ANNUAL REPORT 2019

BOARD OF DIRECTORS REPORT 2019

Description of business

Mime Petroleum AS is a private limited company incorporated and domiciled in Norway, with its main office in Bærum, Norway. The company was incorporated on May 3, 2017.

Mime Petroleum is focused on hydrocarbon development and production on the Norwegian Continental shelf (NCS).

Mime Petroleum AS is wholly owned by Mime Petroleum S.a.r.l (Luxembourg). The Company is backed by Blue Water Energy LLP, a specialist international private equity firm focused on the middle-market energy sector, with USD 2.5 billion under management.

Business model and strategy

Mime's business model is to be a development and production company, participating in the discovery, appraisal, development and production of oil and gas resources on the NCS. The Company targets upsides in and around proven assets with access to processing and transportation capacity.

The coronavirus and recent major decline in price of crude oil

During the first months of 2020, the coronavirus (Sars-cov-2) has spread at an exponential rate in most parts of the world, representing a significant risk for reduced income in many industries, including the oil and gas industry. Following the increase in oil production combined with a significant reduction in oil demand due to the effects of the spread of the corona virus, the price for crude oil has dropped to levels not seen since the late 1990's. As the magnitude and consequences of the coronavirus is still very uncertain, it is challenging to predict the full extent and duration of the economic and operational impact for the Company. For the Board of Mime, it is essential to protect the people and operations of the Company, and to secure that the Company maintains liquidity and stays financially secure.

Operations and main events in 2019

Mime entered into an agreement with Vår Energi AS to become a partner in six licenses covering the Balder/Ringhorne fields on March 29, 2019. The transaction was completed on August 1, 2019 and provides Mime with a 10 percent ownership interest in the Balder/Ringhorne field, and a 7.4 percent ownership interest in the Ringhorne East field. This is Mime's first acquisition since its prequalification as a licensee on the NCS in June 2018.

Following the acquisition of the Balder and Ringhorne fields, Mime substantially strengthened the finance function, as well as the sub-sea facilities-, drilling and completion functions. Over the course of 2019 we have successfully established a fully operational organization, and Mime now has 15 employees. The lean organization is tailored to the Company's role as a non-operator company with an ambition to proactively follow up the operator to maximize the value from proven assets. The team has a strong geological, geophysical and reservoir competence and extensive experience from project execution on the NCS. Both management and employees are committed to the Company as shareholders through investments in the Company.

In the period after completion to year end, the total production from the fields was in excess of 4 mboe (100%). Mime has entered into a long-term crude oil offtake contract with ENI Trading and Supply, effective from November 1, 2019.

Production enhancement from Ringhorne has been a focus area in 2019 while acknowledging the delays in the rig upgrade project. A revised baseline for the project was established in August 2019 with the target of starting up work-over operations from January 2020. Operator met the target and work-overs operations started in November 2019. Due to unexpected technical issues with the work-over wells, it has been decided to finalize all rig upgrade work with Managed Pressure Drilling (MPD), cuttings re-injection and mud-pump services in place prior to drilling new wells and perform the remaining workovers. Production from two workovers (C-02 and C-09) is planned in 2020.

In December 2019, Mime and Vår Energi AS submitted a revised Plan for Development and Operation (PDO) application for the Balder/Ringhorne field, covering the Balder Future project. The Balder Future project includes refurbishment of the Jotun FPSO, new subsea production systems, 14 new wells, and has a total cost estimate of NOK 19.6 billion. Production is planned to start in the autumn of 2022 and some additional 136 million boe is expected to be produced in the period up to 2045.

The Balder Future project is a perfect match with Mime's strategy and our focus on enhancing production from producing fields and development of petroleum reserves and resources within and adjacent to our producing fields. The Balder/Ringhorne licenses contain the three essential elements: ongoing production, a large development program, and further exploration opportunities.

Key Financial figures 2019

Operating revenue for the year amounted to NOK 239.6 million (2018: NOK 0.2 million), whereas the operating profit for the year amounted to NOK 2.6 million (2018: operating loss of NOK 34.8 million). Average net production was 2 540 barrels of oil equivalent per day, and the average realized oil price was USD 60 per barrel.

Net financial income of NOK 14.2 million (2018: NOK 98 424) mainly relates to interest expenses on the long-term loan, offset by unrealized currency gains on monetary items.

The Company's tax income for 2019 was NOK 5.8 million (2018: NOK 24.7 million).

Net profit after taxes for the period amounted to NOK 22.7million (2018: loss of NOK 10 million).

At December 31, 2019, total assets amounted to NOK 2 416 million (2018: NOK 54.1 million). Hereof, the total investments in Balder Unit and Ringhorne Øst Unit amounted to

NOK 2 191 million (2018: nil). Cash and cash equivalents amounted to NOK 51.6 million (2018: NOK 8.6 million).

Net cash flow for 2019 was positive with NOK 43 million (2018: negative with NOK 20 million). Total cash flow from operational activities amounted to NOK 44.2 million in 2019 (2018: negative by NOK 46 million). Cash flow used in investment activities amounted to NOK 1 462 million (2018: NOK 0 million). Investments mainly relate to the Balder/Ringhorne licenses. Cash flow related to financing activities amounted to NOK 1 461 million including proceeds from borrowings by NOK 458 million and proceeds from share issues of NOK 1 035 million (2018: NOK 26 million, including proceeds from share issues by NOK 27 million). A detailed cash flow statement is included in the financial statements.

Through an investment agreement with Bluewater Energy LLP, the Company has access to an equity line of up to USD 300 million, of which USD 129 million has been drawn. During 2019, Mime entered into a Reserve Based Lending (RBL) facility with two banks. The USD 65 million facility also includes a USD 30 million accordion. In February 2020, Mime successfully completed the issuance of a NOK 300 million senior unsecured bond with maturity in February 2025. The bond was later swapped into a USD currency exposure.

The Company’s financial position is sound and equate to settle short-term debt as of December 31, 2019 with the Company’s most liquid assets. The equity ratio was 47% as of December 31, 2019 (December 31, 2018: 92.8%).

The Board of Directors believe that the financial statements give a true picture of Mime Petroleum AS's assets and liabilities, financial position and results. The Board of Directors do not know of any important matters regarding the Company’s financial statement and affairs that are not reflected in the profit and loss and balance sheet statements.

The Board of Directors propose that the profit in Mime Petroleum AS of NOK 22 670 769 is allocated to retained earnings.

Own shares

Reference is made to note 13 in the Annual Accounts for further information on holdings of own shares.

Risk factors and risk management

Mime Petroleum is subject to various controllable and uncontrollable risks, associated with the nature of the oil and gas business operations. Companies operating in the oil and gas industry, including Mime, are exposed to a variety of operational, financial and external risks that may not be entirely possible to eliminate even with robust risk management routines and experiences.

The Company’s main approaches to risk management are based on the understanding and analysis of the actual risks, focusing on minimizing any potential adverse effects of such risks to achieve attractive risk adjusted returns for the shareholders.

The Board of Mime Petroleum works together with the Company to develop a risk management strategy and processes to enable the management to prevent and effectively handle, potential events. The Board is also responsible for overseeing the implementation of this strategy, by making sure that the framework for the identification, control and monitoring on all risk areas is in line with industry standards, and that adequate systems and procedures are in place to address these risks.

The Board of Directors shall ensure that the Company has sufficient internal control procedures and systems for risk management that are tailored to its operations in accordance with the Company's core values, ethical guidelines and social responsibility policy. A review of the Company's most important risks and internal control is conducted on a regular basis by the Board of Directors.

<u>Operational risk</u>
The Board recognizes the risks associated with the Company's operational assets. The regulation of activities on the NCS provides a sound framework for handling these risks, and the Company takes an active and responsible approach as a partner. Future production of oil and gas is dependent on the Company's ability to find, or acquire, and develop reserves. There is always a risk that a major operational incident could occur as drilling, production and decommissioning activities will never be completely risk-free. Further, there are risks related to the integrity of the Company's assets, risks associated with the reported reserves and resources, and risks associated with third-party contractors or operators, as the Company's assets are non-operated. Costs of development projects or exploration efforts are also uncertain. As a result of these risks, the Company may incur costs that could adversely affect the Company's financial position or its reputation as a player on the NCS. The Company intends to act as a sound, responsible and technically competent partner across the whole spectrum of activities in all its operations. Mime Petroleum works actively together with operators and has established mitigating actions to reduce the possibility of operational incidents occurring. In addition, the Company's risk management includes contingency plans to minimize the potential impact if an operational incident should occur.

