



ANNUAL REPORT 2021

BOARD OF DIRECTORS REPORT 2021

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 fields 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.

Operations and main events in 2021

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

The Balder X project is enabling further development in the Balder and Ringhorne area and consists of the sub-projects Balder Future and Ringhorne Phase IV.

The Balder Future project includes refurbishment of the Jotun FPSO, new subsea production systems, 14 new production wells and one new water injection well. The aim is to recover 136 million barrels of oil equivalents in the period up to mid-2040s. The project will extend the technical lifetime of the Jotun FPSO beyond 2045.

The revised Plan for Development and Operation (PDO) for the Balder/Ringhorne field, covering the Balder Future project, was approved by the Ministry of Petroleum and Energy (MPE) in June 2020.

The Jotun FPSO was shut-in and disconnected from the fields in March 2020 and dry-docked at the Rosenberg/Worley yard in Stavanger. During 2021, the main activities have been engineering and procurement along with detailed inspection work for finalization of refurbishment scope. Sail away is planned in 2Q 2023 followed by offshore installation and riser hook-up and production start in Q4 2023. Upon refurbishment, the FPSO will be installed between Ringhorne platform and Balder FPU to accommodate the tie-ins of the new Balder Future subsea completed production wells.

In order to harmonize the ownership to the Jotun FPSO with the participating interest in the Balder JV, Mime acquired a proportionate share (10%) of the Jotun FPSO in February 2021.

The offshore campaigns covering installation of the new subsea systems commenced in 2020. During 2021, installation campaigns have continued and by year-end all the five templates are installed together with two production and two gas lift riser bases, all flowlines and three umbilicals. Mooring lines for the Jotun FPSO have also successfully been pre-installed. During 2022, remaining umbilical deliveries and subsea equipment will be installed along with the required rock dumping, flooding, testing, and diving related services.

The Balder Future drilling campaign started in August and the West Phoenix rig has drilled two wells in 2021.

Production was planned to start in the second half of 2022, however, due to Covid-19 impacts on equipment deliveries and lack of available work force along with increased FPSO work scope and late engineering deliveries, it was decided to delay the project schedule. The operator has continuous focus on mitigating project risks and effects such as challenging weather impacting drilling, additional engineering hours, increased procurement scope after Jotun FPSO inspection, and effects of Covid-19. First oil is planned in fourth quarter 2023.

The estimated total development cost for Balder Future is currently at NOK 29.4 billion (100%/nominal). This represents an increase of NOK 9.4 billion (100%) compared to the PDO estimate at NOK 20 billion, mainly related to the refurbishment of the Jotun FPSO.

Balder Future remains a highly profitable project. The oil and gas discovery in King-Prince of 60 to 135 million barrels recoverable oil equivalents in the Balder license may be developed via the Jotun FPSO subsea system. This will further enhance the profitability of Balder Future.

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 2021, the Petroleum Safety Authorities (PSA) gave consent for continued use of the Balder FPU until 2030. The Balder FPU has during 2021 been upgraded offshore to fulfil the appointed measures for extended lifetime. A flotel was successfully installed along Balder FPU in June enabling an increased workforce to conduct the detailed plan for maintenance and upgrades over four months. The detailed plan has been matured during the temporary consent period granted by the Petroleum Safety Authority (PSA) following the application in August 2018.

The Ringhorne phase III drilling campaign sanctioned in 2017 has progressed during 2021 but has experienced delays due to unforeseen wellbore challenges. Production drilling is now ongoing with a side-track from an existing well in the Hermod formation. Three new wells are expected to come onstream during 2022 along with one water injection well. The drilling program will continue until 2024 with additional five wells in the Ringhorne phase IV project.

Safe operations on the Balder FPU and the Ringhorne platform have continued throughout 2021 with a total production from the fields of 8.2 million boe (100%). Production is enhanced by optimizing gas lift availability, cyclic wells, crude oil, and liquid processing capacity. Since mid-December, the production from Balder/Ringhorne was reduced by around 15% due to temporary operational issues regarding artificial lift. It is expected that these deferred volumes will be recovered. The Operator has established a plan to bring the relevant wells back in production during installation campaigns in 2022.

Exploration drilling of the King-Prince prospects in the western part of the Balder JV was decided upon during 2020. The combined King and Prince exploration wells (25/8-20 S, 25/8-20B and 25/8-20 C) drilled by Scarabeo 8 during April to June, proved successful with the latest preliminary estimates showing volumes between 60-135 million barrels of recoverable oil equivalents. The King discovery is a continuation of the Balder Paleogene injectite play where oil filled injectites up to 35 meters were encountered. Prince is a Triassic Skagerrak play which is a new play in the Balder license with large follow up potential. The exploration wells are located approximately six kilometers north of the Balder field and three kilometers west of the Ringhorne platform. The licensees, Vår Energi AS (90%) and Mime Petroleum AS (10%) consider the discoveries to be commercial and work has been started in 2021 to assess multiple opportunities for tie-in to the existing infrastructure in the Balder area. The Operator and Mime Petroleum will further analyze the subsurface potential in both King and Prince and mature potential upsides in both for appraisal.

