

Petrolia Noco



We find value by working together

FINANCIAL REPORT FOR THE SECOND HALF OF 2023

HIGHLIGHTS FOR 2H 2023

- Acquired 12.26% interest in Brage license from Vår Energi ASA
- Net production of 2390 boe/day from Brage in 2H 2023
- Løvmeis well scheduled to be drilled in Q3 2024 with potential first oil in Q1 2026
- Development work on PL882 (Dugong) is ongoing. First oil expected 2029
- Established NOK 75.9 million secured loan facility

Key figures (NOK million)

	2H2023	1H2023	2H2022	2023
Revenues	2.2	7.6	32.8	9.8
Net profit/(Loss)	-21.2	-13.2	-19.8	-34.4
Cash flow from operations	27.1	-51.3	-34.8	-24.3
Cash flow from investing	-140.4	-13.1	1.8	-153.5
Cash flow from financing	116.4	35.8	65.7	152.3

ABOUT PETROLIA NOCO AS

Petrolia NOCO AS is an independent exploration and production company leveraging new technologies and innovative collaboration models to discover and develop oil and gas resources on the Norwegian continental shelf. The company's goal is profitable growth and value creation for shareholders, employees and society through smart reinvestment of cash flow from producing fields into new licenses through exploration, field development and acquisitions. Our strategic focus is on exploring areas near existing infrastructure for swift tie-backs while challenging traditional perspectives to revitalize legacy assets or discover new plays. The company also takes a proactive approach towards reducing emissions through participation in carbon capture and storage and is also supporting all lower emission initiatives on Brage and other assets.

Petrolia NOCO has 657 shareholders as of 31.12.2023. Its shares are registered in the Norwegian Central Securities Depository (Verdipapirsentralen, VPS) with ISIN: NO0010844301. The shares are registered with the ticker PNO on the NOTC (www.notc.no), a marketplace for unlisted shares. The LEI code is 5493000TY8HENWE3AL33.

FINANCIAL REVIEW

Petrolia NOCO reported revenues of NOK 2.2 million in 2H 2023, compared with NOK 32.8 million a year ago. While the 2022 revenues included lifting of oil produced in both 2021 and 2022, the 2023 revenues reflect the low production from Enoch in 2023.

The Company had exploration expenses of NOK 42.2 million compared with NOK 42.3 million in 2H 2022. During 2H 2023, capitalised exploration expenses of NOK 13.1 million related to Dugong has been reversed and booked as ordinary exploration expenses.

The operating result (EBIT) was NOK -59.5 million compared with NOK -47.9 million the previous year.

Revenues and expenses related to Brage have not been recognized in the 2H 2023 financial statement.

Total assets were NOK 1093.3 million on 31 December 2023 compared to NOK 321.5 million a year ago. The significant increase is a result of the Brage transaction.

Goodwill as of 31 December 2023 is NOK 152.5 million and is based on the Purchase Price Allocation (PPA) related to the Brage acquisition. The goodwill consists of NOK 215.8 million of technical goodwill and negative ordinary goodwill of NOK 63.3 million.

Cash and cash equivalents on 31 December 2023 were NOK 29.9 million, down from NOK 55.4 million at the end of 2022.

Book equity at the end of 2023 was NOK -3.6 million compared with NOK 10.8 million in 2022.

In December, the Company refinanced a NOK 83.6 million loan secured by tax refunds with a NOK 75.9 million loan with a mortgage in Brage. An additional 2nd priority loan of NOK 100 million was provided by two shareholders. The proceeds from the new loans were applied to finance the Brage acquisition.

BRAGE TRANSACTION

In October 2023, the Company signed an agreement with Vår Energi ASA to acquire its 12.26% interest in the Brage field. The transaction was completed on 29 December 2023. The consideration related to the transaction was NOK 137 million, including the acquisition of the seller's tax balance, valued at NOK 62 million. The effective date for the transaction with respect to tax is 1 January 2023, while the acquisition date with respect to accounting is 29 December 2023. Hence, the 2023 financials from Brage are not included in the Company's profit and loss statement but only affect the completion statement determining the settlement with Vår Energi ASA.

