ANNUAL REPORT 2020

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BOARD OF DIRECTORS REPORT 2020

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.à 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 organization consists of 15 employees, with a strong geological, geophysical and reservoir competence. The team has extensive experience from project execution on the NCS, and both management and employees are committed to the Company as shareholders in the Company.

A year with the corona virus

During the first months of 2020, the coronavirus (Sars-CoV-2) spread at an exponential rate in most parts of the world and created an unbalanced supply-demand situation in many industries, including the oil and gas industry. With a significant oversupply situation for crude oil and a fear of running out of storage capacity, the Brent blend spot price dropped from around USD 67/bbl at the beginning of the year to a low point in April at USD 9/bbl (source EIA). The market situation improved from May, and the Brent price recovered partly towards the end of the year due to positive signs of a demand recovery and the OPEC+ group agreeing to temporarily adjust and limit production and supply of hydrocarbon products.

The magnitude and consequences of the coronavirus are however still uncertain as it is highly dependent on the pace of the vaccine roll out, new mutations of the virus, and the level of restrictions both nationally and internationally. It is therefore difficult 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.

Mime Petroleum is a non-operator. As partner in the Balder Unit and Ringhorne Øst Unit, the Company is actively in dialogue with the operator, Vår Energi AS, to ensure that all necessary steps are taken to protect offshore personnel against the pandemic. A wide range of measures have been implemented by the operator at the Balder and Ringhorne facilities to minimize risk to people and operations, including reduced offshore manning, mandatory testing of all offshore personnel, social distancing, travel restrictions and working from home.

National restrictions, such as travel restrictions and closed borders, are impacting progress in the Balder Future project and especially the Jotun FPSO conversion taking place at the Rosenberg yard. Nearly 70 % of the workforce at the yard in Stavanger comes from abroad. The license partners are rescheduling activities and planning such to avoid any project delays.

Mime Petroleum continues to closely monitor the Covid-19 situation with the objective of making sure necessary measures are taken to protect staff and operations. All employees and temporary staff have been requested to comply with the prevailing directions given by the Norwegian health authorities. The Company has so far avoided any virus-related disruptions to its operations. The relevant policies and procedures will remain in place for as long as necessary.

Except for the operations at the Balder and Ringhorne, the Company is currently not directly involved in any offshore activities.

Operations and main events in 2020

Mime became a partner in the Balder Unit & Ringhorne Øst Unit in 2019 after an acquisition from Vår Energi. The transaction was completed on August 1, 2019 and provided Mime with a 10 percent ownership interest in the Balder/Ringhorne field, and a 7.4 percent ownership interest in the Ringhorne Øst field.

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 20 billion (nominal). Production is planned to start in the second half of 2022 and some additional 136 million boe is expected to be produced in the period up to mid-2040s. The revised PDO was approved by the Ministry of Petroleum and Energy (MPE) on June 18, 2020.

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 three elements: ongoing production, a large development program, and further infill exploration opportunities.

In March 2020, the Jotun FPSO was shut-in and disconnected from the fields, and the vessel arrived at the Rosenberg/Worley yard in Stavanger in June. Upon dry-docking, the main activities have been decommissioning and engineering along with inspection work and finalization of scope definition. After refurbishment, the FPSO will be relocated between Ringhorne and Balder FPU to accommodate the tie-ins of the new Balder Future production wells. The offshore campaigns covering installation of the new subsea systems also commenced in 2020. The first subsea installations were completed in Q4 2020, whereas the second campaign is scheduled to commence in April 2021. The Balder X drilling campaign will also start in the appointed rig commencement period June - August 2021. At year end, the total Balder Future project was slightly behind schedule. First oil is scheduled in second half of 2022.

The original consent for service life of the Balder FPU expired in 2019, following a temporary consent by the Petroleum Safety Authority (PSA) during the application period. The operator of the Balder field submitted the application for lifetime extension in August 2018 and has been in close dialogue with the PSA to extend the service life of the FPU until 2030. In connection with this process, integrity studies have been executed to document the robustness of the design versus current applicable regulations. Some of the critical equipment components have also reached their design lifetime, resulting in replacements and change-out activities. During 2020, several of these maintenance activities and evaluations have been ongoing regarding the Balder FPU, to comply with PSA requirements for extending the service life. Based on the studies and assessments completed in 2020 together with the current execution plan, consent from the PSA for continued use of the Balder FPU until 2030 was received in March 2021.

In 2020, the total production from the fields was 7.6 million boe (100%). Production is enhanced by optimizing gas lift availability, cyclic wells, crude oil, and liquid processing capacity. Mime has entered into a crude oil offtake contract with ENI Trading and Supply (named Eni Trade & Biofuels Spa from 2021), effective from November 1, 2019.

The Ringhorne phase III and IV projects passed important milestones during 2020 as the Ringhorne rig upgrade project was finalized. Two workovers and a cutting re-injection well were also completed during 2020. The drilling of new production wells commenced at the end of the year, and the drilling program will continue until 2024.

Exploration drilling of the King-Prince prospects in the western part of the Balder Unit was decided upon during 2020. The exploration well will be spudded in April 2021.

Key Financial figures 2020

Operating revenue for the year amounted to NOK 337.5 million (2019: NOK 239.6 million), whereas the operating loss for the year amounted to NOK 87.7 million (2019: operating profit of NOK 2.6 million). Average net production was 2 070 barrels of oil equivalent per day (2019: 2 540 boe/day), and the average realized oil price was USD 36/bbl (2019: USD 60/bbl).