<u>HSE risk (people, environment and assets related)</u>
The Company has a requirement through the HSE Policy that all operations are completed without harm to the people involved, with minimum impact on the environment and without damage to the assets used.

There are inherent dangers associated with oil and gas exploration and production operations and only through active risk management can these risks be controlled to an acceptable level (the ALARP principle). In Mime we have a robust risk management system to identify, analyze, evaluate, treat and monitor risks. The system is used for all projects we participate in.

<u>Financial risks</u>
Mime Petroleum is highly focused on active risk management through hedging, liquidity focus and insurance. The Company has insured its pro-rata liability on the NCS in line with the best industry practices and has offshore insurance programs covering loss of production, physical damage, control of well and third-party liability (non-exhaustive).

The Company is exposed to market fluctuations in commodity prices, foreign exchange rates and interest rates. These fluctuations could impact the Company directly or indirectly as they may influence banks' and investors' appetite to lend to, or invest in, the Company.

The CFO of the Company is responsible for monitoring, managing and reporting on the Company's financial risks. The Group management team and the Board of Directors are involved in the decision making when derivative contracts are entered into.

Commodity price risk
Mime Petroleum operates in the crude oil-, and to a limited extent, in the natural gas markets. Fluctuations in hydrocarbon commodity prices can therefore have an effect on the Company's revenue. Commodity price risk represents the Company's most notable risk going forward. In order to manage the risk related to oil price fluctuations, the Company has established an oil price hedging program. At the end of 2019, Mime had put in place a hedging program until end of fourth quarter of 2020. The existing hedging program is based on swap contracts. At the end of 2019, around 70% of the expected 2020 production is hedged at an average price of USD 60.5/bbl.

Currency risk
Currency risks arise from multi-currency cash flows within the Company. Mime is exposed to foreign currency exchange risk on its operating and capital expenditures, including financing costs. Mime has for 2020 sold USD 50 million forward at an average rate of 9.19 to mitigate currency risk related to operating and capital expenditures. In order to mitigate the currency risk arising from the debt issuance, the Company has entered into a USDNOK cross currency swap of NOK 300 million related to the bond issuance in February 2020.

Interest rate risk
The Company`s interest rate risk arises from its interest-bearing borrowings. Borrowings issued with floating interest rate conditions exposing the Company to interest rate risk. The Company has entered into a five-year interest rate swap at 1.4415% on a notional amount of USD 30 million to mitigate the risk arising from variable interest payable on the RBL loan. The interest rate for the NOK 300 million bond is fixed at 8.397% through an interest rate swap.

Credit risk
The Company considers its credit risk to be low, as its license partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Liquidity risk
The Company's future capital requirements depend on many factors, and the Company need additional funds to fulfil its commitments and further develop exploration and development programs to support the strategic direction of the Company. Liquidity risk is the risk that the Company will not be able to meet the obligations of financial liabilities when they become due. Mime Petroleum carries out short-term (12 months) and long-term forecasts to plan the Company`s liquidity. These forecasts are updated regularly, for various scenarios and form part of the decision basis for the Company`s management and the Board.

Through White Paper 113L to the Parliament, the Norwegian government has proposed temporary tax measures for companies subject to the Petroleum Tax Act that will defer tax payments to later years, alternatively allowing companies to claim the tax value of loss carryforwards repaid on an ongoing basis . A key objective of the proposed changes is to make liquidity available for oil companies so that planned activities and projects will continue as planned, as opposed to being cancelled or postponed as a consequence of the oil price shock the industry has experienced the last few months. In the current market situation, the proposed changes will provide a significant contribution to ensure that Mime will be able to finance the Balder Future project. Based on the capital sources available to the Company, the Board of Directors is confident that necessary funds and liquidity can be secured either through bank facilities, the bond market or equity.

Portfolio risk
The Company has strong growth ambitions and participate in M&A activities. The recent downturn in oil prices is expected to dampen the M&A sentiment in the industry. This could temporarily impact the growth ambitions of the Company.

External risks
The business environment in which the Company operates can change rapidly. The risks of fluctuations in commodity prices are addressed under financial risks. The Company also faces other external risks that could affect its financial position over time. There can be no assurance that legislation, including tax regulations, will not be changed in a manner that could adversely affect the Company. There is also a potential exposure from the response to climate change and ESG initiatives. The Company aims to develop a portfolio of assets that remains resilient as the government's response to climate change evolves.

Requirement for continued operation
Pursuant to the § 3-3a in the Norwegian Accounting Act, the Board of Directors have performed a robust assessment of the Company's cash flows and its financial and liquidity position, including under a number of downside scenarios and confirms that the conditions for continued operations as a going concern are present and that the annual financial statements for 2019 have been prepared on the going concern basis.

The Board confirms that the annual accounts represent a true and fair view of the Company's financial position and is not aware of any factors that would materially affect the assessment of the Company as of December 31, 2019.

Working environment and staff
The working environment and general welfare is considered to be good. No incidences or reporting of work-related accidents resulting in significant material damage or personal injury occurred during the year. The sick leave in 2019 was 0.9% (2018: 0%)

Equal opportunities and discrimination
The Company aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting. The Company has traditionally recruited from environments equally dominated by both men and women. At the end of 2019, the company had 15 employees, of which 5 are women. The Company is committed to being an attractive employer for all groups of prospective employees. Working hour arrangements and salaries within the Company follow from the various positions and are independent of gender. There are no part time positions. Each employee is essential to the Company's success and deliveries, necessitating a stimulating work environment that attracts people with the right skills and attitudes.

Health, Safety and Environment

Mime has a zero HSE incident policy. The Company, together with the operator at Balder and Ringhorne, Vår Energi AS, work actively to ensure safe operations. The safety of individuals, environment and physical assets are integrated parts of the Company's asset management. Mimes HSE&Q activities follow the comprehensive HSE&Q guidelines and monitoring system run by the field operator. Reporting of air and water emissions is made by the operator.

Mime has fulfilled its HSE&Q duties as a participant in the Balder/Ringhorne licenses during the period. The Company does not have operatorship on the NCS.

Mime experienced no major accidents, injuries, incidents or any environmental claims during the year.

The Company's activities in 2019 have not adversely affected the environment.

Research and development

Through the license participation at Balder/Ringhorne, the Company contributes to research and development (R&D) by covering its share of the costs according to the participating agreement.

Payments to governments

According to the Norwegian Accounting Act section 3-3d pertaining to companies in the extractive industry, the Company is required annually to disclose payments to governments per country and project. Mime Petroleum had the following payments to the Norwegian authorities in 2019:

- Area fee per license paid by operators to Norwegian Petroleum Directorate authorities on behalf of the joint ventures (the Company's net share figures): NOK 498 664
- No tax payments were made to Norwegian authorities in 2019.

Corporate governance

The foundation of good corporate governance lays in a sound company culture supported by adequate operational and financial control systems. The Board of Directors seeks to apply effective governance to its business and affairs to ensure long-term benefits for the Company's stakeholders.

Future challenges and outlook

During the first four months of 2020, the coronavirus started to spread around the world, representing a significant threat to people's health and causing severe consequences for the global economy, including a material drop in the oil price and demand for oil and gas.

The Board of Mime Petroleum is closely monitoring the situation related to the corona pandemic and the massive drop in the oil price with the objective of making sure necessary measures are taken to protect the people and operations, and that the Company maintains liquidity and stays financially secure.

Based on the investment agreement with Bluewater Energy LLP, providing access to an equity line of USD 300 million, combined with the positive liquidity and financing effects embedded in the Norwegian government's proposal of May 4, 2020 to temporarily change the Petroleum Tax Act, Mime Petroleum should have access to the financing and liquidity required going forward.

Mime Petroleum AS remains committed to its strategy of being an active and responsible partner participating in development of oil and gas resources on the NCS. The Company will continue to invest in proven, high-quality assets with access to existing infrastructure and focus on the further development of its producing assets. The Board considers Mime Petroleum to be well positioned for further growth.