Mime Petroleum is a non-operator. As partner in Balder JV and Ringhorne Øst Unit, the Company is actively in dialogue with the operator, Vår Energi, to ensure that necessary steps are taken to protect offshore personnel and operations against the Covid-19 pandemic. Extensive measures have been continued by the operator to ensure safe and reliable operations. During 2021, Mime has not experienced any disruptive effects of the pandemic to the operations. The operator has supervised its measures efficiently to minimize impact on its operations. Measures and plans are continuously evaluated. The Board of Mime Petroleum continue to monitor the Covid-19 situation with the objective of making sure necessary measures are taken to protect staff and operations, while safeguarding the Company's liquidity and capital structures.

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

Key Financial figures 2021

Operating revenue for the year amounted to NOK 362.7 million (2020: NOK 337.5 million), whereas the operating loss for the year amounted to NOK 21.4 million (2020: operating loss of NOK 87.7 million). Average net production was 2 160 barrels of oil per day (2020: 2 070 boe/day), and the average realized oil price was USD 65.75/bbl (2020: USD 36/bbl).

Net financial expenses of NOK 148.4 million relates to interest expenses on the long-term loans and accretion expenses (ARO), unrealized currency loss on monetary items and expensed financial costs related to unwinding of financial instruments and to the refinancing executed in November 2021 (2020: net financial expenses of NOK 11 million).

The Company's tax income for 2021 was NOK 196.2 million (2020: tax income of NOK 151.5 million).

Net profit after taxes for the period amounted to NOK 26.3 million (2020: net profit of NOK 53.1 million).

On December 31, 2021, total assets amounted to NOK 5 323 million (2020: NOK 3 181 million). Hereof, the total investments in Balder Unit and Ringhorne Øst Unit amounted to NOK 3 718 million (2020: 2 531 million). Cash and cash equivalents amounted to NOK 783 million (2020: NOK 213.5 million).

Net cash flow for 2021 was positive with NOK 570 million (2020: positive with NOK 162 million). Total cash flow from operational activities amounted to NOK 834 million in 2021 (2020: NOK 472

million), mainly due to refund of tax losses during the year. Cash flow used for investment activities amounted to NOK 1 367 million (2020: NOK 578 million). Investments in 2021 are driven by capital expenditure related to the Balder Future project and the King/Prince exploration project. Cash inflow related to financing activities amounted to NOK 1 103 million including net proceeds from borrowings of NOK 1 204 million and proceeds from share issue of NOK 59 million (2020: NOK 267 million, including net proceeds from borrowings of NOK 338 million and share issues by NOK 27 million). A detailed cash flow statement is included in the financial statements.

Bluewater Energy LLP has a solid reputation for developing E&P companies and has together with founders and employees invested USD 136 million of equity in Mime Petroleum to date.

In October 2021, Mime successfully completed the issuance of USD 225 million senior secured bonds with maturity in November 2026. The bonds have a fixed coupon rate of 10.25%. Net proceeds from the bond issue have been used to refinance the Company's outstanding Reserve Based Lending Facility and the NOK 300 million bond (MIME01 PRO) in full and will be used to cover capital expenditures related to the Balder Future development. The bond issue was executed on November 10, with final settlement on November 24. The bond was listed on the Nordic ABM on December 14 (MIME02 PRO).

On December 31, 2021, the Company's long term interest-bearing debt amounted to NOK 1 326 million (net of revaluation effects). Financial covenants for the Company's debt were comfortably within applicable thresholds. The Company has a robust balance sheet and ample financial flexibility. The financial position is sound and equate to settle short-term debt with the Company's most liquid assets as of December 31, 2021. The equity ratio was 24% as of December 31, 2021 (December 31, 2020: 37%).

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 26 314 752 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. Projects are associated with risks relating to delays and cost exposure. Ongoing development projects involve multidiscipline engineering, extensive procurement activities, related manufacturing, and construction work to be carried out under various contract packages at different locations onshore. The magnitude of such development projects makes them sensitive to circumstances that may affect the planned progress or sequence of the various activities. Although the Company believes that the development projects will be completed on schedule in accordance with all license requirements and within the estimated budgets, the current or future projected target dates for production or cessation may be delayed and cost overruns may incur. Furthermore, estimated exploration costs are subject to many assumptions that may not prove to be correct. Any such inability to explore, appraise, develop, or decommission petroleum operations or incorrect assumptions regarding exploration costs may have an adverse effect on the Company's growth ambitions, future business and revenue, operating results, financial condition, and cash flow.

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 asset 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.

Risk of changes in taxation and regulations

There is no assurance that future political conditions in Norway will not result in the government adopting different policies for petroleum taxation. In the event of changes to this tax regime, it could lead to new investments being less attractive and challenge further growth of the Company. Furthermore, the amounts of taxes could also change significantly because of new interpretations of the relevant tax laws and regulations or changes to such laws and regulations. In addition, tax authorities could review and question the Company's tax returns leading to additional taxes and tax penalties which could be material. Changes to the petroleum tax act may result in changes that may affect our current and future tax positions, net income after tax and financial condition.

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 2021, the expected production was hedged at an average price of USD 52.5/bbl. In connection with the USD 225 million bond issue, the Company terminated 30% of the remaining Brent hedging contracts for 2021. Furthermore, the Company adjusted the Brent swap contracts for 2022 to 16 000 bbl/month with an average price of USD 76.59/bbl. This represents approx. 80% of the after-tax volume for 2022. The fair market value of Brent swap contracts at December 31, 2021, was negative by USD 1 932. 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 loss from commodity price hedging in 2021 of NOK 72 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. 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. However, the Company's net currency exposure is estimated to be approx. neutral following the temporary tax changes as the Company will be receiving NOK denominated tax refunds every second month. As a consequence, the Company did not have any foreign exchange contracts at December 31, 2021.

