and project level. The Company has only activity on the Norwegian Continental Shelf and taxes in Norway are levied on company basis and not project basis. The table set out below, shows the payments to and refund from the Norwegian Government, related to tax and other fees, derived from the Company's business on the Norwegian Continental Shelf. Payments from Joint Venture where the Company participate, are done by the operator, and are not included in the payments below.

NOK	2020	2019
Tax refund received	144,595,518	55,154,037
Interest on Tax refund, received	958,836	376,256
Payments of other fees	-862,933	610,860
Total payments/refund to/from the Norwegian Government	**144,691,421**	**56,141,153**

Note 26. Shares in licenses and obligations

The Company`s obligations for 2021 related to the license portfolio as at year end are estimated to a total of NOK 567 million. This forecast is based on the approved license budgets and parts of the optional budgets.

Note 27. Business combinations

Acquisitions in 2020

Acquisition of a 4.36% interest in Enoch

On 31 May 2020 the Company completed the acquisition of a 4.36% (21.8% in PL048D) working interest in the Enoch Unit, a cross border unit with 20% Norwegian part and 80% UK part. The Company bought 4.36% (21.8% in PL048D) from CapeOmega 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 2020. The acquisition date for accounting purposes (transfer of control) has been determined to be 31 May 2020.

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 2.5 million. Adjusted for interim period adjustments and working capital, the total cash consideration is estimated to NOK 2.8 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	
Tangible fixed assets	11,886
Underlift	1,048
Net working capital	-244
Total assets	12,690
Liabilities	
Deferred tax liability	2,315
Payable tax	7
Asset retirement obligation	9,388
Total liabilities	11,711
Total identifiable net assets at fair value	979
Total consideration	2,824
Goodwill	1,845

From the date of acquisition (31 May 2020), 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 0 million higher and loss before tax would have been approximately NOK 0 million higher.

Note 28. Reserves (un-audited)

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

Boe	Flyndre	Enoch	Total reserves
Opening balance 1 January 2020	17,033	-	17,033
Aqusitions or sales	-	35,152	35,152
Production	-9,722	-5,850	-15,572
Revisions	18,560	-8,332	10,228
31 December 2020	**25,871**	**20,970**	**46,841**
Opening balance 1 January 2019	29,712	-	29,712
Production	-12,679	-	-12,679
31 December 2019	**17,033**	**-**	**17,033**

As commented in the accounting principles, estimation of oil and gas reserves and resources involves uncertainty. The figures above represent management's best judgment of the most likely quantity of economically recoverable oil and gas estimated at year-end 2020, 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.

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. On 29 March 2021 the Company reported revised recoverable resources following completion of an appraisal well.

The volumes are estimated to be in the range of 6.4 – 17.2 million standard cubic meters (MSm3) of recoverable oil equivalent, or 40 – 108 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 (which will be drilled in 2021) 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).

Note 29. Events after the balance sheet date

On 19 January 2021, Petrolia NOCO was awarded three licenses by the Norwegian Ministry of Petroleum and Energy. The licenses (PL 1106 20%, PL 1107 30%) are located in the northern North Sea and one operated license (PL 1013 B 60%) in the Norwegian Sea.

The addition of these licenses to Petrolia NOCO's portfolio means that it continues to deliver on its near field exploration strategy. The award strengthens the Company's position in its core area of the Tampen Hub, where it holds 20% in the Dugong discovery (PL 882) and 30% share in the adjacent PL 992 and PL 994 licenses. More exploration drilling is planned in the Tampen area in 2021 (Dugong Tail exploration well). Petrolia NOCO looks forward to maturing the prospects identified in the newly awarded acreage in collaboration with our existing partners Neptune Energy Norge AS, DNO ASA, Lundin Norway AS and new partners Wintershall DEA and Petoro.

On 29 March 2021, after completion of an appraisal well, the Dugong license announced revised recoverable resources are estimated to be between 40 - 108 million barrels of oil equivalent (mmboe). The new data provides greater certainty related to the reservoir, structure and recoverable resources, and will now be used by the partnership to optimise the development solution aiming to submit a Plan for Development and Operation by the end of 2022.

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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 2020, 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 2020 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, 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.

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 and the going concern assumption 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.

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Stavanger, 28 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

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