Lysaker, May 26, 2020

Sverre Skogen
Chairman of the Board/Chief Executive Officer

Lars Asle Øyno
Board Member

Khashayarsha Ali Mohajerani
Board Member

Kjell-Erik Østdahl
Board Member

INCOME STATEMENTS

(NOK 1 000)	Note	2019	2018
Sale of crude oil		238 807	-
Sale of dry gas		1 902	-
Other revenue		-1 123	207
Total operating revenue	**2**	**239 585**	**207**
Production cost	**4**	-98 859	-
Exploration costs	**4**	-213	-
Changes in inventory and over-/underlift		-40 805	-
Decommissioning cost	**4, 15**	-1 991	-
Ordinary depreciation	**8, 9**	-50 583	-4
Employee benefit expenses	**3**	-24 415	-19 003
Other operating and administrative expenses	**5**	-20 094	-16 006
Total operating expense		**-236 960**	**-35 014**
Profit / (loss) from operating activities		**2 625**	**-34 807**
Interest income		1 031	43
Interest expenses		-10 876	-
Net foreign exchange gain / (loss)		29 303	85
Net other financial income / (expenses)		-5 262	-30
Net financial items	**6**	**14 197**	**98,424**
Profit / (loss) before income tax		**16 822**	**-34 708**
Income tax	**7**	5 848	24 663
Net profit / (loss)		**22 671**	**-10 046**
Allocation of net profit / (loss):			
Retained earnings		**22 671**	
Uncovered loss			**-10 046**

BALANCE SHEETS

(NOK 1 000)	Note	31.12.2019	31.12.2018
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized exploration wells		293	
Other intangible assets	9	14 473	
Total intangible fixed assets		**14 766**	
Tangible fixed assets			
Production facilities in operation		2 191 353	
Other property, plant and equipment		746	17
Total tangible fixed assets	8	**2 192 100**	**17**
Financial fixed assets			
Deferred tax asset	7	-	43 984
Other financial assets		2 976	1 024
Total financial fixed assets		**2 976**	**45 008**
TOTAL FIXED ASSETS		**2 209 842**	**45 025**
CURRENT ASSETS			
Inventory and underlift		10 793	
Trade and other receivables	10	85 556	414
Other current assets	11	58 982	
Cash and cash equivalents	12	51 633	8 636
TOTAL CURRENT ASSETS		**206 964**	**9 050**
TOTAL ASSETS		**2 416 806**	**54 074**

BALANCE SHEETS

(NOK 1 000)		31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		11 055	626
Share premium		1 094 409	61 954
Not registered sharecapital		26 600	7 623
Total paid-in capital	**13**	**1 132 063**	**70 203**
Retained earnings/(uncovered loss)		2 670	**-20 000**
TOTAL EQUITY		**1 134 734**	**50 203**
Non-current liabilities			
Deferred tax liability	**7**	97 153	
Interest bearing loans and borrowings	**17**	398 669	
Other long term liabilities		493	
Asset retirement obligation	**15**	642 854	
TOTAL NON CURRENT LIABILITIES		**1 139 169**	**-**
Current liabilities			
Trade payables	**14**	4 691	820
Short term part of long term debt	**17**	42 092	
Public duties payable		2 194	1 085
Tax payable	**7**	7 331	
Other current liabilities and overlift		86 596	1 966
TOTAL CURRENT LIABILITIES		**142 903**	**3 872**
Total liabilities		**1 282 072**	**3 872**
TOTAL EQUITY AND LIABILITIES		**2 416 806**	**54 074**

Lysaker, May 26, 2020

Sverre Skogen
Chairman of the Board/Chief Executive Officer

Lars Asle Øyno
Board Member

Khashayarsha Ali Mohajerani
Board Member

Kjell-Erik Østdahl
Board Member

STATEMENTS OF CHANGES IN EQUITY

(NOK 1 000)	Share capital	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity
Equity at 1 January 2018	**261**	**25 782**	**26 043**	**-9 955**	**16 088**
Net profit / loss (-) for the year 2018			**-**	-10 046	**-10 046**
Shares issued in 2018	365	36 172	**36 537**		**36 537**
Capital increase not registered in 2018		7 623	**7 623**		**7 623**
Equity at December 31, 2018	**626**	**69 577**	**70 203**	**-20 000**	**50 203**
Equity at 1 January 2019	**626**	**69 577**	**70 203**	**-20 000**	**50 203**
Net profit / loss (-) for the year 2019			**-**	22 671	**22 671**
Shares issued in 2019	10 429	1 024 831	**1 035 260**		**1 035 260**
Capital increase not registered in 2019		26 600	**26 600**		**26 600**
Equity at December 31, 2019	**11 055**	**1 121 009**	**1 132 063**	**2 670**	**1 134 734**

STATEMENTS OF CASH FLOW

(NOK 1 000)		2019	2018
Cash flows from operating activities			
Profit / loss (-) before income tax		16 822	-34 708
Adjustments:			
Income tax paid	**7**	-	-
Depreciation, depletion and amortization	**8**	50 583	4
Interest and fees on borrowings expensed	**6**	12 957	-
Interest income	**6**	-113	-
Accretion expense	**15**	2 649	-
Change in trade and other receivables		-128 261	-6 522
Change in trade and other payables		89 608	-5 105
Net cash flows from / used in (-) operating activities		**44 246**	**-46 332**
Cash flows from investing activities			
Investment in production facilities, acquisition	**1**	-1 143 014	
Investment in production facilities, post acquisition		-302 748	
Other investments	**9**	-15 753	
Investment in furniture, fixtures and office machines	**8**	-854	-21
Net cash flows from / used in (-) investing activities		**-1 462 369**	**-21**
Cash flows from financing activities			
Proceeds from borrowings, RBL	**17**	457 749	
Interest and fees on borrowings, paid	**17**	-24 514	
Loans to shareholder		-1 403	-1 024
Proceeds from share issues	**13**	1 035 260	26 997
FX effects		-5 972	
Net cash flows from / used in (-) financing activities		**1 461 120**	**25 974**
Net increase/ decrease (-) in cash and cash equivalents		**42 997**	**-20 379**
Cash and cash equivalents at the beginning of period		8 636	29 015
Cash and cash equivalents at the end of the period	**12**	**51 633**	**8 636**

NOTES TO THE FINANCIAL STATEMENTS

General information

Mime Petroleum AS is a private limited company incorporated and domiciled in Norway, with its main office in Bærum. The Company's address is Strandveien 50, 1366 Lysaker. The company was incorporated on May 3, 2017.

Mime Petroleum AS is a private oil and gas company focusing on development and production opportunities on the Norwegian Continental Shelf.

Summary of significant accounting policies

Basis for preparation

The Financial Statements for previous years (2017 and 2018) were 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 statement for 2019 have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP). The Company has performed a transition analysis as per January 1, 2018. No implementation effects have been identified affecting the January 1, 2018 opening balance.

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. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

The financial statements have been prepared under the assumption of going concern and on a historical cost basis, with some exceptions as detailed in the accounting policies set out below.

The Financial Statements of Mime Petroleum AS were approved by the board of directors and CEO on May 26, 2020.

Business segments

The Company's only business segment is development and production of oil and gas on the Norwegian Continental Shelf. Based on this no segment note is presented and this is in accordance with management's reporting.

Foreign currency

The functional currency of the Company is Norwegian Kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary assets and liabilities denominated in other currencies than NOK are translated into NOK using the exchange rate applicable on the balance sheet date. Exchange gains and losses are recognized as financial items in the income statement. Non-monetary assets that are measured at historical cost are translated using the exchange rate at the dates of the transactions. Equity transactions are translated at the exchange rate on the transaction date.

As of December 31, 2019, the relevant exchange rate for NOK/EUR 9.8638, NOK/USD 8.7803 and NOK/GBP 11.5936 (31.12.2018: NOK/EUR 9.0863, NOK/USD 8.6885 and NOK/GBP 10.6130).

Interests in oil and gas licenses

The Company's interests in oil and gas licenses on the Norwegian Continental Shelf are recognized by including the Company's share of the joint ventures' assets, liabilities, income and expenses on a line-by-line basis with similar items in the Company's financial statements.

Business Combinations

Determining whether an acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis.

Business combinations are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of the transaction. The acquisition date is the date on which the acquirer achieves control over the acquire/business and is set to be the completion date.