The interest swap contract for 3M LIBOR related to the RBL facility as well as the cross-currency interest rate swap hedging the NOK 300 million bond has been terminated as part of the refinancing process. Early termination fees of NOK 7.7 million has been paid.

Interest rate risk

The Company's interest rate risk arises from its interest-bearing borrowings. The interest rate for the USD 225 million bonds is fixed at 10.25%. Currently, the Company does not have any borrowings issued with floating interest rate conditions exposing the Company to interest rate risk.

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. During 2021, Mime has received NOK 730 million in tax refunds for fiscal 2020 and 2021. 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 facilities, the bond market or equity.

Portfolio risk

The Company continues to be an active and responsible partner in driving value in high quality assets on the Norwegian Continental Shelf. As part of this, the Company actively searches for and evaluates opportunities to make value-accretive investments (e.g. through acquisitions, farm-ins, swaps or other).

The Company pursues field acquisition and M&A opportunities offered in the market in structured processes as well as unsolicited bilateral approaches to companies with attractive fields and portfolios. The M&A and BD market improved significantly during 2021 and the Company has entertained several processes during the year that continue into 2022.

The Company expects more activity in the M&A and BD markets the coming months following an expected consolidation given the current oil and gas price environment. The Company is well positioned to benefit from such increased activity with a highly skilled multi-discipline team and investment capital available.

External risks

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

The Covid-19 pandemic has caused significant business disruption globally, significant volatility in international debt and equity markets and significant disruption to the economy. Under such pandemics, Mime's operations may experience delays or disruptions with potentially negative impact on the Company's financial results. Such events may also have a negative impact on the demand for oil and gas and hence lead to lower oil and gas prices and reduced revenues. Since the onset of the Covid-19 pandemic, the Company, together with the Operator, has had measures in place to protect personnel and operations to ensure uninterrupted production from all assets.

On February 24, 2022, Russia launched a military invasion of Ukraine, creating significant uncertainties regarding global, political and economic stability. The invasion is widely condemned in the international community, and severe sanctions have been imposed on banks, certain oligarchs, and the state itself. The war has caused significant and widespread business disruption, volatility in international debt and equity markets and disruption to the global economy in the short term. There is significant uncertainty around the breadth and duration of all disruptions related to the invasion, as well as its impact on the global economy. The extent to which the invasion impacts the Company's results will depend on future developments, which are highly uncertain and difficult to predict, including new information which may emerge on an ongoing basis.

The energy markets are heavily impacted by the invasion and the following sanctions, and oil and gas prices have spiked from an already high level since February 2022. Russia is a key exporter of gas to Europe, and it is expected that volumes will decline both due to infrastructure breaches, sanctions making it cumbersome to trade, and potential unwillingness from Russia to export to the rest of the global community. There is significant uncertainty regarding how the invasion and the following sanctions will impact the access to energy, and the price of oil and gas and other commodities in the coming period, and the company's operations and results may be adversely impacted. The ongoing conflict in Ukraine could potentially lead to increased risk of cyber-attacks.

IT security and cybersecurity risk

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.

Requirement for continued operation

Pursuant to the § 3-3a in the Norwegian Accounting Act, the Board of Directors have performed a robust assessment of the Company's cash flows and its financial and liquidity position and confirms that the conditions for continued operations as a going concern are present and that the annual financial statements for 2021 have been prepared on the going concern basis. The Board considers the financial position and the liquidity of the company to be sound. Cash flow from operations, combined with the total available liquidity, is expected to be more than sufficient to finance the Company's commitments in 2022.

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, 2021.

Working environment and staff

The working environment and general welfare is considered to be good. During 2021, Mime has maintained 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 also in 2021. No incidences or reporting of work-related accidents, resulting in significant

material damage or personal injury, occurred during the year. The sickness absence in 2021 was 0.7% (2020: 1.8%) which is significantly lower than the national average of 6.3 (6.0) percent in Norway.

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 2021, 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 conducting verifications independently and jointly with the Operator.

For Mime joint venture activities (Balder Unit offshore operations and Balder Future project), Mime experienced no major accidents, or any significant accidental spills to sea during the year (>1m3). The frequency of Total Recordable Injury¹ (TRIF) was 2.6 for the offshore operations (2020: 4.5). For the Balder Future project, TRIF was 4.8 for 2021. By comparison, the NCS average in 2021 was 4.0 (2020: 4.6). For the combined activities at Balder Unit, a total of eleven incidents were defined as serious.

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 2021 have not adversely affected the environment.

Throughout 2021, managing the risks associated with Covid-19 has been a priority, ensuring compliance with regulatory requirements and providing support in case of outbreaks offshore. The Company has been working systematically to protect its employees and to ensure continued and uninterrupted operations. Mime Petroleum did not experience any Covid-related interruptions to its production in 2021. Together with the operator, the Company continues to monitor the situation and will adjust its level of response in accordance with regulations and advise from the Norwegian health authorities. 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 (ref. compared to 2005 level).

In 2021, the average CO₂ emission intensity (preliminary estimate) from Mime's non-operated assets was 16.4 kg/boe (2020: 20.2 kg/boe). Based on the forecasted long-term production from the Ringhorne and Balder units, the CO₂ emission intensity will come down over time and be at par or better than the NCS average of 8.5 kg/boe¹ (representing FY2019) in 2024.