Net financial expenses of NOK 11 million mainly relates to interest expenses on the long-term loan and accretion expenses (ARO), offset by unrealized currency gains on monetary items. (2019: net financial income of NOK 14.2 million)

The Company's tax income for 2020 was NOK 151.8 million (2019: tax income of NOK 5.8 million).

Net profit after taxes for the period amounted to NOK 53.1 million (2019: net profit of NOK 22.7 million).

On December 31, 2020, total assets amounted to NOK 3 181 million (2019: NOK 2 416 million). Hereof, the total investments in Balder Unit and Ringhorne Øst Unit amounted to NOK 2 531 million (2019: 2 191 million). Cash and cash equivalents amounted to NOK 213.5 million (2019: NOK 51.6 million).

Net cash flow for 2020 was positive with NOK 162 million (2019: positive with NOK 43 million). Total cash flow from operational activities amounted to NOK 459.7 million in 2019 (2019: NOK 44.2 million). Cash flow used for investment activities amounted to NOK 565 million (2019: NOK 1 462 million). Investments are driven by capital expenditure related to the Balder Future project. Cash inflow related to financing activities amounted to NOK 267 million including proceeds from borrowings of NOK 338 million and proceeds from share issue of NOK 27 million

(2019: NOK 1 461 million, including proceeds from borrowings of NOK 458 million and share issues by NOK 1 035 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 at year end.

In February 2020, Mime successfully completed the issuance of a NOK 300 million senior unsecured bond with maturity in February 2025. The bond is listed at Nordic ABM (Mime Petroleum AS 20/25 FRN (MIME01 PRO)). The bond was later swapped into a USD currency exposure with a fixed interest of 8.397%.

Effective September 16, 2020, the Reserve Based Lending (RBL) facility agreement was amended, increasing the size of the RBL facility from USD 65 million to USD 97.5 million, and also including Skandinaviska Enskilda Banken (SEB) as RBL bank in addition to BNP Paribas and DNB Bank ASA. The RBL facility agreement also includes a USD 30 million uncommitted accordion option. Other key terms in the agreement remained unchanged.

The RBL facility agreement was further amended in February 2021 in relation to the semi-annual redetermination process as the maturity was extended by 18 months from June 30, 2026, to December 31, 2027.

On December 31, 2020, the Company's long term interest-bearing debt amounted to NOK 734 million (net of revaluation effects). The Company's financial position is sound and equate to settle short-term debt with the Company's most liquid assets as of December 31, 2020. The equity ratio was 37% as of December 31, 2020 (December 31, 2019: 47%).

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 net profit of NOK 53 088 047 is allocated to retained earnings.

Risk factors and risk management

Mime Petroleum is subject to various controllable and uncontrollable risks, associated with the oil and gas industry and operations. The Company's main approaches to risk management are based on the understanding and analysis of the actual risks, focusing on identifying, preventing, and effectively mitigating potential adverse effects of such risks.

The internal control procedures and systems are reflecting the Company's core values, ethical guidelines and social responsibility policy.

The Board is responsible for overseeing the implementation of the risk strategies, by making sure that the framework is in line with industry standards, such that adequate systems and procedures are in place to address these risks. A review of the risks and system is conducted on a regular basis by Management and the Board of Directors.

Operational and project risk

The Board recognizes the risks associated with the operation of the Company's 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. However, drilling, development, 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 act as a prudent, 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 emergency response management policy includes contingency plans to minimize the potential impact if an operational incident should occur.

HSE risk (people, environment and assets related)

The Company's HSE policy requires that all operations are completed without harm to the people involved, with minimum impact on the environment and without damaging assets.

There are inherent risks embedded in the oil and gas exploration and production activities. These risks are controlled to an acceptable level by a proactive organization and tailor-made risk management system (the ALARP principle). Mime has a robust risk management system to identify, analyze, evaluate, treat, and monitor risks. The system is used for all operations and projects where the Company is participating.

Financial risks

Mime Petroleum is highly focused on active risk management through hedging, liquidity focus and insurance coverage. The Company has insured its pro-rata exposure 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 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 consequently influence the Company's revenue. Commodity price risk represents one of 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. In 2020, approximately 70% of the expected production was hedged at an average price of USD 60.5/bbl. At the end of 2020, there were no open commodity hedging contracts.

During Q1/2021, the Company put in place a hedging program based on swap contracts at 20 000 barrels per month for 2021and 2022. The average swap price for 2021 is USD 52.5/bbl and USD 61.2/bbl for 2022. Additional positions may be added to the program going forward. The structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

The Company has recognized a gain from commodity price hedging in 2020 of NOK 104 million, recognized as Other revenue.

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. During 2020, Mime sold USD 50 million forward at an average exchange rate of 9.19 to mitigate currency risk related to operating and capital expenditures. These contracts resulted in a loss of NOK 14 million, recognized as part of Other revenue.

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 is exposing the Company to interest rate risk. The Company has a five-year interest rate swap contract 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

Liquidity risk is the risk that the Company will not be able to meet the obligations of financial liabilities when they become due. The Company's future capital requirements depend on several factors. If significant cash flow drivers develop negatively, the Company may need additional funds, debt, or equity, to support the Company's long-term strategy and or to manage short term liquidity risks. Mime Petroleum carries out short-term (3-12 months) and long-term liquidity forecasts. These forecasts are updated regularly, for various scenarios and form an integrated part of the Company`s management and the Board decision basis.