The valuation is based on currently available information on fair values at the acquisition date. Calculation of fair value has been obtained by discounting cash flows from future operations to get to the net present value. If new information becomes available within 12 months from the acquisition date, the Company may change the fair value assessment in the purchase price allocation.

Transfer of interests in petroleum licenses on the NCS require approval from the Ministry of Petroleum and Energy (MPE) and the Ministry of Finance (MOF). Under such transactions the sale and purchase price are generally considered to be post tax as the consideration is not taxable for the seller and not deductible for the buyer. Thus, business combinations are accounted for after tax in accordance with section 10 in the Norwegian Petroleum Tax Act. Technical goodwill and deferred taxes are consequently not recognized.

Upstream activities in the production phase will typically represent a business, whereas those at the exploration stage will typically represent an asset purchase. Projects that are at the development stage will require consideration of the stage of development and other relevant factors.

Use of estimates

The preparation of financial statements in accordance with the Norwegian Accounting Act and NGAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Financial statements are based on available information at the time of finalizing the annual accounts. Actual results/outcome may differ from the estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effect of changes in accounting estimates is recognized in the same period as the estimates are changed.

Key areas where judgment, estimates and assumptions have been applied:

- Acquisition of interests in joint ventures – fair value measurement

Acquisition accounting is subject to substantive judgment by the management.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. The fair value of oil fields in production and development phase is normally based on discounted cash flow models, where the determination of inputs to the model may require significant judgment, as described in the section below regarding impairment.

- Oil and gas reserves and resources

Oil and gas reserves and resources have been estimated on the basis of industry standards. The estimates are based on internal information and information received from the operator. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates, except for existing contractual future price changes.

Reserves and resources are used to calculate the depreciation of oil and gas fields by applying the unit-of production methodology. These estimates are also used as basis for impairment testing of license-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Reserve and resource estimates can also change over time due to revised and updated production and reservoir information. Future changes in oil and gas reserves can have a material effect on depreciation, life of field, impairment of license-related assets, and operating results.

- Provisions for future decommissioning and removal expenditures

The Company has obligations to decommission and remove offshore installations at the end of the production period. Estimating the costs of decommissioning/removal activities are challenging and relevant risks and uncertainties as well as potential changes to technology and regulations need to be considered. Most of the removal activities are expected to take place many years into the future and removal technology and costs are constantly changing. As a result, estimating decommissioning obligations involves significant judgment.

Estimates used in establishing a provision for future decommissioning and removal expenditures are based on current legal and constructive requirements as well as current technology and price levels for removal of facilities and plugging and abandonment of wells. As a result, the initial recognition of the liability and the capitalized cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement

- Income taxes

The Company is mainly subject to income taxes under the Norwegian Petroleum Tax jurisdiction. Judgment is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. Uncertainties exists with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In cases where the final outcome of such issues differs from the amounts initially recognized the differences are recognized in the income tax and deferred tax provisions in the period when the final tax assessment has been resolved.

The accounting of deferred income tax assets relies upon management's judgment of the Company's ability to generate future positive taxable income in each respective jurisdiction.

- Impairment of production and processing facilities

For the purpose of determining a provision for impairment, the estimated recoverable amount, based on a discounted cash flow (DCF) analysis, is based on estimated future performance of operations, discounted at an appropriate discount rate. Key assumptions relate to prices and estimated future costs, based on forward curves and long-term corporate assumptions, as well as expected production volumes.

The underlying assumptions and the judgment of management based on these are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates, and the discount rate applied is reviewed throughout the year.

Measurement and classification of assets and liabilities

Current assets and current liabilities consist of receivables and payables due within one year, items related to the inventory cycle and assets not determined for permanent ownership and use. Other balance sheet items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognized at nominal value at the time of the transaction.

Fixed assets are recognized at historic cost less depreciation and any impairment losses. Long-term liabilities are recognized at nominal value.

Revenue recognition

Revenues associated with the sale and transportation of petroleum products are recognized when the risk passes to the customer, which normally is when title passes at the point of delivery of the goods, based on contractual terms of the agreements. For crude oil the point of delivery is at the offshore loading point or at shipment from a terminal. The point of delivery for gas is at the gas receiving terminal onshore.

Revenues from oil and gas licenses, in which the Company is a partner, are recognized on the basis of volumes lifted and sold to customers during the period. Lifting or offtake arrangements for oil and gas produced in the Company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. When the Company has lifted and sold more than the ownership interest, an accrual is recognized for the production cost of the overlift. When the Company has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Other revenue is recorded at the time of delivery.

Exploration and R&D costs

Exploration costs are accounted for in accordance with the Successful Efforts method (SE). Exploration costs will for example include costs for topographical and geophysical studies (G&G), costs related to undeveloped areas, cost of drilling exploration/exploration appraisal wells and evaluation costs. Under the SE method, all costs associated with the exploration of licenses/exploration wells are expensed as incurred, with the exception of drilling and testing costs. Costs related to exploration wells in progress are capitalized as intangible assets pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or discoveries are assessed not to be commercially recoverable, the drilling costs are expensed as exploration expenses.

Exploration costs can remain capitalized for more than one year. The main criterion for continued capitalization is that there must be specific plans for future drilling in the license, a development decision is expected in the near future, or the well is pending capacity on existing infrastructure. Other exploration- and R&D costs are expensed as incurred.

Property, plant and equipment

Oil and gas fields in production

All offshore development costs are capitalized from the time when a discovery is deemed to give future commercial production. Development costs are depreciated in accordance with the unit-of-production (UoP) method, based on the ratio between annual production quantity and the proven and probable reserves and proven resources. Certain future investments are required to produce the remaining estimated producible reserves, and these future investments are included in the depreciation base. The resulting UoP depreciation charge is estimated to be equal to the depreciation of current investments over the reserves exploitable from the current investments. The reserve basis used for depreciation purposes is updated at least annually. Any changes in the reserves and/or cost estimates that affect the UoP depreciation rates are accounted for prospectively.

Oil and gas assets are tested for impairment if there are indicators of a loss of value. Indications of impairment may be decline in oil price, change in future investments or changes in reserve estimates. The assessment is carried out at the field or license level (CGU). If the carrying value exceeds the estimated recoverable amount, the asset is written down to the recoverable amount in the event of impairment that is not expected to be of a temporary nature. The recoverable amount is the greater of the net realizable value and value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. Previous impairment is reversed if the basis for impairment is no longer present.

Costs for ordinary maintenance and repairs are expensed as incurred, whereas costs for improving and upgrading production facilities are added to the acquisition costs and depreciated together with the related asset.

Intangible assets

Costs related to intangible assets are capitalized and depreciated over the anticipated economical lifetime according to the straight-line method.

Furniture, fixture and office machines

Other assets are depreciated over the anticipated economical lifetime according to the straight-line method.

Leases (as lessee)

Leases where the company assumes most of the risk and rewards of ownership, is classified as financial leases. The Company does currently not have any such leases.

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leasing expenses under operating leases are charged to the income statement as current operating costs when incurred.

The Company has commitments pertaining to its ownership in partner-operated oil and gas fields where the operator has entered into lease agreements for rigs and supply vessels in the license. These commitments are not recognized in the Company's statement of financial position. Please refer to note 19 in the financial statements for further details.

Trade and other receivables

Current receivables are recognized at nominal value, less provisions for expected losses. Provisions for expected losses are based on individual assessments of the different receivables.

Cash and cash equivalents

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Cost of equity transactions

Transaction costs directly linked to equity transactions are recognized directly in equity.

Interest bearing debt

All loans and borrowings are initially recognized at transaction price, being the fair value of the consideration received net of costs directly associated to the establishment of the loan or issuance of debt. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Any difference between the consideration received net of transaction costs and the redemption value, is recognized in the income statement over the term of the loan.

Taxes

Income taxes include current tax payables, adjustment of prior years' payable taxes and changes in deferred taxes.

Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. Current tax is tax that is to be paid or received for the year in question and includes adjustments of current tax attributable to previous periods. Deferred income tax is a non-cash charge provided, using the full liability method, on temporary differences and their carrying values. Temporary differences can occur for example where investment expenditure is capitalized for accounting purposes, but the tax deduction is accelerated, or where site restoration costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred.