Mime Petroleum actively evaluates the CO₂ 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 2021:

- Area fee per license paid by operators to Norwegian Petroleum Directorate authorities on behalf of the joint ventures (the Company's net share figures):
2021: NOK 883 918 (2020: NOK 586 734)
- Tax payments made to Norwegian authorities NOK 9 642 241 (2020: 7 295 740).

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.

A Directors' and Officers' Liability Insurance is in place for the Board of Directors and the CEO to cover legal liabilities based on their past, present and future actions and omissions, including defense and legal costs. The cover also includes employees in managerial positions or employees who become named in a claim or investigation.

Future challenges and outlook

The start of 2022 was marked by increased geopolitical tension and high macroeconomic uncertainty. The situation escalated with the Russian invasion of Ukraine on February 24. This a serious setback for peace and democracy in the world and has left its mark on the international economy as well as on energy prices. Oil and gas prices have spiked from an already high level since February 2022.

¹ NOROG Miljørapport 2021

The International Energy Agency (IEA) has warned that the world could face its biggest oil supply shock in decades because of sanctions imposed on Russia as a major exporter of gas, oil and coal. It is expected that volumes will decline both due to infrastructure breaches, sanctions making it cumbersome to trade, and potential unwillingness from Russia to export to the rest of the global community. Surging commodity prices and sanctions on Russia are also expected to slow down global economic growth.

Mime Petroleum operates on the Norwegian Continental Shelf and market its petroleum products to customers in UK. While not directly exposed to Russia’s invasion of Ukraine, there is significant uncertainty regarding the potential impact on safe and reliable energy supply, potential interruptions of supply chains and third-party services, as well as to the market prices of oil, gas and other commodities which may impact future operations and results.

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 as well as Company’s performance over time.

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.

Lysaker, April 26, 2022



Sverre Skogen
CEO/Chairman of the Board



Mark S. Dickinson
Board Member



Rune Taule
Board Member

INCOME STATEMENTS

(NOK 1 000)	Note	2021	2020
Sale of crude oil		432 027	245 721
Sale of dry gas			552
Gain on sale of assets		2 573	
Other revenue		-71 939	91 191
Total operating revenue	2	362 661	337 464
Production cost	4	-194 428	-212 500
Exploration costs	4	-1 347	-1 240
Changes in inventory and over-/underlift		27 403	5 861
Decommissioning cost	4,15	-23 419	-23 156
Ordinary depreciation	8,9	-120 777	-106 336
Impairment	8		-26 286
Employee benefit expenses	3	-42 706	-32 976
Other operating and administrative expenses	5	-28 825	-28 562
Total operating expense		-384 099	-425 193
Profit / (loss) from operating activities		-21 438	-87 729
Interest income		275	506
Interest expenses	17	-70 994	-31 692
Net foreign exchange gain/ (loss)		-28 787	46 698
Net other financial income / (expenses)		-48 920	-26 513
Net financial items	6	-148 426	-11 001
Profit / (loss) before income tax		-169 864	-98 731
Income tax	7	196 179	151 819
Net profit / (loss)		26 315	53 088
Allocation of net profit / (loss):			
Retained earnings		26 315	53 088

BALANCE SHEETS

(NOK 1 000)	Note	31.12.2021	31.12.2020
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized exploration wells		59 782	4 392
Other intangible assets		8 393	11 433
Total intangible fixed assets	9	68 174	15 825
Tangible fixed assets			
Production facilities		3 717 623	2 531 263
Other property, plant and equipment		336	587
Total tangible fixed assets	8	3 717 959	2 531 851
Financial fixed assets			
Other financial assets		11 795	6 621
Total financial fixed assets		11 795	6 621
TOTAL FIXED ASSETS		3 797 929	2 554 297
Current assets			
Inventory and underlift		26 145	20 955
Trade and other receivables	10	43 716	48 949
Tax receivable	7	596 534	282 806
Other current assets	11	85 321	60 436
Cash and cash equivalents	12	783 220	213 467
TOTAL CURRENT ASSETS		1 534 936	626 613
TOTAL ASSETS		5 332 865	3 180 910

(NOK 1 000)		31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		11 917	11 321
Share premium		1 179 748	1 120 743
Total paid-in capital	13	1 191 665	1 132 063
Retained earnings/(uncovered loss)		82 073	55 758
TOTAL EQUITY		1 273 738	1 187 822
Non-current liabilities			
Deferred tax liability	7	1 326 424	525 239
Interest bearing loans and borrowings	17	1 895 710	733 729
Other long term liabilities		3 536	1 904
Asset retirement obligation	15	569 741	560 516
TOTAL NON CURRENT LIABILITIES		3 795 412	1 821 388
Current liabilities			
Trade payables	14	49 639	21 726
Public duties payable		7 635	2 468
Tax payable	7	1 330	9 729
Other current liabilities and overlift	14	205 110	137 778
TOTAL CURRENT LIABILITIES		263 715	171 701
TOTAL LIABILITIES		4 059 127	1 993 088
TOTAL EQUITY AND LIABILITIES		5 332 865	3 180 910