Following the Covid-19 outbreak and the drop in oil prices during first half of 2020, the Norwegian government established temporary tax measures for companies subject to the Petroleum Tax Act. Tax payments are deferred to later years by allowing companies to claim refund of the tax value of losses incurred in 2020 and 2021 on an interim basis every second month. A key objective of the temporary measures is to make liquidity available for the industry such that planned activities and projects can continue as planned, as opposed to being cancelled or postponed as a consequence of the oil price shock experienced during the beginning of the year. During the second half of 2020, Mime has received NOK 306 million in tax refunds for fiscal 2020. In the current market situation, the temporary tax measures provide a significant contribution to the liquidity.

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.

<u>Portfolio risk</u>

The Company has strong growth ambitions and is active in M&A activities. The downturn in oil prices dampened the M&A sentiment in the industry, and several announced sales and farm-down processes were put on hold. This temporarily impacted the growth prospects of the Company. Towards the end of 2020 there are signs of the M&A market improving.

<u>External risks</u>

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.

<u>IT security and cybersecurity risk</u>

The Company is applying IT policies and practices as advised by the external IT service provider. IT security is a priority at Mime, phishing being an area of repeated training and awareness.

<u>Requirement for continued operation</u>

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 2020 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, 2020.

<u>Working environment and staff</u>

The working environment and general welfare is considered to be good. Mime is maintaining a strict Covid-19 regime to protect our employees and limit risk of possible impact on our activities. Because of national and local restrictions, working from home has been the main situation in 2020. No incidences or reporting of work-related accidents, resulting in significant material damage or personal injury, occurred during the year. One incident of a Covid-positive employee was recorded in March 2020. The sick leave in 2020 was 1.8% (2019: 0.9%).

Equal opportunities and discrimination

The Company aims to be a workplace with equal opportunities. The policies and procedures include regulations to prevent gender discrimination related to salary, promotion and recruiting. At the end of 2020, the company had 15 regular 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.

Each employee is essential to the Company's success and deliveries, necessitating a stimulating work environment to attract and keep people with the right skills and attitudes.

Health, Safety and Environment

Mime has a zero HSE incident policy. The Company, together with Vår Energi AS as operator for the Balder Unit and Ringhorne Øst Unit, works actively to ensure safe operations. The safety of individuals, environment and physical assets are an integrated part of the Company's asset management. The Company's 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 (see-to duty) as a participant in the Balder/Ringhorne licenses during the period.

Mime experienced no major accidents, or any accidental spills during the year. For 2020, the frequency of Total Recordable Injury[1] (TRIF) was 4.5 for the combined operations of Balder FPU, Ringhorne WHP and Jotun FPSO. The TRIF reported for the Balder X project in 2020 was 4.4. By comparison, the NCS average in 2020 was 4.6. For the combined operations at Balder Unit, a total of five operational incidents defined as serious were recorded.

For Mime Petroleum's corporate activities, no incidences or reporting of work-related accidents, resulting in significant material damage or personal injury, occurred during the year.

The Company's activities in 2020 have not adversely affected the environment.

The Company is working systematically to protect its employees and to ensure continued and uninterrupted operations during the Covid-19 pandemic. The Company's policies and procedures have proved effective and will remain in place for as long as necessary.

Mime Petroleum is fully committed to a fair and sustainable future. The Company's policy states commitments within the areas of environment, social and governance. Mime is committed to the emissions targets from production on the NCS announced by NOROG: 40% reduction by 2030, 70% reduction by 2040, and net zero by 2050.

In 2020, the average CO2 emission intensity from Mime's non-operated assets was 19.9 kg/boe (preliminary estimate). Based on the forecasted long-term production from the Ringhorne and

[1] TRIF - the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked.

Balder units, the CO_2 emission intensity will come down over time and be at par or better than the NCS average of 8 kg/boe[2] (representing FY2018) in 2024.

Mime Petroleum actively evaluates the CO_2 emission footprint as an integrated part of our activities and policies. This principle is reflected in decision making related to potential acquisitions (M&A) and is also included as part of ongoing operational and project decisions.

Research and development

Through the license participation in the Balder Unit and Ringhorne Øst Unit, the Company contributes to research and development (R&D) in accordance with the license 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 to disclose payments to governments per country and project annually. Mime Petroleum has had the following payments to the Norwegian authorities in 2020:

- Area fee per license paid by operators to Norwegian Petroleum Directorate authorities on behalf of the joint ventures (the Company's net share figures):
  2020: NOK 586 734 (2019: NOK 498 664)

- Tax payments made to Norwegian authorities NOK 7 295 740 (2019: nil).

Corporate governance

The foundation of good corporate governance is rooted in a sound company culture supported by adequate operational and financial control systems. The Board of Directors recognizes and sponsors implementing efficient and effective governance to ensure long-term benefits for all the Company's stakeholders.

Future challenges and outlook

2020 was an exceptional year due to the Covid-19 pandemic which also significantly impacted the petroleum industry. Global oil demand in April was more than 20% reduced year-on-year and both oil and gas prices plunged. By February 2021, the global demand for oil has recovered to 95% of pre-pandemic levels. With record high production cuts from OPEC and alliance partners, coupled with falling US production, Brent oil prices have recovered to levels above USD 60 per boe. With Covid-19 vaccines now being distributed globally, the US Department of Energy and the IEA expects oil demand to be back at pre-pandemic levels by the end of 2021.

The Board of Mime Petroleum is closely monitoring the situation related to the corona pandemic and the development in the commodity prices with the objective to take necessary measures to protect people and operations, while safeguarding the Company's liquidity and capital structures.

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[2] NOROG Miljørapport 2020

Based on the investment agreement with Bluewater Energy LLP, providing access to an equity line of up to USD 300 million, combined with the positive liquidity and financing effects embedded in the temporary changes in the Petroleum Tax Act, Mime Petroleum has access to the financing and liquidity required to deliver on the longer-term strategy 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 to the benefit of its shareholders, its employees, and the Norwegian society. 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.