Deferred tax assets and liabilities are calculated on 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 realized 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 recognized only to the extent that it is probable that future taxable profits/or tax increasing temporary differences will be available against which a deferred asset can be utilized. 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 utilized. Deferred tax assets are recognized as an intangible asset.

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.

Companies engaged in petroleum production and pipeline transportation on the Norwegian Continental Shelf are subject to the Norwegian oil taxation regime. Under this regime, a Special Petroleum Tax (SPT) on profits are attributable. The special petroleum tax rate was 56% for 2019. The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 22% for 2019, resulting in a steady 78% marginal tax rate on income subject to petroleum tax.

The basis for computing the special petroleum tax is the same as for income subject to ordinary income tax, except for onshore losses, which are not deductible against the special petroleum tax. For tax purposes, offshore development costs are depreciated straight line over 6 years. In addition, a tax-free allowance (uplift) of 5.2% (2019) on the total capital expenses is granted. The uplift is computed on basis of the original capitalized costs of offshore production installations. The uplift may be deducted from taxable income for a period of four years from the time of investment. The effect of uplift is recognized as earned in the year it becomes deductible and included in payable tax calculation. Unused uplift may be carried forward indefinitely, with an annual interest addition. No deferred tax asset is recognized for uplift that will become deductible in the future.

For tax purposes, interest expenses on interest-bearing debt are distributed between onshore and offshore activities. The tax allowance for offshore debt interests in the SPT are calculated as interest expense multiplied by 50% of the ratio between the tax value of the offshore assets and the average interest-bearing debt. The remaining net financial expenses are allocated to the onshore ordinary tax basis. If the Company has insufficient onshore income to cover the remaining net financial expenses, these are reallocated back to the offshore ordinary tax basis.

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 recognized in full. There is no time limit associated with the right to carry forward tax losses in Norway.

Tax rates adopted for 2020 (22 % for corporate tax and 56 % for special tax) are used when calculating deferred tax.

Pensions

The Company is required to have a pension scheme in accordance with the Norwegian law ("lov om obligatorisk tjenestepensjon").

The Company has established defined contribution plans for its employees. The contributions are expensed as they are incurred.

Net profit interest

The Norwegian State has large holdings in oil and gas licenses on the Norwegian Continental Shelf (NCS) through the State's Direct Financial Interest (SDFI). The Balder, Ringhorne and Ringhorne Øst fields are subject to an agreement of net profit interest (NPI), as these fields are located in some of the first licenses awarded on the NCS. Petoro, which is a state-owned limited company, manages the SDFI in the Norwegian oil and gas sector.

Calculation of the net profit interest is based on quarterly cashflows. Losses in a quarter can be offset against profits in subsequent quarters. NPI related to abandonment costs incurred after the production has ceased will be refunded by Petoro.

Inventories

Inventories mainly consists of equipment for the drilling of exploration and production wells and are valued at original cost.

Over-/underlift of petroleum

Overlift of petroleum products is valued at production cost, whereas underlift is valued at the lower of production cost and sales value.

Financial instruments

The Company makes use of different financial instruments to control the financial risks. Hedge accounting is applied for hedges that meet the criteria for hedge accounting. Realized gains or losses on hedging instruments are recognized when the underlying transaction is realized and presented on the same line as underlying transaction in the income statement. Unrealized gains and/or losses on hedging instruments are not recognized in the financial statements at the reporting date. Reference is made to note 18.

Provisions

Provisions are recognized when an obligation arises, legal or constructive, as a result of a past event, and it is more likely than not that an outflow of resources is required to settle the obligation, and a reliable estimate can be made of the amount.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized under interest and other financial expenses in net financial items in the income statement.

Contingent liabilities

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with exception of contingent liabilities where the probability of the liability occurring is remote.

Asset retirement obligations

Annual provisions are made to meet future costs for decommissioning, abandonment and removal of installations. Asset retirement obligations are calculated at net present value in accordance with NRS 13 Contingent Liabilities and Contingent Assets.

Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties.

The net present value of the asset retirement costs is entered in the balance sheet as part of the acquisition cost of the tangible asset and depreciated as part of this. The provision corresponds to the net present value of the asset retirement obligation over the total economic lifetime of the asset. The discount rate used in the calculation of the net present value of the ARO obligation is determined using a risk-free rate and the Company's credit premium adjusted for the relevant time horizon of the underlying cash flows. Changes in the time element (accretion expense) of the ARO are expensed annually as a financial item and increases the asset retirement obligation in the balance sheet. Any changes in cost estimates are recorded as an adjustment to the liability and the corresponding asset.

Statements of cash flow

The statements of cash flow are prepared and presented using the indirect method. Cash and cash equivalents include bank deposits and other short-term cash deposits.

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.

Financial Risk Management

Mime Petroleum's activities expose the Company to market risk (including commodity price risk, currency risk and interest rate risk), liquidity risk and credit risk. The Company's approach to risk management includes assessing and managing risk with focus on achieving the highest risk adjusted returns for the shareholders.

Commodity price risk

The Company operates in the crude oil market and is exposed to fluctuations in hydrocarbon commodity prices that can affect revenues. Commodity price risks represent one of the Company's critical risks going forward. Cash flows from sale of crude oil are secured through commodity price hedging in order to manage this risk.

Currency risk

Currency risk arise from multi-currency cash flows within the Company. Mime is exposed to foreign currency exchange risk on its purchase and sales, including financing costs that are denominated in currencies other than USD. Currency risks are secured through use of hedging instruments such as forward sales/purchase contracts.

Interest rate risk

Short and medium-term interest rate risk occurs as a result of fluctuations in the interest rates on interest-bearing debts. The Company has entered into an interest rate swap agreement to reduce interest fluctuations on external debt. See note 17 for information about the floating interest rate conditions on the Reserve Based Facility Agreement (RBL).

See note 18 for further information about the commodity price hedging, currency risk hedging and interest rate hedging.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The purpose of liquidity management is to make certain that the Company always has sufficient funds available to cover its financial liabilities. To identify current and future financing needs, the Company carries out short-term (3 -12 months) and long-term forecasts to plan the Company's liquidity. These forecasts are regularly updated for various scenarios and form part of the decision basis for the Company's management and Board of Directors.

At year end, Mime Petroleum's debt financing includes a Reserve-Based Facility Agreement (RBL) facility of up to USD 65 million with an additional uncommitted accordion of USD 30 million. The Company issued a senior unsecured NOK 300 million bond in February 2020. Reference is made to note 17 and 22 in the financial statements for further details.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortized cost, and deposits with banks and financial institutions. There are also minor credit exposures related to trade receivables and overcall in joint ventures.

The Company considers its credit risk to be low, as its license partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Note 1 – Significant transactions

The Company entered into a sale and purchase agreement with Vår Energi AS to acquire 10% of the seller's interest in PL001, 027, 027C, 028, 028S and 027GS, on March 29, 2019. The effective date for the transaction was January 1, 2019.

The business combination is accounted for using the acquisition method. The transaction date was set to the closing date August 1, 2019. The consideration and transaction costs have been allocated between identifiable assets acquired and liabilities incurred. The acquired non-current assets is presented in the balance sheet as production and processing facilities, with the working capital and over-/undercall balances in the joint venture presented as part of the current assets and current liabilities. Current taxes and net settlement amount with respect to the transaction have been recorded in the balance sheet as an adjustment to the purchase price.

In total, the net consideration incl transaction costs amounted to NOK 1 143 million.

Note 2 – Revenues

During 2019, the Company's crude oil production was sold to ExxonMobil and ENI Trading & Shipping on long term contracts. In 2019, a total of 0.4 million barrels were sold (2018: nil).

All dry gas from Balder and Ringhorne is sold to Vår Energi AS on long term contracts with delivery inlet area D.