Oslo, April 26, 2022



Sverre Skogen
CEO/Chairman of the Board



Mark S. Dickinson
Board Member



Rune Taule
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 2020	11 055	1 121 009	1 132 063	2 670	1 134 734
Net profit / loss (-) for the year 2020			-	53 088	53 088
Shares issued in 2019, registered 2020	266	-266			
Equity at December 31, 2020	11 321	1 120 743	1 132 063	55 758	1 187 822
Equity at 1 January 2021	11 321	1 120 743	1 132 063	55 758	1 187 822
Net profit / loss (-) for the year 2021			-	26 315	26 315
Shares issued in 2021	596	59 005	59 602		59 602
Equity at December 31, 2021	11 917	1 179 748	1 191 665	82 073	1 273 738

STATEMENTS OF CASH FLOW

(NOK 1 000)	Note	2021	2020
Cash flows from operating activities			
Profit / loss (-) before income tax		-169 864	-98 731
<u>Adjustments:</u>			
Income tax paid	7	675 238	299 496
Depreciation, depletion and amortization	8	120 777	106 336
Impairment	8	-	26 286
Interest and fees on borrowings		89 335	46 598
Accretion expense	15	43 354	22 730
Change in trade and other receivables		19 504	4 971
Change in trade and other payables		55 356	64 765
Net cash flows from / used in (-) operating activities		833 701	472 451
Cash flows from investing activities			
Investment in production facilities, post acquisition	8	-1 310 180	-571 634
Investment in exploration drilling	9	-55 389	-4 100
Other investments		-1 340	-2 164
Investment in furniture, fixtures and office machines		-	-76
Net cash flows from / used in (-) investing activities		-1 366 909	-577 974
Cash flows from financing activities			
Net proceeds from borrowings	17	1 203 619	337 650
Interest and fees on borrowings		-184 955	-59 103
Loans to shareholder		-1 298	-3 117
Proceeds from share issues	13	59 602	26 600
FX effects		25 993	-34 673
Net cash flows from / used in (-) financing activities		1 102 961	267 357
Net increase/ decrease (-) in cash and cash equivalents		569 752	161 835
Cash and cash equivalents at the beginning of period		213 467	51 633
Cash and cash equivalents at the end of the period		783 220	213 467

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION	
ACCOUNTING PRINCIPLES	
FINANCIAL RISK MANAGEMENT	
Note 1	Significant transactions
Note 2	Revenues
Note 3	Salary and personnel costs, number of employees and audit fees
Note 4	Exploration and Operating expenses
Note 5	Other operating and administrative expenses
Note 6	Financial income and costs
Note 7	Taxes
Note 8	Property, plant, and equipment
Note 9	Intangible assets
Note 10	Trade and other receivables
Note 11	Other current assets
Note 12	Cash and cash equivalents
Note 13	Equity, share capital and shareholder information
Note 14	Trade and other payables
Note 15	Asset retirement obligations
Note 16	Transactions with related parties
Note 17	Interest bearing loans and borrowings
Note 18	Financial instruments
Note 19	Lease agreements and other commitments
Note 20	Pledged assets and joint mortgage security
Note 21	Oil and Gas Reserves -unaudited

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 2021 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 26, 2022.

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, 2021, the relevant exchange rate for NOK/EUR 9.9888, NOK/USD 8.8194 and NOK/GBP 11.8875 (31.12.2020: NOK/EUR 10.4703, NOK/USD 8.5326 and NOK/GBP 11.6462).

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 acquiree/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 exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In cases where the final outcome of such issues differs from the amounts initially recognized the differences are recognized in the income tax and deferred tax provisions in the period when the final tax assessment has been resolved.

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

- Impairment of production and processing facilities

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

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

Measurement and classification of assets and liabilities

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

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

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

Revenue recognition

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

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

accrual is recognized for the production cost of the overlift. When the Company has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Other revenue is recorded at the time of delivery.

Exploration and R&D costs

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

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

Property, plant and equipment

Oil and gas assets

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 2021. The special tax is applied to relevant income in addition to the ordinary offshore income tax, which was levied at 22% for 2021, 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) 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.

In September 2021, the Ministry of Finance (MOF) published a consultation paper regarding permanent changes to the Petroleum Tax Act effective from fiscal year 2022. A White Paper to the Parliament was published on April 8, 2022. The proposal entails immediate expense of capital expenditures incurred for development of production facilities and pipelines in the special tax base, which in the current ordinary tax system are depreciated over 6 years. The uplift on investments is proposed removed. The reduced tax value of fixed assets will reduce the deduction for financial costs in the special tax base. Current depreciation rules are proposed continued in the ordinary tax base. Changes are also proposed to the rules on reimbursement of exploration costs, cessation costs and tax losses carried forward. Since the 22% corporation tax will be deductible in the special tax basis, the special tax rate increases from 56% to 71.8%. Further, the MOF proposes that any tax losses in the special tax scheme is refunded on a yearly basis in connection with the ordinary tax assessment. As a transitional rule, existing tax losses in both the ordinary and special tax basis as well as unused uplift incurred up to and including 2019, will be refunded following the 2022 tax return assessment. The temporary rules shall continue to apply to investments covered by Section 11 of the Petroleum Tax Act. It is expected that the Parliament will consider the White Paper before the summer 2022.

Tax rates currently adopted for 2022 (22 % for corporate tax and 56 % for special tax) are used when calculating deferred tax per December 31, 2021.

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. However, the Company's net currency exposure is estimated to be approx. neutral following the temporary tax changes as the Company will be receiving NOK denominated tax refunds every second month. As a consequence, the Company did not have any foreign exchange contracts at December 31, 2021.