- PL055 Brage Unit
- PL 018 C (11.654%)
- PL 048 D (21.8%)

OPERATIONAL DEVELOPMENTS

Brage (12.26%)

PNO acquired a 12.26% interest in Brage with effective date 1 January 2023. Net production to PNO was 2390 boe per day in 2H 2023, compared with 978 boe per day in 1H 2023. The 2H production was boosted by the Talisker East well that started to produce in May. Two additional wells came on stream during 2H 2023.

PL882 (20%) - Dugong

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

The strong partnership led to a de-risking of the Dugong prospect which was spudded towards the end of Q2 2020 and was subsequently announced as a commercial discovery.

The recoverable resources are estimated to be between 29 - 84 million barrels of oil equivalent.

The PL 882 license partnership is working on several field development scenarios. First oil is now expected in 2029.

PL 1013 (20%)

In 1H 2022 the Company farmed down 40% of its interest in the license to

LICENSE PORTFOLIO

Petrolia NOCO holds interest in 10 licenses in the North Sea and the Norwegian Sea, including 2 operatorships.

Norwegian Sea licenses

- PL 1013 (20%)
- PL 1013 B (20%)
- PL 935 (10%)
- PL 1221 (40%) - Operator

North Sea Licenses

- PL 882 (20%)
- PL1210 (20%)
- PL 1181 (60%) – Operator

Equinor. The license has taken a drill decision and an exploration well is planned for Q3 2024. The Løvmeis prospect is located close to existing facilities. If successful, the partnership plans a fast-track development with production commencing in early 2026.

PL 935 (10%)

The Bounty prospect in the PL 935 license was drilled in 2022 and determined as a dry well with shows. The operator and partners are now evaluating the data obtained to consider if additional wells shall be drilled. Interpretation of the well results are positive and de-risk the up-flank high impact prospect. It is located in the Frøya High area. A well will be drilled in the neighbouring Licence in Q4 2024 that could prove up the Bounty reserves.

PL 1181 (Operator 60%)

The license was awarded under the APA 2022. The license is located in the northern part of the North Sea and will strengthen the Company's position in the Tampen area, where it already holds interest in the Dugong discovery.

Enoch (4.36%)

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

Due to technical problems the well was shut most of 2H 2023 and the net

production averaged at only 4 barrels of oil equivalents per day (Boe/day) for Petrolia NOCO during the second half of 2023.

Flyndre (0.825%)

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

The Flyndre field did not have any production during 2023. Following an unsuccessful attempt to restart production, the field was shut down permanently in July 2023.

EVENTS AFTER BALANCE SHEET DATE

In January 2024, the Company was awarded interest in two licenses in the Norwegian Awards in Predefined Areas (APA 2023). License PL 1221 will be operated by PNO with a 40% working interest. License partner is Equinor with 60% working interest. License PL 1210 will be operated by Wintershall DEA (40% working interest) with PNO and Equinor as license partners, both with 30% working interest.

After careful evaluation of the resource potential in the licenses, the license groups have decided to relinquish the following licenses: PL 882 B, PL 992, PL 994, PL 1106, PL 1107 and PL 1150 S

Bergen, 5
April 2024

Brede Bjøvd Larsen
Board member

Dr Robert Arnott
Chairman

Sjur Storaas
Board member

INCOME STATEMENT

(Amounts in 1,000 NOK)	2H 2023	1H 2023	2H 2022	Unaudited 2023
Operating income	2,164	7,646	32,814	9,810
Production cost	449	-3,323	-13,138	-2,874
Exploration expenses	-42,354	-16,633	-44,128	-58,987
Payroll and related cost	-5,832	-12,802	-6,678	-18,634
Depreciation and amortisation	-575	-577	65	-1,152
Other operating expenses	-13,359	-6,861	-15,533	-20,220
Operating loss	-59,507	-32,549	-46,599	-101,866
Finance income	1,235	1,319	-637	2,554
Finance costs	-11,552	-9,170	-9,062	-20,723
Net financial items	-10,318	-7,851	-9,699	-18,169
Loss before income tax	-69,825	-40,400	-56,298	-110,225
Net Income tax credit	48,621	27,228	36,534	75,849
Loss for the year	-21,204	-13,173	-19,764	-34,376