(NOK 1 000)	Norway	EU	2019	2018
Revenues from crude oil sales	238 807		238 807	-
Revenuse from gas sales	1 902		1 902	-
Gain/(loss) on oil derivatives	-1 145		-1 145	-
Total petroleum revenue	**239 564**	**0**	**239 564**	**0**
Other revenues	21		21	207
Total revenues	**239 585**		**239 585**	**207**

**revenue split by place of delivery*

KEY OPERATIONAL FIGURES		2019	2018
Production*	boe	388 659	-
Average production per day*	boe	2 540	-
Average oil price, net of hedging	USD/bbl	57.40	-
Volumes sold*	boe	439 372	-

boe = barrel of oil equivalent

** from August 1, 2019*

Note 3 – Salary and personnel costs, number of employees, audit fees

(NOK 1 000)	2019	2018
Payroll expenses	18 217	14 424
Social security tax	2 976	2 306
Pension costs	2 673	1 679
Other personnel expenses	549	595
Total employee benefit expenses	**24 415**	**19 003**
Average number of full time equivalents	13,2	10,4

<u>Pensions</u>

The Company has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law. The Company has a commitment to pay an annual contribution for each employee of 7% of the base salary up to 7.1 times the base amount (G) in the in the Norwegian Social Security Act, and 25.1 % of the base salary between 7.1 and 12 times the base amount.

In addition, the Company has set up a disability insurance arrangement and a spouse/cohabitant pension.

As of December 31, 2019, the Company's defined contribution scheme had 15 members (December 31, 2018: 11 members). Costs related to the defined contribution plan amounted to NOK 2 238 397 in 2019 (2018: NOK 1 776 453).

During 2019, the Company established a funded pension scheme for employees with salaries in excess of 12 times the base amount. Qualified employees are entitled to a yearly contribution to the funded pension scheme of 25% of the base salary that exceeds

12 times the base amount. The future pension liability for the Company is limited to the total yearly contributions. Costs related to the funded pension scheme in excess of 12G amounted to NOK 434 197 in 2019 (2018: nil).

Remuneration to CEO/Executive Chairman and board of directors:

(NOK 1 000)	2019	2018
Salary	1 556	1 973
Pension scheme costs	226	190
Other remuneration	17	15
Total remuneration to CEO	**1 798**	**2 178**

Members of the Board received no remuneration in 2019 or 2018. No loans/guarantees have been given to the CEO/Chairman of the Board or other Board Members.

The Company has no commitments with regards to severance payment to the CEO/Chairman of the Board.

The CEO, key management and selected Board Members have an agreement regarding bonus, given certain criteria.

Salaries and other remuneration related to participation in licenses
Salaries charged to the Company's income statement through licenses where the Company has an ownership share are not classified as salaries but are included in exploration and production expenses or capitalized as part of developments.

Remuneration to auditors:
Expensed remuneration to the auditors is as follows (excl. VAT):

(NOK 1 000)	2019	2018
Statutory audit	217	77
Other assurance services	47	46
Tax advisory services		51
Other services	38	
Total	**302**	**173**

Note 4 – Exploration and Operating expenses

(NOK 1 000)	2019	2018
Production cost	86 760	-
Environmental taxes	7 176	-
Over-/underlift and physical stock adjustment	40 805	-
Offshore insurance	4 685	-
Decommissioning cost	1 991	-
Other production costs	238	-
Total operating expenses	**141 655**	**0**

Decommissioning costs relate to incurred shutdown costs at Jotun FPSO.

(NOK 1 000)	2019	2018
Expensed cost, geological & geophysical	212	-
Expensed cost, seismic and studies	1	
Expensed cost, other	-	-
TOTAL	**213**	-

Drilling and testing costs for wells where status of discovery is pending, has been capitalized (NOK 0.3 million in 2019).

Note 5 – Other operating and administrative expenses

(NOK 1 000)	2019	2018
Travel and transportation costs	2 075	457
Rental and lease expenses	2 142	1 593
IT expenses	861	2 964
Legal services	4 912	4 585
Other consultancy services	9 104	5 837
Other operating costs	1 000	570
Total other operating and administrative expenses	**20 093**	**16 005**

Note 6 – Financial income and costs

(NOK 1 000)	2019	2018
Interest income	1 031	43
Other financial income	-	-
Total financial income	**1 031**	**43**
Interest expenses	-10 876	-
Amortised loan costs	-541	-
Accretion expenses	-2 108	-
Net other financial income / (expenses)	-2 613	-30
Total financial expense	**-16 137**	**-30**
Realised foreign exchange gain/(loss)	-1 617	85
Net unrealised exchange gain /(loss)	30 920	-
Net financial items	**14 197**	**98**

Note 7 – Taxes

Income taxes recognised in the income statement		
(NOK 1 000)	**2019**	**2018**
Current tax payable /(income tax credit)	7 331	-
Current tax payable previous years	-	-
Change in deferred tax	-13 180	-24 663
Total tax payable (receivable) recognised in the income statement	**-5 848**	**-24 663**

Reconciliation of income tax		
(NOK 1 000)	**2019**	**2018**
Profit / loss (-) before income tax	**16 822**	**-34 708**
Expected income tax at nominal tax rate (22%/23%)	3 701	-7 983
Expected petroleum tax (56%/55%)	9 421	-19 090
Tax effect of:		
Permanent differences	7 991	156
Financial items		2 312
Uplift	-10 517	
Change in tax rates		79
Other changes	-396	-138
Onshore items	-16 048	
Total income tax recognised in the income statement	**-5 848**	**-24 663**
Effective income tax rate	**-34,8 %**	**71,1 %**

Specification of tax effects on temporary differences, tax losses and uplift carried forward			
(NOK 1 000)	**Change**	**2019**	**2018**
Fixed assets	-596 975	-596 975	
Asset retirement obligations	501 426	501 426	
Other items	-9 533	-9 533	
Tax losses carried forward, offshore (22%/23%)	-13 660	-	13 660
Tax losses carried forward, offshore (56%/55%)	-22 395	7 930	30 324
Total deferred tax assets / (liabilities) recognised	-141 137	**-97 153**	**43 984**

The negative effective tax rate in 2019 was primarily caused by the effect related to uplift and the tax effect of onshore items. At year-end 2019, unrecognized future uplift credits related to capitalized costs amounted to NOK 62.1 million. Related to the Balder/Ringhorne transaction, an increase in deferred taxes of NOK 154.3 million has been recognized directly against the assets.

Note 8 – Property, plant and equipment

(NOK 1 000)	Production facilities	Furniture, fixtures and office equipment	Total
2019			
Cost at January 1, 2019	-	21	21
Additions through acquisition of interests in Balder/Ringhorne	2 034 042	-	2 034 042
Additions	206 490	854	207 344
Disposals	-	-	-
Adjustment of acquisition cost	-	-	-
Cost at December 31, 2019	**2 240 533**	**873**	**2 241 407**
Accumulated depreciation and impairment at January 1, 2019	-	-4	-4
Depreciation for the year	-49 179	-124	-49 303
Impairment loss	-	-	-
Disposals	-	-	-
Accumulated depreciation and impairment at December 31, 2019	**-49 179**	**-127**	**-49 307**
Carrying amount at December 31, 2019	**2 191 353**	**746**	**2 192 100**
2018			
Cost at January 1, 2018	-	-	-
Additions	-	21	21
Disposals	-	-	-
Adjustment of acquisition cost	-	-	-
Cost at December 31, 2018	**-**	**21**	**21**
Accumulated depreciation and impairment at January 1, 2018	-	-	-
Depreciation for the year	-	-4	-4
Disposals	-	-	-
Accumulated depreciation and impairment at December 31, 2018	**-**	**-4**	**-4**
Carrying amount at December 31, 2018	**-**	**17**	**17**

Production facilities are depreciated according to unit of production method (UoP). Furniture, fixtures and office equipment are subject to linear depreciation, over 3 or 5 years.

Note 9 – Intangible assets

(NOK 1 000)	Licensing of seismic	Software	Total
2019			
Cost at January 1, 2019	-	-	-
Additions	14 651	1 102	15 753
Disposals	-	-	-
Cost at December 31, 2019	**14 651**	**1 102**	**15 753**
Accumulated depreciation and impairment at January 1, 2019	-	-	-
Depreciation for the year	-1 221	-59	-1 280
Impairment loss	-	-	-
Disposals	-	-	-
Accumulated depreciation and impairment at December 31, 2019	**-1 221**	**-59**	**-1 280**
Carrying amount at December 31, 2019	**13 430**	**1 043**	**14 473**

Note 10 – Trade and other receivables

(NOK 1 000)	2019	2018
Trade receivables	42 101	-
Working capital, prepayments, joint venture	3 745	-
Overcall, joint ventures	4 981	-
Prepayments	6 633	272
Not registered sharecapital	26 600	
Other short term receivables	1 495	142
Total trade and other receivables	**85 556**	**413**

The trade receivables consist of receivables from financially solid oil and gas companies. No allowances for doubtful debts have been made, and no loss has been recognized during the year. Trade receivables are non-interest bearing.