Interest rate risk

Short and medium-term interest rate risk occurs as a result of fluctuations in interest rates on interest-bearing debt. The Company has had interest rate swap agreements in place to reduce interest fluctuations on external debt. The current USD bonds carry a fixed interest. See note 18 for information about the interest rate conditions on long term debt.

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 include a senior secured USD 225 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 2021, nor in 2020.

Note 2 - Revenues

During 2021, the Company's crude oil production was sold to ENI Trading & Shipping on a long-term contract, in total 0.77 million barrels (2020: 0.73 million).

(NOK 1 000)	Norway	EU	2021	2020
Revenue from crude oil sales	432 027		432 027	245 721
Revenue from gas sales	0		-	552
Total petroleum revenue	432 027	0	432 027	246 273
Gain/(loss) on derivatives	-71 939		-71 939	90 928
Gain on sale of assets	2 573		2 573	
Other revenue				263
Total revenue	362 661	0	362 661	337 464

(revenue split by place of delivery)

KEY OPERATIONAL FIGURES		2021	2020
Production	boe	789 049	761 748
Average production per day	boe	2 162	2 070
Average oil price, net of hedging	USD/bbl	55.02	50.54
Volumes sold	boe	765 473	732 163

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

(NOK 1 000)	2021	2020
Payroll expenses	32 769	24 177
Social security tax	5 240	3 840
Pension costs	4 088	3 979
Other personnel expenses	609	980
Total employee benefit expenses	42 706	32 976
Average number of full time equivalents	15,0	15,3

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, 2021, the Company's defined contribution scheme had 15 members (December 31, 2020: 15 members). Costs related to the defined contribution plan amounted to NOK 2 918 168 in 2021 (2020: NOK 2 826 334).

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 1 334 452 in 2021 (2020: NOK 1 315 700).

Remuneration to CEO/Executive Chairman and board of directors

(NOK 1 000)	2021	2020
Salary incl bonus	2 122	1 477
Pension scheme costs	259	265
Other remuneration	16	17
Total remuneration to CEO	2 397	1 759

Members of the Board received no remuneration in 2021 or 2020. 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)	2021	2020
Statutory audit	329	430
Other assurance services	21	52
Other services	-	-14
Total	349	468

Note 4 - Exploration and operating expenses

(NOK 1 000)	2021	2020
Production cost	173 740	186 978
Environmental taxes	9 252	10 323
Over-/underlift and physical stock adj.	-27 403	-5 861
Offshore insurance	10 040	10 759
Decommissioning cost	23 419	23 156
Other production costs	1 397	4 439
Total Production and Decommissioning expenses	190 444	229 794

Decommissioning costs mainly relate to incurred plugging and abandonment costs for Ringhorne phase III wells.

(NOK 1 000)	2021	2020
Expensed cost, geological & geophysical	1 103	1 225
Expensed cost, seismic and studies	105	13
Expensed cost, other	139	2
Total Exploration expenses	1 347	1 240

Drilling and testing costs for wells where status of discovery is pending, has been capitalized (NOK 41.5 million in 2021 (2020: NOK 4.1 MNOK)).

Note 5 - Other operating and administrative expenses

(NOK 1 000)	2021	2020
Travel and transportation costs	278	378
Rental and lease expenses	2 255	2 264
IT expenses	1 282	1 056
Legal services	7 845	4 377
Other consultancy services	15 319	19 075
Other operating costs	1 847	1 412
Total other operating and administrative expenses	28 825	28 562

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	2020
Interest income	275	506
Other financial income	-	-
Total financial income	275	506
Interest expenses	-70 994	-31 692
Amortised loan costs	-27 795	-2 691
Accretion expenses	-15 559	-20 039
Net other financial income / (expenses)	-5 566	-3 783
Total financial expense	-119 914	-58 205
Realised foreign exchange gain/(loss)	3 150	-10 875
Net unrealised exchange gain / (loss)	-31 937	57 572
Net financial items	-148 426	-11 001

In November 2021, the Company exercised the call option for the MIME01 PRO bonds. The outstanding bonds were redeemed at a make whole price of 108.22620% of the Nominal Amount plus accrued interest. At the same time the Reserve Based Lending Facility was repaid in full. The make-whole amount as well as the remaining capitalized loan fees related to the Reserve Based Lending Facility and the NOK bonds have been expensed in 2021.

Note 7 - Taxes

Income taxes recognised in the income statement		
(NOK 1 000)	2021	2020
Current tax payable /(income tax credit)	-	9 729
Current tax payable previous years	1 244	-35
Change in deferred tax	-197 423	-161 512
Total tax payable (receivable) recognised in the income statement	-196 179	-151 818

Reconciliation of income tax		
(NOK 1 000)	2021	2020
Profit / loss (-) before income tax	-169 864	-98 731
Expected income tax at nominal tax rate (22%)	-37 370	-21 721
Expected petroleum tax (56%)	-95 124	-55 289
<u>Tax effect of:</u>		
Permanent differences	-5 121	36 841
Financial items	83 608	33 793
Uplift	-185 472	-90 252
Other changes	3 014	3 345
Onshore items	40 286	-58 536
Total income tax recognised in the income statement	-196 179	-151 819
Effective income tax rate	115,5 %	153,8 %