Condensed interim financial statement – 2H 2023

STATEMENT OF FINANCIAL POSITION (Amounts in 1,000 NOK)	31 Dec 2023	30 June 2023	Audited 31 December 2022
ASSETS			
Goodwill	152,485	0	0
Deferred tax assets	160,527	0	0
Oil and gas properties	337,221	0	
Exploration and evaluation assets	151,539	162,176	149,033
Right of use assets	2,053	750	2,965
Property, plant and equipment	2,375	2,397	703
Non-current receivables	77,216		
Total non-current assets	883,414	169,532	152,702
Inventory	70,370	0	1,528
Prepayments and other receivables	40,227	8,918	23,930
Tax receivable refund tax value exploration expenses	69,457	120,569	88,020
Cash and cash equivalents	29,893	26,814	55,403
Total current assets	209,947	156,301	168,881
Total assets	1,093,362	321,068	321,583
EQUITY AND LIABILITIES			
Share capital	17,000	16,000	16,000
Other equity	-20,576	1,627	-5,200
Total equity	-3,576	17,627	10,800
Deferred taxes	0	104,363	99,041
Decommissioning provision	675,297	9,923	9,923
Lease liability	1,112	1,544	1,956
Borrowings	205,750	80,750	80,750
Total non-current liabilities	882,159	196,580	191,671
Trade creditors	8,629	22,186	23,541
Payable taxes	6,500	0	6,500
Lease liability – current	1,110	813	1,110
Other current liabilities	122,639	49,061	20,461
Borrowings	75,900	83,900	67,500
Total current liabilities	214,779	106,861	119,112
Total liabilities	1,096,938	303,441	310,783
Total equity and liabilities	1,093,362	321,068	321,583

CASH FLOW STATEMENT

(Amounts in 1,000 NOK)	2H 2023	1H 2023	2H 2022	Unaudited 2023
Profit/loss before income tax	-69,825	-40,401	-56,298	-110,225
Tax refund exploration cost	88,020	0	-10,291	88,020
Depreciation and amortisation	134	1,018	-65	1,152
Gain/loss on sale of asset	-17	0	-414	-17
Changes in account receivables	1,159	-1,159	29,511	0
Changes in accounts payable	2,867	-17,778	1,354	-14,911
Changes in other current balance sheet items	4,738	6,970	1,425	11,708
Net cash flow from operating activities	27,077	-51,351	-34,779	-24,273
Proceeds from sale of assets	0	0	0	0
Net cash paid in business combination	-148,581	0	0	-148,581
Investment in oil and gas properties	-3	0	0	-3
Purchase of intangible assets	-2,386	0	0	-2,386
Investment in exploration and evaluation assets	-2,506	0	0	-2,506
Purchase of property, plant and equipment	13,034	-13,084	1,769	-50
Net cash flow from investing activities	-140,443	-13,084	1,769	-153,526
Net capital increase	0	20,000	30,000	20,000
Repayment of lease liabilities	-1,110	0	0	-1,110
Proceeds from issuance of long term debt	128,600	16,400	5,000	145,000
Proceeds from issuance of short term debt	22,400	0	47,421	22,400
Repayment of long term debt	-20,000	0	-15,000	-20,000
Repayment of short term debt	-13,445	-555	-1,743	-14,000
Net cash flow from financing activities	116,445	35,845	65,678	152,290
Net change in cash and cash equivalents	3,079	-28,589	32,668	-25,510
Cash and cash equivalents at start of period	26,814	55,403	22,735	55,403
Cash and cash equivalents at end of period	29,893	26,814	55,403	29,893

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