Oslo, April 21, 2021

Sverre Skogen
Chairman of the Board/Chief Executive Officer

Rune Taule
Board Member

Khashayarsha Ali Mohajerani
Board Member

INCOME STATEMENTS

(NOK 1 000)	Note	2020	2019
Sale of crude oil		245 721	238 807
Sale of dry gas		552	1 902
Other revenue		91 191	-1 123
Total operating revenue	**2**	**337 464**	**239 585**
Production cost	**4**	-212 500	-98 859
Exploration costs	**4**	-1 240	-213
Changes in inventory and over-/underlift		5 861	-40 805
Decommissioning cost	**4,15**	-23 156	-1 991
Ordinary depreciation	**8,9**	-106 336	-50 583
Impairment	**8**	-26 286	
Employee benefit expenses	**3**	-32 976	-24 415
Other operating and administrative expenses	**5**	-28 562	-20 094
Total operating expense		**-425 193**	**-236 960**
Profit / (loss) from operating activities		**-87 729**	**2 625**
Interest income		506	1 031
Interest expenses	**17**	-31 692	-10 876
Net foreign exchange gain/ (loss)		46 698	29 303
Net other financial income / (expenses)		-26 513	-5 262
Net financial items	**6**	**-11 001**	**14 197**
Profit / (loss) before income tax		**-98 731**	**16 822**
Income tax	**7**	151 819	5 848
Net profit / (loss)		**53 088**	**22 671**

BALANCE SHEETS

(NOK 1 000)	Note	31.12.2020	31.12.2019
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized exploration wells		4 392	293
Other intangible assets		11 433	14 473
Total intangible fixed assets	**9**	**15 825**	**14 766**
Tangible fixed assets			
Production facilities		2 531 263	2 191 353
Other property, plant and equipment		587	746
Total tangible fixed assets	**8**	**2 531 851**	**2 192 100**
Financial fixed assets			
Other financial assets		6 621	2 976
Total financial fixed assets		**6 621**	**2 976**
TOTAL FIXED ASSETS		**2 554 297**	**2 209 842**
Current assets			
Inventory and underlift		20 955	10 793
Trade and other receivables	**10**	48 949	85 556
Tax receivable	**7**	282 806	-
Other current assets	**11**	60 436	58 982
Cash and cash equivalents	**12**	213 467	51 633
TOTAL CURRENT ASSETS		**626 613**	**206 964**
TOTAL ASSETS		**3 180 910**	**2 416 806**

(NOK 1 000)		31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		11 321	11 055
Share premium		1 120 743	1 094 409
Not registered sharecapital		0	26 600
Total paid-in capital	**13**	**1 132 063**	**1 132 063**
Retained earnings/(uncovered loss)		55 758	**2 670**
TOTAL EQUITY		**1 187 822**	**1 134 734**
Non-current liabilities			
Deferred tax liability	**7**	525 239	97 153
Interest bearing loans and borrowings	**17**	733 729	398 669
Other long term liabilities		1 904	493
Asset retirement obligation	**15**	560 516	642 854
TOTAL NON CURRENT LIABILITIES		**1 821 388**	**1 139 169**
Current liabilities			
Trade payables	**14**	21 726	4 691
Short term part of long term debt		-	42 092
Public duties payable		2 468	2 194
Tax payable	**7**	9 729	7 331
Other current liabilities and overlift	**14**	137 778	86 596
TOTAL CURRENT LIABILITIES		**171 701**	**142 903**
TOTAL LIABILITIES		**1 993 088**	**1 282 072**
TOTAL EQUITY AND LIABILITIES		**3 180 910**	**2 416 806**

Oslo, April 21, 2021

Sverre Skogen
Chairman of the Board/Chief Executive Officer

Rune Taule
Board Member

Khashayarsha Ali Mohajerani
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 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**
Equity at 1 January 2020	**11 055**	**1 121 009**	**1 132 063**	**2 670**	**1 134 734**
Net profit / loss (-) for the year 2020			**-**	53 096	**53 096**
Shares issued in 2019, registered 2020	266	-266			
Equity at December 31, 2020	**11 321**	**1 120 743**	**1 132 063**	**55 766**	**1 187 830**

STATEMENTS OF CASH FLOW

(NOK 1 000)	Note	2020	2019
Cash flows from operating activities			
Profit / loss (-) before income tax		-98 731	16 822
Adjustments:			
Income tax paid	7	299 496	-
Depreciation, depletion and amortization	8	106 336	50 583
Impairment	8	26 286	-
Interest and fees on borrowings		46 598	12 844
Accretion expense	15	22 730	2 649
Change in trade and other receivables		4 971	-128 261
Change in trade and other payables		64 765	89 608
Net cash flows from / used in (-) operating activities		**472 451**	**44 246**
Cash flows from investing activities			
Investment in production facilities, acquisition		61	-1 143 014
Investment in production facilities, post acquisition	8	-571 695	-302 656
Investment in exploration drilling	9	-4 100	-92
Other investments		-2 164	-15 753
Investment in furniture, fixtures and office machines		-76	-854
Net cash flows from / used in (-) investing activities		**-577 974**	**-1 462 369**
Cash flows from financing activities			
Proceeds from borrowings	17	337 650	457 749
Interest and fees on borrowings		-59 103	-24 514
Loans to shareholder		-3 117	-1 403
Proceeds from share issues	13	26 600	1 035 260
FX effects		-34 673	-5 972
Net cash flows from / used in (-) financing activities		**267 357**	**1 461 120**
Net increase/ decrease (-) in cash and cash equivalents		**161 835**	**42 997**
Cash and cash equivalents at the beginning of period		51 633	8 636
Cash and cash equivalents at the end of the period		**213 467**	**51 633**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION	
ACCOUNTING PRINCIPLES	
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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 focused on hydrocarbon development and production on the Norwegian Continental shelf (NCS).