Specification of tax effects on temporary differences, tax losses and uplift carried forward			
(NOK 1 000)	Change through Income Statement	2021	2020
Fixed assets	-830 992	-1 742 361	-911 369
Asset retirement obligations	7 196	444 398	437 202
Other items	8 555	-50 674	-59 229
Tax loss offshore receivable	409 011	998 609	589 598
Tax loss offshore receivable, adj			
Tax losses carried forward, onshore (22%)	15 827	15 827	
Tax losses carried forward, offshore (56%)	-1 770	6 386	8 156
Total deferred tax assets / (liabilities)	-392 174	-327 816	64 358
Effect of offshore tax loss receivable	589 598	-998 609	-589 598
Total deferred tax assets / (liabilities) recognized	197 424	-1 326 424	-525 240

Temporary changes in the Petroleum Tax Act were resolved in June 2020. The changes included a temporary rule for depreciation and uplift, whereby all investments incurred for income years 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 596.5 million (short term receivable), equal to the tax value of incurred losses for 2021 less received negative tax installments for 2020 and 2021. The refund of tax losses incurred for 2021 is paid out in six instalments every two months. The first three instalments were received in the second half of 2021 (NOK 402.1 million).

At year-end 2021, unrecognized future uplift credits related to capitalized costs amounted to NOK 15.7 million (YE 2020; NOK 38.2 million).

Note 8 - Property, plant and equipment

(NOK 1 000)	Oil and gas assets	Furniture, fixtures and office machines	Total
2021			
Cost at January 1, 2021	2 709 789	949	2 710 739
Additions	1 310 180	-	1 310 180
Disposals	-	-	-
Asset removal obligation - change of estimate	-6 334	-	-6 334
Adjustment of acquisition cost	-	-	-
Cost at December 31, 2021	4 013 635	949	4 014 585
Accumulated depreciation and impairment at January 1, 2021	-178 526	-362	-178 888
Depreciation for the year	-117 486	-251	-117 737
Impairment loss	-	-	-
Disposals	-	-	-
Accumulated depreciation and impairment at December 31, 2021	-296 012	-614	-296 626
Carrying amount at December 31, 2021	3 717 623	336	3 717 959
2020			
Cost at January 1, 2020	2 240 533	873	2 241 407
Additions through acquisition of interest in Balder/Ringhorne	571 695	76	571 771
Additions	-	-	-
Disposals	-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	-178 888
Carrying amount at December 31, 2020	2 531 263	587	2 531 851

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 2022 to the end of 2024, and a long-term oil price of USD 65/bbl_(real) from 2025 onwards. For 2025, this corresponds to a nominal value of USD 69/bbl. The applied oil price in 2024 is set to the average of 2023 and 2025, equal to USD 70.5/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 7.7 percent.

The Company has not recognized any impairment in 2021.

Note 9 - Intangible assets

(NOK 1 000)	Capitalized exploration costs	Licensing of seismic	Software	Total
2021				
Cost at January 1, 2021	4 392	14 651	1 102	20 145
Additions	55 496	-	-	55 496
Expensed	-107	-	-	-107
Cost at December 31, 2021	59 781	14 651	1 102	75 534
Accumulated depreciation and impairment at January 1, 2021	-	-4 151	-169	-4 320
Depreciation for the year	-	-2 930	-110	-3 040
Disposals	-	-	-	-
Accumulated depreciation and impairment at December 31, 2021	-	-7 081	-279	-7 360
Carrying amount at December 31, 2021	59 781	7 570	823	68 175
2020				
Cost at January 1, 2020	293	14 651	1 102	16 046
Additions	4 099	-	-	4 099
Expensed	-	-	-	-
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
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

Note 10 - Trade and other receivables

(NOK 1 000)	2021	2020
Trade receivables	30 318	26 927
Working capital, receivables, joint venture	1 754	2 367
Working capital, prepayments, joint venture	110	6 915
Prepayments	9 512	8 880
Other short term receivables	2 023	3 860
Total trade and other receivables	43 716	48 949
Tax receivable	596 534	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)	2021	2020
Stock of spare parts etc. held by operators	85 321	60 436

Note 12 - Cash and cash equivalents

(NOK 1 000)	2021	2020
Bank deposits, unrestricted	777 826	212 022
Bank deposits, restricted	5 394	1 446
Total cash and cash equivalents	783 220	213 467

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, 2021	26 062 028	1 106 008 925	1 132 070 953	11 320 710
Capital increase 2021	0	59 601 500	59 601 500	596 015
Shares/share capital capital at December 31, 2021	26 062 028	1 165 610 425	1 191 672 453	11 916 725

Shareholders as of December 31, 2021

Mime Petroleum S.a.r.l	26 062 028	1 165 610 425	1 191 672 453	11 916 725
------------------------	------------	---------------	---------------	------------

All shares have a nominal value of NOK 0.01/share. On February 19, 2021, a capital increase of NOK 59.6 million was approved. The capital increase, which constituted issuance of new 59 601 500 B-shares, was registered with the Companies Register (Brønnøysundregistrene) on March 1, 2021.

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, 2021, BWE together with founders and employees have invested USD 136 million in the Company.

Based on the 2021 financial statements, the Board are not proposing any distribution of dividend.