Note 11 – Other current assets

(NOK 1 000)	2019	2018
Stock of spare parts etc. held by operators	58 982	-

Note 12 – Cash and cash equivalents

(NOK 1 000)	2019	2018
Bank deposits, unrestricted	50 333	7 939
Bank deposits, restricted	1 300	697
Total cash and cash equivalents	**51 633**	**8 636**

Cash and cash equivalents consist of deposits in ordinary bank accounts. Restricted bank deposits consist of employee withholding tax and a deposit for rental commitment.

Note 13 – Equity, share capital and shareholder information

	No. A shares	No. B shares	Total no. shares	Share capital (1000 NOK)
Shares/share capital at January 1, 2019	26 062 028	36 525 652	62 587 680	625 877
Capital increase in 2019	0	1 042 883 273	1 042 883 273	10 428 833
Shares/share capital capital at December 31, 2019	26 062 028	1 079 408 925	1 105 470 953	11 054 710

Shareholders as of December 31, 2019				
Mime Petroleum S.a.r.l	26 062 028	1 079 408 925	1 105 470 953	11 054 710

All shares have a nominal value of NOK 0.01/share. On December 27, 2019, a capital increase of NOK 26.6 million was approved. The capital increase, which constitute issuance of new 26 600 000 B-shares, was registered with the Companies Register (Brønnøysundregistrene) on February 5, 2020.

The Company does not own any treasury shares. The articles of association do not include any provisions concerning voting rights. There are no rights which may result in the issuing of new shares.

Mime Petroleum AS was incorporated by Blue Water Energy LLP (BWE) and the founders in May 2017. As of December 31, 2019, the Company had a total equity commitment of USD 300 million from BWE, with flexibility to increase the commitment if required. Founders and employees in Mime Petroleum AS have committed USD 5 million in equity.

(NOK 1 000)	Share capital	Other paid-in capital	**Total paid-in capital**	Other equity	**Total equity**
Equity as of December 31, 2018	**626**	**69 577**	**70 203**	**-20 000**	**50 203**
Shares issued in 2019	10 429	1 024 831	**1 035 260**		**1 035 260**
Profit/(loss) for the year				22 671	**22 671**
Capital increase not registered in 2019		26 600	**26 600**		**26 600**
Equity as of December 31, 2019	**11 055**	**1 121 008**	**1 132 063**	**2 671**	**1 134 734**

Based on the 2019 financial statements, the Board are not proposing any distribution of dividend.

Note 14 – Trade and other payables

(NOK 1 000)	2019	2018
Trade creditors	2 779	820
Working capital, trade creditors, joint venture	1 911	-
Trade payables	**4 691**	**820**
Working capital, accruals, joint venture	47 693	-
Other short term payables	3 499	1 781
Overlift	26 403	
Other accrued expenses	9 000	186
Other current liabilities	**86 596**	**1 966**

Trade payables are non-interest bearing and are normally settled within 30 days. All other payments are scheduled to be settled as they fall due.

Note 15 – Asset Retirement Obligations

At the termination of production or expiration of a license, the Norwegian government may require the Company to remove offshore installations. Given reserve estimates at license expiry, the Company finds it unlikely that the Norwegian government will exercise its option to take over the installations.

It is also required to close down all production and injection wells as their use is completed. The Company has no removal obligations related to Gassled pipelines and installations.

If the Norwegian Government should require dismantlement and removal of the installations, removal costs will be fully tax deductible for the licensees when incurred.

The Company has based its estimated asset retirement costs on cost estimates prepared by the operator of the licenses.

(NOK 1 000)	2019	2018
Total obligation at January 1, 2019	-	-
Addition through business combination	601 885	
Effect of chages in estimates	40 852	-
Accretion expense	2 108	-
Actual decommissioning expenditure	-1 991	-
Total obligation at December 31, 2019	**642 854**	-
Non-current portion at December 31, 2019	621 735	
Current portion at December 31, 2019	21 119	

In the calculation of net present value at year-end 2019, an inflation rate of 2% and a nominal discount rate of 5% are used for estimating the abandonment retirement obligations. The current abandonment obligation (next twelve months) is related to Jotun FPSO.

There are significant uncertainties inherent in the calculations of abandonment and decommissioning costs, which is dependent upon future technology levels and the degree of removal required. The Company obtains abandonment and decommissioning cost estimates from the operator. The estimates are based on complete removal and onshore disposal of any installations above or on the seabed. Pipelines will be cleaned and left buried.

Future deposit requirements

As part of the Sale and Purchase Agreement (SPA) with Vår Energi AS, the Company shall deposit to the seller a post-tax amount of USD 12.7 million on January 1, 2022. According to the Norwegian Petroleum Act section 5-3 (3), Vår Energi AS is secondarily financially responsible for the asset removal obligation related to the licenses acquired by the Company. Vår Energi AS is in accordance with the SPA required to repay, without any delay, the entire deposit in an event where the seller's liability do not materialize (i.e. Mime fulfills the asset retirement commitments for the acquired interests according to plan).

The Post Completion Payment does not satisfy the definition of a liability as the future payment is not an obligation at the transaction date. The deposit is considered only to be a part of the agreement due to the requirements in the Petroleum Act section 5-3(3) and not part of the pricing and valuation of the transaction between the parties. The Post Completion Payment is not expected to materialize, and Mime's obligation is already indirectly included under the ARO liability related to assets and liabilities from the transaction with Vår.

Note 16 – Transactions with related parties

During the 2019 financial year, Mime Petroleum AS had the following transactions with related parties:

a) Key management, CEO/Executive Chairman and Board of directors
Key management, the CEO/Executive Chairman and board members participate in a Management Incentive Program committing eligible members to co-invest in the Company.

Further, key management, the CEO/Executive Chairman and board members are entitled to a future cash bonus payment contingent of the proceeds in case of a future sale, asset sale, listing or winding up of the Company.

The Company has no other agreements in which a board member or the management has a substantial interest.

Remuneration to the CEO/Executive Chairman and the Board is presented in note 3.

b) Intercompany loan agreement
In April 2018, Mime Petroleum AS entered into a 5-year loan agreement with its sole shareholder Mime Petroleum S.a.r.l. Under this loan agreement, Mime Petroleum AS has made available to Mime Petroleum S.a.r.l a loan facility of maximum USD 650 000. The loan is unsecured and rank pari passu with all other unsecured and unsubordinated debts of Mime Petroleum S.a.r.l.

At December 31, 2019, the outstanding receivable amounted to USD 282 819 including accrued interest.

Note 17 – Interest bearing loans and borrowings

(NOK 1 000)	2019	2018
Long term interest bearing debt (RBL)	451 777	-
Capitalized loan fees	-11 016	-
Total long-term interest bearing debt	**440 761**	**-**
Hereof short-term part of long term debt	42 092	-

On May 27, 2019, the Company entered into Reserve-Based Lending Facility Agreement (RBL) with BNP Paribas and DNB Bank ASA. The RBL facility is a senior secured seven-year facility of up to USD 65 million with an additional uncommitted accordion option of USD 30 million. The interest rate is 3M USD LIBOR plus a margin of 3.5%. The utilized facility amounted to USD 51.5 million at December 31, 2019. The short-term part of the long-term interest-bearing debt relate to an agreed net repayment on the RBL of USD 4.8 million effective January 2, 2020.

Capitalized loan fees are amortized over the loan period.

The financial covenants are as follows:

- A bi-annual liquidity test demonstrating that corporate sources exceeds corporate uses for the next 12 months with a ratio on 1:1
- In case of any PDO approved development projects, a quarterly funding test until first oil demonstrating that corporate sources exceed the corporate uses in the forthcoming twelve-month period.

With respect to the liquidity test as of December 31, 2019, discussions were ongoing regarding the basis for the calculations. As the parties did not come to an agreement on the basis within year end, the Company was granted a waiver for this test. Based on ongoing discussions, the waiver has been extended on a regular basis. The Company expects to conclude the discussion and necessity for a waiver within reasonable time.