Summary of significant accounting policies

Basis for preparation

The financial statement for 2020 have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP).

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 April 21, 2021.

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, 2020, the relevant exchange rate for NOK/EUR 10.4703, NOK/USD 8.5326 and NOK/GBP 11.6462 (31.12.2019: NOK/EUR 9.8638, NOK/USD 8.7803 and NOK/GBP 11.5936).

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.

The COVID-19 pandemic and associated uncertainties and disruption to the global economy may have negative effects on demand for oil and gas and / or result in interruptions to the Company's operations. Such events may adversely impact the Company's future results from operations and cash flows and may lead to impairment of assets.

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

<u>Oil and gas assets</u>

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 2020. The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 22% for 2020, 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% (2020) 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.

In June 2020, provisional tax changes for the petroleum sector were sanctioned by the Norwegian parliament. The key elements of the temporary tax measures are

- Investments incurred in 2020 and 2021 are immediately tax deductible in the special tax base (56% tax rate), and the uplift has been increased from 20.8% distributed evenly across four years to 24% in the investment year
- The above measures also apply to investments incurred in 2022 and until scheduled production start if the investments are made pursuant to a Plan for Development and Operation (PDO) filed before January 1, 2023 that are approved by the Government in the period May 12, 2020 to December 21, 2023.
- The tax value of losses incurred in 2020 and 2021(in both the ordinary tax base and the special tax base including the uplift of 24%) will be refunded by the state through a negative instalment of tax.

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 2021 (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 cash flows. 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 risks 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 18 for information about the floating interest rate conditions on the Reserve Based Facility Agreement (RBL).

See note 19 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 97.5 million with an additional uncommitted accordion option of USD 30 million. In February 2020, the Company issued a senior unsecured NOK 300 million bond. Reference is made to note 17 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

There have not been any transactions in 2020.

In March 2019, the Company acquired 10% of Vår Energi AS' interests in PL001, 027, 027C, 028, 028S and 027GS. The effective date for the transaction was January 1, 2019, whereas the transaction date was August 1, 2019.

The business combination was accounted for using the acquisition method. The consideration and transaction costs have been allocated between identifiable assets acquired and liabilities incurred. 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.

Note 2 – Revenues

During 2020, the Company's crude oil production was sold to ENI Trading & Shipping on a long-term contract. In 2020, a total of 0.7 million barrels were sold (2019: 0.4 million).

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

(NOK 1 000)	Norway	EU	2020	2019
Revenue from crude oil sales	245 721		245 721	238 807
Revenue from gas sales	552		552	1 902
Total petroleum revenue	**246 274**	**0**	**337 202**	**240 709**
Gain/(loss) on derivatives	90 928		90 928	-1 145
Other revenue	263		263	21
Total revenue	**337 464**	**0**	**337 464**	**239 585**

(revenue split by place of delivery)

KEY OPERATIONAL FIGURES		2020	2019
Production*	boe	761 748	388 659*
Averaage production per day*	boe	2 070	2 540*
Average oil price, net of hedging	USD/bbl	50.54	57.40
Volumes sold*	boe	732 163	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)	2020	2019
Payroll expenses	24 177	18217
Social security tax	3 840	2 976
Pension costs	3 979	2 673
Other personnel expenses	980	549
Total employee benefit expenses	**32 976**	**24 415**
Average number of full time equivalents	15,3	13,2

Pensions

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.

As of December 31, 2020, the Company's defined contribution scheme had 15 members (December 31, 2019: 15 members). Costs related to the defined contribution plan amounted to NOK 2 826 334 in 2020 (2019: NOK 2 238 397).

The Company also has 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 1 315 700 in 2020 (2019: NOK 424 197).

Remuneration to CEO/Executive Chairman and board of directors

(NOK 1 000)	2020	2019
Salary	1 477	1 556
Pension scheme costs	262	224
Other remuneration	17	17
Total remuneration to CEO	**1 756**	**1 797**

Members of the Board received no remuneration in 2020 or 2019. 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 and key management 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)	2020	2019
Statutory audit	430	217
Other assurance services	52	47
Tax advisory services		
Other services	-14	38
Total	**468**	**302**

Note 4 – Exploration and operating expenses

(NOK 1 000)	2020	2019
Production cost	186 978	86 760
Environmental taxes	10 323	7 176
Over-/underlift and physical stock adj.	-5 861	40 805
Offshore insurance	10 759	4 685
Decommissioning cost	23 156	1 991
Other production costs	4 439	238
Total Production and Decommissioning expenses	**229 794**	**141 655**

Decommissioning costs relate to incurred shutdown and removal costs for Jotun FPSO.

(NOK 1 000)	2020	2019
Expensed cost, geological & geophysical	1 225	212
Expensed cost, seismic and studies	13	1
Expensed cost, other	2	-
Total Exploration expenses	**1 240**	213

Drilling and testing costs for wells where status of discovery is pending, has been capitalized (NOK 4.1 million in 2020 (2019: NOK 0.3 MNOK)).