Note 14 - Trade and other payables

(NOK 1 000)	2021	2020
Trade creditors	2 725	8 878
Working capital, trade creditors, joint venture	46 914	12 848
Trade payables	49 639	21 726
Working capital, accruals, joint venture	110 099	94 736
Undercall, joint ventures	51 439	5 043
Overliff	8 491	30 703
Other accrued expenses	35 082	7 296
Other current liabilities	205 111	137 779

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)	2021	2020
Total obligation at January 1	560 515	642 854
Addition through business combination	-	-
Effect of changes in estimates	17 085	-79 222
Accretion expense	15 559	20 039
Actual decommissioning expenditure	-23 419	-23 156
Total obligation at December 31	569 740	560 515
Non-current portion at December 31	540 340	523 106
Current portion at December 31	29 400	37 500

In the calculation of net present value at year-end 2021, 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 2021 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 with Mime Petroleum S.à r.l.

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 made available to Mime Petroleum S.à r.l. a loan facility of maximum USD 650 000. In December 2021, this agreement was extended until 2026 and the maximum loan facility increased to USD 2 million. 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, 2021, the outstanding receivable amounted to USD 0.65 million including accrued interest.

c) Intercompany loan agreement with Mime Petroleum Holding AS

In December 2021, Mime Petroleum AS entered into a 5-year loan agreement with Mime Petroleum Holding AS, which is owned by founders and employees in Mime Petroleum AS and is an indirect shareholder in Mime Petroleum AS. Under this loan agreement, Mime Petroleum AS has made available to Mime Petroleum Holding AS an intercompany loan of NOK 2.5 million.

On December 31, 2021, the outstanding receivable amounted to NOK 2.5 million including accrued interest.

Note 17 - Interest bearing loans and borrowings

(NOK 1 000)	2021	2020
Long term interest bearing debt (RBL)	-	477 826
Unsecured senior bond NOK 300 million	-	300 000
Secured senior bond USD 225 million	1 984 365	
Effect of currency swap bond	-	-23 267
Capitalized loan fees	-88 655	-20 829
Total long-term interest bearing debt	1 895 710	733 729

As of December 31, 2021, the Company had USD 225 million of five-year senior secured bonds with a fixed coupon rate of 10.25% (MIME02 PRO).

In October 2021, the Company completed the private placement of five-year senior secured USD 225 million bonds. Net proceeds from the bond issue have been used to refinance the Company's outstanding Reserve Based Lending Facility and the NOK 300 million bonds (MIME01 PRO) in full and will be used to cover capital expenditures related to the Balder Future development. Capitalized loan fees are amortized over the loan period.

On November 10, the Company exercised the call option for the senior unsecured NOK 300 million bonds (MIME01 PRO). The outstanding NOK bonds were redeemed on November 24, 2021, at a make whole price of 108.22620% of the Nominal Amount plus accrued interest on the redeemed Bonds. The Reserve Based Lending Facility was also repaid in full on November 24. The make-whole amount as well as the remaining capitalized loan fees related to the Reserve Based Lending Facility and the NOK bonds have been expensed in 2021.

The USD 225 million bonds were listed on Nordic ABM on December 14, 2021 (MIME02 PRO).

The financial covenants related to the USD 225 million bonds are a minimum cash requirement equal to total interest costs for the next 6 months, and a Net Leverage Ratio (Total net debt to adjusted EBITDA not to exceed 2.0x from the date that the Balder Ringhorne licenses have achieved 90 days of production of oil with an average oil production of 75 000 bbl/d).

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.

In connection with the USD 225 million bonds issue in November, the Company terminated 30% of the remaining Brent hedging contracts in place for 2021. Furthermore, the Company adjusted the Brent swap contracts for 2022 to 16 000 bbl/month with an average price of USD 76.59/bbl. This represents approx. 80% of the after-tax volume for 2022. The recorded loss related to Brent swap contracts amounts to NOK 71 million in 2021, including early termination costs of NOK 33 million. The fair market value of Brent swap contracts at December 31, 2021, was negative by USD 1 932.

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, 2021, as the currency exposure is minor after the temporary tax changes ensuring refund of tax losses.

The interest rate swap covering the exposure to variable interest on the Reserve-Based Lending Facility Agreement was terminated as part of the RBL facility repayment in November. An early termination fee of USD 0.5 million has been paid and expensed as part of net financial costs in 2021.

The NOK-denominated bonds were swapped into a USD using a cross-currency swap in addition to swapping the floating interest to a fixed interest over the 5y tenor. Both the interest swap and the cross-currency swap was terminated as the bonds were redeemed in November 2021. As a consequence of the early termination, the Company has recorded an additional interest cost of NOK 5.2 million and a realized currency gain of NOK 9.8 million.

Note 19 - Lease agreements and other commitments

As of December 31, 2021, the Company has no financial leases. The Company has entered into operating leases for office premises, parking, software 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 2021 (2020: NOK 2.7 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 174.7 million for the period 2022 to 2024.

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

(NOK 1 000)	2021	2020
Witin 1 year	71 962	82 756
1 to 5 years	108 083	189 620
After 5 years	-	70
Total	180 045	272 447

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 USD 225 million bonds.

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 2021. 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 2021 are broken down as follows:

Proven and probable reserves (boe)	2021	2020
Balance at January 1	24 321 876	24 465 333
Acquisition of reserves	-	-
Revision of estimates	1 470 534	618 291
Discoveries, additions and extensions	1 296 200	-
Year production	-789 051	-761 748
Total reserves at December 31	26 299 559	24 321 876

Reserves are classified in accordance with the Norwegian Petroleum Directorate's requirements and based on revised national budget (RNB) 2022 numbers received from the operators together with internal information.

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

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

*Ownership share in Ringhorne Øst Unit is 7.4%

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