Carrying amount of assets provided as security for the RBL Facility Agreement:

(NOK 1 000)	31.12.2019
Bank accounts	51 633
Borrowing base assets	2 191 353
Trade and other receivables	85 556
Other current assets	58 982
Inventory	10 793
Total	**2 398 317**

The Company's obligations to the lenders under the RBL Facility are mainly secured by a first priority security over: i) shares in the Company (both existing and any future shares), (ii) bank accounts, (iii), license interests in all borrowing base assets, (iv) hedging agreements (v) any claims under RBL insurances, (vi) insurances as well as (vii) floating charges over trade receivables and inventory.

Note 18 – Financial instruments

The Company has focus on securing liquidity and has entered into an oil price hedging program to reduce the cash flow risk related to oil prices. The oil price hedging program is considered to qualify for hedge accounting. At the end of the 2019, Mime Petroleum had put in place a hedging program (swap contracts) covering 53% of estimated production for 2020 with an average fixed price of USD 60.4/bbl. The fair value of the oil swap contracts at 31.12.2019 was negative by USD 2.15 million.

As revenues are denominated in USD, while investments and operating costs generally accrue in NOK, currency rate fluctuations represent both a direct and an indirect financial risk for the Company. Mime uses forward exchange contracts to minimize the NOK exposure. The Company had no open foreign exchange contracts at December 31, 2019.

A share of the interest rate risk arising from the exposure to variable interest on the Reserve-Based Lending Facility Agreement is hedged using interest rate swaps. The Company is required to pay a fixed interest rate in exchange for a variable market interest rate, both calculated on a specified notional principal amount. The key terms of the interest rate swap are listed below:

Terms of Interest Rate Swap	
Trade date	October 2, 2019
Effective date	November 1, 2019
Maturity date	November 1, 2024
Notional amount	USD 30 million
Floating rate	3M USD LIBOR
Fixed rate	1.44150%
Final exchange	Quarterly

The fair market value of the interest swap contract at 31.12.2019 was USD 0.3 million.

Hedge effectiveness is assessed at the inception of the hedge relationship and on an ongoing basis. The sources of hedge ineffectiveness are mainly attributed to a reduction or modification in the hedged item (i.e. debt repayment).

Note 19 – Lease agreements and other commitments

As of December 31, 2019, the Company has no financial leases. The Company has entered into operating leases for office premises, parking and IT equipment.

The rental agreement for the current office location in Strandveien 50 started July 1, 2019 and the rental period is 5 years. The rent is adjusted annually in accordance with the Consumer Price Index (CPI). The leasing cost for office properties, equipment and software amounted to NOK 2.1 million in 2019 (2018: NOK 1.6 million)

As a partner in fields under development and operation, the Company has leasing commitments (operating lease) for drilling rigs and supply vessels to secure planned activities, in total NOK 243.8 million for the period 2020 to 2023.

The future minimum rents related to non-cancellable leases and subleases fall due as follows:

(NOK 1 000)	**2019**	**2018**
Within 1 year	6 921 000	327 592
1 to 5 years	244 917 100	-
After 5 years	-	-
Total	**251 838 100**	**327 592**

As a license holder on the NCS, the Company has unlimited liability to damages, including environmental damage. The Company has insurance coverage for its pro rata liability, in line with the industry practice for the NCS.

Note 20 – Pledged assets and joint mortgage security

The Company's participating interest in licenses related to Balder Unit and Ringhorne Øst Unit are pledged as security for the Reserve Based Lending Facility.

Note 21 – Oil and gas reserves – (unaudited by BDO)

The reserve numbers shown below are the estimated total producible remaining reserves in the currently producing and developing fields at the end of 2019. The estimates represent the Company's share of proven and probable reserves (2P). Estimates of proven and probable reserve quantities are uncertain and change over time as new information becomes available.

Net remaining reserves (P50) at the end of 2019 are broken down as follows:

Proven and probable reserves (2P)	**(boe)**
Balance at January 1, 2019	-
Acquisition of reserves	24 279 800
Revision of estimates (Changes in Vår Energi 2019 estimates to RNB2020)	1 205 371
Discoveries, additions and extensions	
Year 2019 production*	-1 019 838
Total reserves at December 31, 2019	**24 465 333**

**Production for the full year*

Reserves are classified in accordance with the Norwegian Petroleum Directorate's requirements and based on revised national budget (RNB) 2020 numbers received from the operators together with internal information.

The 2020-reserves (2P) have been audited by AGR, an independent and qualified reserves auditor. For all reserve classes, the differences between the independent auditor's estimate and Mime Petroleum's reserves were below 10%, the recognized quality stamp for reserves auditing.

The net remaining reserves (2P) at the beginning of 2019 were 24.3 mill boe.
During 2019, 1.0 mill boe of net crude oil was produced. Net dry gas production from Balder Unit was 0.003 million Sm^3oe in 2019 (0.02 mill boe).

The net remaining reserves in RNB2020 was increased by 1.2 mill boe compared to Vår Energi's 2019-estimates. The Balder X project increased the reserves during the 2019 PDO project work, but the Ringhorne Øst reserves in the Rh Ph III project (2 infill wells) was reduced as a result of new interpretation of new MAZ seismic. Thus, the remaining reserves at the end of 2019 is 24.5 mill boe with a net increase of 0.2 mill boe during 2019.

The Company has interests in the following production licenses in the Norwegian Continental Shelf:

Prod Licenses	Block(s)	Expiry year	Producing fields	Operator	Interest
001	25/11	2030	Balder	Vår Energi AS	10%
027	25/8	2030	Balder, Ringhorne Øst*	Vår Energi AS	10%
027C	25/8	2030	Balder	Vår Energi AS	10%
027GS	25/8	2021	Balder	Vår Energi AS	10%
028	25/10	2030	Balder	Vår Energi AS	10%
028S	25/10	2030	Balder	Vår Energi AS	10%

*Ownership share in Ringhorne Øst Unit is 7.4%

A revised Plan for Development and Operation (PDO) for the Balder field was submitted to the Ministry of Petroleum and Energy on December 17, 2019. The revised PDO aim to prolong the license expiry to 2045.

Note 22 – Subsequent events

During first quarter 2020, the spread of the COVID-19 virus (“corona”) caused global disruption with negative consequences both for human health and economic activity. Mime has implemented measures to minimize the spread of the virus and minimize the risk of disruptions to its operations. The corona situation has created significant uncertainty in the global oil market. This uncertainty has been further amplified by increased production volumes from several major oil producing countries and has caused a significant decline in global oil prices. The long-term impact from these events on the global economy and the oil market is difficult to predict. This may have a significant impact on the amounts recoverable related to Mime’s assets.

On February 18, 2020, Mime Petroleum AS issued a senior unsecured NOK 300 million bond, with a 5-year tenor. The bond rank at least pari passu with the claims of the Company’s other unsubordinated creditors, except for obligations which are mandatorily preferred by law, but is subordinated to the Reserve Based Lending Facility. The bond has been swapped into USD using a cross-currency swap, removing all foreign exchange risk both on coupons and notional. The interest payments have been fixed using an interest rate swap. The fixed all in rate after the swap is 8.397 %. The Bond rank ahead of any subordinated capital. The bond will be listed at Oslo ABM before medio August 2020.

On May 12, 2020, the Norwegian government proposed temporary changes to the petroleum tax legislation, allowing companies subject to taxation under the Petroleum Tax Act to fully expense investments, including 10% uplift, incurred in 2020 and 2021 in the special tax base. The proposed changes also apply to investments in 2022 and 2023 (cut off by production start) related to projects with PDO/applications according to the Petroleum Act §4-2 and §4-3, submitted before January 1, 2022, and approved between

May 12, 2020 and January 1, 2023. Any tax loss in 2020 and/or 2021, will be subject to a cash refund from the tax authorities. This cash refund can also be pledged. The proposed changes will have a positive effect on the Company's future liquidity and financing situation.

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Independent Auditor's Report

To the General Meeting in Mime Petroleum AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mime Petroleum AS.

The financial statements comprise:	In our opinion:
• The balance sheet as at 31 December 2019 • The income statement for 2019 • Statement of cash flows for the year that ended 31 December 2019 • Statement of changes in equity • Notes to the financial statements, including a summary of significant accounting policies	The accompanying financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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

Management is responsible for the other information. The other information comprises the Board of Directors' report.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

BDO AS

Børre Skisland
State Authorised Public Accountant
(This document is signed electronically)