Note 5 – Other operating and administrative expenses

(NOK 1 000)	2020	2019
Travel and transportation costs	378	2 075
Rental and lease expenses	2 264	2 142
IT expenses	1 056	861
Legal services	4 377	4 912
Other consultancy services	19 075	9 104
Other operating costs	1 412	1 000
Total other operating and administrative expenses	**28 562**	**20 093**

Other consultancy services mainly relate to external services required for Balder/Ringhorne operations and in connection with business development processes.

Note 6 – Financial income and costs

(NOK 1 000)	2020	2019
Interest income	506	1 031
Other financial income	-	-
Total financial income	**506**	**1 031**
Interest expenses	-31 692	-10 876
Amortised loan costs	-2 691	-541
Accretion expenses	-20 039	-2 108
Net other financial income / (expenses)	-3 783	-2 613
Total financial expense	**-58 205**	**-16 137**
Realised foreign exchange gain/(loss)	-10 875	-1 617
Net unrealised exchange gain /(loss)	57 572	30 920
Net financial items	**-11 001**	**14 197**

Note 7 – Taxes

Income taxes recognised in the income statement		
(NOK 1 000)	2020	2019
Current tax payable /(income tax credit)	9 729	7 331
Current tax payable previous years	-35	-
Change in deferred tax	-161 512	-13 180
Total tax payable (receivable) recognised in the income statement	**-151 819**	**-5 849**

Reconciliation of income tax		
(NOK 1 000)		2019
Profit / loss (-) before income tax	**-98 731**	**16 822**
Expected income tax at nominal tax rate (22%)	-21 721	3 701
Expected petroleum tax (56%)	-55 289	9 421
<u>Tax effect of:</u>		
Permanent differences	36 841	7 991
Financial items	33 793	
Uplift	-90 252	-10 517
Other changes	3 345	-396
Onshore items	-58 536	-16 048
Total income tax recognised in the income statement	**-151 819**	**-5 848**
Effective income tax rate	**153,8 %**	**-34,8 %**

Specification of tax effects on temporary differences, tax losses and uplift carried forward			
(NOK 1 000)	Change through Income Statement	2020	2019
Fixed assets	-314 394	-911 369	-596 975
Asset retirement obligations	-64 224	437 202	501 426
Other items	-49 696	-59 229	-9 533
Tax loss offshore receivable	589 598	589 598	-
Tax losses carried forward, offshore (22%)		-	-
Tax losses carried forward, offshore (56%)	226	8 156	7 930
Total deferred tax assets / (liabilities)	161 511	**64 359**	**-97 152**
Effect of offshore tax loss receivable		-589 598	
Total deferred tax assets / (liabilities) recognized		**-525 239**	

The payable tax for 2020 relates to onshore items.

Temporary changes in the Petroleum Tax Act were resolved on June 19, 2020. The changes include a temporary rule for depreciation and uplift, whereby all investments incurred for income year 2020 and 2021 including 24% uplift can be deducted for special tax (56%) in the year of investment. In addition, the value of offshore tax losses incurred in 2020 and 2021 will be refunded from the state. As the temporary measures also apply to investments incurred in 2022 and until scheduled production start if the investments are made pursuant to a Plan for Development and Operation (PDO) filed before January 1, 2023 and approved by the Government in the period May 12, 2020 to December 21, 2023, the Balder Future capex in 2022 is fully covered by the measures.

At year end, the Company has recognized a tax receivable of NOK 282.7 million (short term receivable), equal to the tax value of incurred losses for 2020 less already received negative tax installments for 2020. The refund of tax losses incurred for 2020 is paid out in six instalments every two months. The first three instalments were received in the second half of 2020 (NOK 306.8 million).

Mime Petroleum has estimated total tax refund of around NOK 1.3 billion for the tax years 2020 and 2021.

At year-end 2020, unrecognized future uplift credits related to capitalized costs amounted to NOK 38.2 million (YE 2019; NOK 62.1 million). In 2019, an increase in deferred taxes of NOK 154.3 million was recognized directly against the assets related to the Balder/Ringhorne transaction.

Note 8 – Property, plant and equipment

(NOK 1 000)	Production facilities	Furniture, fixtures and office machines	Total
2020			
Cost at January 1, 2020	2 240 533	873	2 241 407
Additions	571 695	76	571 771
Disposals	-	-	-
Asset removal obligation - change of estimate	-102 378	-	-102 378
Adjustment of acquisition cost	-61	-	-61
Cost at December 31, 2020	**2 709 789**	**949**	**2 710 739**
Accumulated depreciation and impairment at January 1, 2020	-49 179	-127	-49 307
Depreciation for the year	-103 060	-235	-103 295
Impairment loss	-26 286	-	-26 286
Disposals	-	-	-
Accumulated depreciation and impairment at December 31, 2020	**-178 526**	**-362**	**-178 889**
Carrying amount at December 31, 2020	**2 531 263**	**588**	**2 531 851**
2019			
Cost at January 1, 2019	-	21	21
Additions through acquisition of interest 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**

Additions of PP&E are related to development and production assets including changes in estimate of asset retirement costs, and other furniture, fixture and office machines.

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

Impairment tests of individual cash-generating units are performed when impairment triggers are identified and the carrying value of an asset may exceed the recoverable amount. Correspondingly, a reversal of impairment is recognized when the recoverable amount exceeds the book value. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use.

The impairment testing has been performed based on discounted future after tax cash flows. The expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC). Cash flows are projected for the estimated lifetime of the fields.

Prices
Future price level is a key assumption and has significant impact on the net present value. Forecasted oil and gas prices are based on management's estimates and available market data. Information about near term market prices can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward.

In the impairment testing the Company has used a combination of the Brent forward curve from the beginning of 2021 to the end of 2022, and a long-term oil price of USD 65/bbl(real) from 2024 onwards. For 2024, this corresponds to a nominal value of USD 69/bbl. The applied oil price in 2023 is set to the average of 2022 and 2024, equal to USD 60/bbl.

Gas and NGL prices are not relevant as no gas or NGLs are assumed to be sold in the business case for the relevant CGUs.

The Company assumes a USDNOK rate at 8.50 for the calculation period.

Reserves
Future cash flows are calculated on the basis of expected production profiles from the existing assets.

Future expenditure
Future capex, opex and abandonment cost are calculated based on the expected production profiles and the best estimate of the related cost.

Inflation and discount rate
The long-term inflation rate is assumed to be 2.0 percent, in line with Norges Bank's inflation target. The post-tax nominal discount rate used is 8.4 percent.

The Company has recognized an impairment of NOK 26.3 million related to the Ringhorne Øst Unit following a revision to the field's estimated production and reserves. No impairment has been recognized for the Balder Unit.

Note 9 – Intangible assets

(NOK 1 000)	Capitalized exploration costs	Licensing of seismic	Software	Total
2020				
Cost at January 1, 2020	293	14 651	1 102	16 046
Additions	4 099	-	-	4 099
Disposals		-	-	-
Cost at December 31, 2020	**4 392**	**14 651**	**1 102**	**20 145**
Accumulated depreciation and impairment at January 1, 2020	-	-1 221	-59	-1 280
Depreciation for the year	-	-2 930	-110	-3 040
Impairment loss	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation and impairment at December 31, 2020	**-**	**-4 151**	**-169**	**-4 320**
Carrying amount at December 31, 2020	**4 392**	**10 500**	**933**	**15 826**
2019				
Cost at January 1, 2019	-	-	-	-
Additions	293	14 651	1 102	16 046
Disposals	-	-	-	-
Cost at December 31, 2019	**293**	**14 651**	**1 102**	**16 046**
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	**293**	**13 430**	**1 043**	**14 767**

Note 10 – Trade and other receivables

(NOK 1 000)	**2020**	**2019**
Trade receivables	26 927	42 101
Working capital, prepayments, joint venture	6 915	3 745
Overcall, joint ventures	-	4 981
Prepayments	8 880	6 633
Not registered sharecapital	-	26 600
Other short term receivables	3 860	1 495
Total trade and other receivables	**48 949**	**85 555**
Tax receivable	**282 806**	-

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.

The tax receivable represents the tax value of the estimated tax loss for the year less already refunded through the negative tax mechanism. See also note 7.

Note 11 – Other current assets

(NOK 1 000)	2020	2019
Stock of spare parts etc. held by operators	60 436	58 982

Note 12 – Cash and cash equivalents

(NOK 1 000)	2020	2019
Bank deposits, unrestricted	212 022	50 333
Bank deposits, restricted	1 446	1 300
Total cash and cash equivalents	**213 467**	**51 633**

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
Shares/share capital at January 1, 2020	26 062 028	1 079 408 925	1 105 470 953	11 054 710
Capital increase 2019, registered 2020	0	26 600 000	26 600 000	266 000
Shares/share capital capital at December 31, 2020	26 062 028	1 106 008 925	1 132 070 953	11 320 710

Shareholders as of December 31, 2020				
Mime Petroleum S.a.r.l	26 062 028	1 106 008 925	1 132 070 953	11 320 710

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 constituted 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. Each Class A-share gives one vote in the Company's general meeting, whereas Class B-shares do not have voting rights. Class B-shares give the holder the right to 8% p.a. preference dividend on any form of distribution from the Company. 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, 2020, the Company had a total equity commitment of up to 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, 2019	**11 055**	**1 121 008**	**1 132 063**	**2 671**	**1 134 734**
Shares issued in 2019, registered in 2020	266	-266	**-**		**-**
Profit/(loss) for the year				53 096	**53 096**
			-		**-**
Equity as of December 31, 2020	**11 321**	**1 120 742**	**1 132 063**	**55 767**	**1 187 830**

Based on the 2020 financial statements, the Board are not proposing any distribution of dividend.

Note 14 – Trade and other payables

(NOK 1 000)	2020	2019
Trade creditors	8 878	2 779
Working capital, trade creditors, joint venture	12 848	1 911
Trade payables	**21 726**	**4 690**
Working capital, accruals, joint venture	94 736	47 693
Undercall, joint ventures	5 043	
Other short term payables	-	3 499
Overlift	30 703	26 403
Other accrued expenses	7 296	9 000
Other current liabilities	**137 779**	**86 596**

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)	2020	2019
Total obligation at January 1	642 854	-
Addition through business combination	-	601 885
Effect of changes in estimates	-79 222	40 852
Accretion expense	20 039	2 108
Actual decommissioning expenditure	-23 156	-1 991
Total obligation at December 31	**560 515**	**642 854**
Non-current portion at December 31, 2020	523 106	
Current portion at December 31, 2020	37 500	

In the calculation of net present value at year-end 2020, 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 plugging and abandonment in the ongoing Ringhorne phase III project.

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

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).

As part of the Sale and Purchase Agreement (SPA) with Vår Energi AS from March 2019, it was agreed that the Company shall deposit to the seller a post-tax amount of USD 12.7 million on January 1, 2022. Based on a revision of this agreement in February 2021, the timing of the deposit has been changed to three months after Balder Future first oil through Jotun FPSO, or at the latest July 1, 2023.

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 2020 financial year, Mime Petroleum AS had the following transactions with related parties:

a) Key management, CEO/Executive Chairman and Board of directors

Key management and the CEO/Executive Chairman participate in a Management Incentive Program committing eligible members to co-invest in the Company.

Further, key management and the CEO/Executive Chairman 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.à r.l. Under this loan agreement, Mime Petroleum AS has made available to Mime Petroleum S.à 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.à r.l.

On December 31, 2020, the outstanding receivable amounted to USD 0.5 million including accrued interest.

Note 17 – Interest bearing loans and borrowings

(NOK 1 000)	2020	2019
Long term interest bearing debt (RBL)	477 826	451 777
Unsecured senior bond	300 000	-
Effect of currency swap bond	-23 267	-
Capitalized loan fees	-20 829	-11 016
Total long-term interest bearing debt	**733 729**	**440 761**
Hereof short-term part of long term debt	-	42 092

The Company has a Reserve-Based Lending Facility Agreement (RBL) with BNP Paribas, DNB Bank ASA and Skandinaviska Enskilda Banken (SEB). As of December 31, 2020, the RBL facility is a senior secured seven-year facility of up to USD 97.5 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 56 million on December 31, 2020 (31.12.2019; USD 51.5 million).

On February 18, 2020, the Company issued a senior unsecured NOK 300 million bond with a 5-year tenor. The bond ranks 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 ranks ahead of any subordinated capital. The senior unsecured bond is listed at Nordic ABM (Mime Petroleum AS 20/25 FRN (MIME01 PRO)).

Capitalized loan fees are amortized over the loan period.

<u>The main financial covenants are as follows:</u>

- A semi-annual liquidity test demonstrating that corporate sources exceed corporate uses for the next 12 months with a ratio on 1:1
- A quarterly funding test demonstrating that corporate sources exceed the corporate uses until Balder Future first oil
- Minimum cash requirement equal to the lower of 5% of GAAP adjusted total financial indebtedness and USD 7.5 million

The semi-annual redetermination process for the RBL was concluded in February 2021. This included an amendment agreement and an extension of the current RBL agreement until year-end 2027. See also note 22.

<u>Carrying amount of assets provided as security for the RBL Facility Agreement:</u>

(NOK 1 000)	**31.12.2020**
Bank accounts	213 467
Borrowing base assets	2 531 263
Trade receivables	109 385
Inventory	20 955
Total	**2 875 070**

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 established 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 2020, Mime Petroleum had no open oil swap contracts. See note 22 for further information.

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, 2020, as the currency exposure is minor after the temporary tax changes ensuring refund of tax losses.

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 31.12.2020 was negative by USD 1.4 million.

The NOK-denominated bond has been swapped into USD using a cross-currency swap. The interest payments have been fixed using an interest rate swap. The fixed all-in rate after the swap is 8.379%. The fair market value of the cross-currency swap contract at 31.12.2020 was positive by USD 15.3 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, 2020, 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 total leasing cost for office properties, equipment and software amounted to NOK 2.7 million in 2020 (2019: NOK 2.1 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 265.1 million for the period 2021 to 2023.

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

(NOK 1 000)	**2020**	**2019**
Witin 1 year	82 756	6 921
1 to 5 years	189 620	244 917
After 5 years	70	-
Total	**272 447**	**251 838**

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 2020. 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 2020 are broken down as follows:

Proven and probable reserves (boe)	**2020**	**2019**
Balance at January 1	24 465 333	
Acquisition of reserves	-	24 279 800
Revision of estimates	618 291	1 205 371
Discoveries, additions and extensions		-
Year production	-761 748	-1 019 838
Total reserves at December 31	**24 321 876**	**24 465 333**

Reserves are classified in accordance with the Norwegian Petroleum Directorate's requirements and based on revised national budget (RNB) 2021 numbers received from the operators together with internal information.

The 2021-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 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%

The revised Plan for Development and Operation (PDO) for the Balder field was submitted to the Ministry of Petroleum and Energy (MPE) on December 17, 2019 and approved on June 18, 2020. The revised PDO aim to prolong the license expiry to 2045.

Note 22 – Subsequent events

The spread of the COVID-19 virus ("corona") has caused global disruption with negative consequences both for human health and economic activity. Together with the operator, Mime has implemented measures to minimize the risk of disruptions to its operations, protect and enhance near term production, reschedule and optimize ongoing projects as well as reduce costs further where possible. 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 caused a significant decline in global oil prices during Q2 and Q3 2020. Even if a price recovery can be observed in the markets in Q1/2021, 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.

In February 2021, the semi-annual redetermination process for the RBL facility was completed. As part of this process, the parties agreed to extend the current RBL facility agreement by 18 months, from July 2026 to year end 2027. No other amendments to the facility agreement were made.

The Jotun FPSO has been on a lease contract with Balder Unit and has been used as an integrated part of the infrastructure at Balder/Ringhorne. In the revised PDO for revitalization of the Balder field approved by the Ministry of Petroleum and Energy (MPE) in June 2020, continued use of a refurbished and upgraded Jotun FPSO was an important prerequisite. In addition, a specific condition to the transaction between Vår Energi AS and Mime in March 2019, was that the ownership in Jotun FPSO should be aligned to the partners ownership in the licenses as soon as possible after December 31, 2020. On this basis, in February 2021 the license partners agreed that the FPSO should be transferred to the joint Balder Unit assets and governed by the Balder Joint Operating Agreement. In relation to the acquisition the Company increased the equity by USD 7 million by issuance of Class B shares in February 2021.

During Q1/2021, the Company put in place a hedging program based on swap contracts at 20 000 bbls/month for 2021and 2022. The average swap price for 2021 is USD

52.5/bbl and USD 61.2/bbl for 2022. Additional positions may be added to the program going forward.