



PETRONOR E&P

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*Interim Financial Report*  
*For the fourth quarter ended*  
*31 December 2020*

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## HIGHLIGHTS

### Q4 2020 and subsequent events

- Contemplated capital raise of USD 50 - 60 million including a transaction that will further increase indirect interest in PNGF Sud by a further 4.9% through. The current largest shareholders are subscribing for up to USD ~40 million in a combination of cash and in-kind contribution.
- PNGF Sud performed well with a 4% growth in the oil production compared to 2019 producing an average of 2,329 bopd net to PetroNor.
- Re-established a highly attractive exploration portfolio in the West African margin through the acquisition of the Esperança and Sinapa licenses in Guinea Bissau at highly attractive terms from Svenska Petroleum, the transaction is subject to Government approval.
- In January 2021, at a cost of USD 4 million the Company increased its net indirect interest in its core asset PNGF Sud by 1.4%, through the award of 9,900 additional shares in Hemla E&P Congo S.A. by the court in Congo.
- Extension of the long stop date for the Aje transaction from 31 December 2020 to 30 June 2021, allowing extra time for completion of the regulatory approval process in Nigeria which is well underway, but delayed by the COVID-19 pandemic.

### Assets

#### Republic of Congo (Brazzaville)

- During Q4 2020, the Company held a 10.5% indirect participation interest in the license group of PNGF Sud (Tchibouela II, Tchendo II and Tchibeli-Litanzi II) through Hemla E&P Congo SA.
- On 25 January 2021, the indirect participation interest increased to 11.9% after 9,900 shares in Hemla E&P Congo awarded by the court in Congo were registered for the benefit of the Company.
- The Group holds a right to negotiate, in good faith, along with the contractor group of PNGF Sud, the terms of the adjacent license of PNGF Bis.

#### Nigeria

- In 2019 Acquired 13.1% economic interest in Aje Field through two transactions with Panoro and YFP. Started engaging with partners to streamline operations and made positive progress towards DPR approval for both transactions.
- Engaged with several financial & industrial partners with a target to mature the project towards an FID.

#### The Gambia

- In September 2020, under the terms of the settlement agreement, a new A4 licence was awarded providing a 90% interest and operatorship of the A4 licence to the Group. The remaining 10% interest of the new licence is held by the Government of The Gambia.

#### Guinea Bissau

- 78.57% interest of the Sinapa (Block 2) and Esperança (Blocks 4A and 5A) is held by the Group through the purchase of SPE Guinea Bissau AB from Svenska Petroleum Exploration AB in November 2020. The transaction is subject to Government approval. The remaining equity is held by FAR Ltd.

#### Senegal

- The Rufisque Offshore Profond and Senegal Offshore Sud Profond license areas held by the Group are subject to currently halted arbitration with the Government of Senegal. (The halt was recently extended for a further two months on 2 February 2021, after starting in May 2020).
- Both parties are continuing in dialogue to find a solution in the interest of Senegal and its people, as well as PetroNor and its shareholders.

## HIGHLIGHTS

PetroNor<sup>1</sup>

## As at 31 Dec 2020

**10.1 MMbbl****2P Reserves<sup>2</sup>**

(31 Dec 2019: 11.1 MMbbl)

**26.0 MMbbl****2C Contingent Resources**

(31 Dec 2019: 26.0 MMbbl)

## Post MGI / Symero transactions

**16.1 MMbbl****2P Reserves<sup>2</sup>****30.4 MMbbl****2C Contingent Resources**

<sup>1</sup> Production, reserves and resources include PNGF Sud and Aje, whereas the 2C resources also include PNGF Bis. The Aje acquisition is pending governmental approval. The license partners on PNGF Sud hold the right to negotiate in good faith the license terms of PNGF Bis.

<sup>2</sup> 2P reserves according to AGR CPR October 2019, corrected for 2019 and 2020 production (PNGF Sud 9.9 mmbbl) and Company estimate for Aje 2P reserves (0.2 mmbbl).

**EBITDA (Q4)****USD 11.5m**

(2019\*: USD 11.1m)

**Net Profit (Q4)****USD 3.1m**

(2019\*: USD 2.5m)

**EBITDA (12 Months)****USD 34.4m**

(2019\*: USD 49.1m)

**Net Profit (12 Months)****USD 11.0m**

(2019\*: USD 13.6m)

\*Adjusted for USD 19.4 m share based expense in relation to the merger transaction in August 2019

## CEO'S STATEMENT

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Dear Shareholders,

PetroNor delivered another solid performance in Q4 that was in line with our expectations and reflects the resilience of our business and cornerstone asset. The quality producing asset, PNGF Sud, represents a growth platform for the company, generating reliable and economically robust cash flow to underpin the business. It is for this reason that we seized the opportunity post period to increase our interest in PNGF Sud, a deal that will deliver a step-change in production, reserves and cash flow once completed.

With positive supply and demand dynamics contributing to higher Brent prices and improving sentiment for the sector, we view this transformative transaction as a well-timed move to expand our position in an asset that we know well, and from which we see considerable upside. It also provides us with greater scale and profile, which in turn will enable PetroNor to better capitalise on opportunities within and outside of the existing portfolio.

As previously guided, the infill drilling programme at PNGF Sud was pushed back as a result of logistical challenges caused by the pandemic, and we now look forward to this activity in late 2021. The objectives of that programme are to enhance production and cash flow, with very attractive rates of return on the associated capex. We will work alongside the operator Perenco as the JV continues to build on its proven track record for unlocking the upside from this asset through operational efficiencies. With a largely fixed cost base, the project is well geared to higher crude pricing, so the positive momentum and outlook for oil that we see in the market today bodes well for the future project economics.

During the period we were delighted to announce the strategic acquisition of SPE Guinea Bissau AB, providing PetroNor with 78.6% and the Operatorship of the Sinapa and Esperança licences in Guinea-Bissau subject to Government approval. This deal complements an attractive exploration portfolio with drill-ready assets and expands PetroNor's position in this highly prospective trend that continues to be a hotspot for exploration activity. We expect to complete that transaction soon and look forward to including it in our strategic plans across the region.

We have now assembled a high-quality portfolio of operated positions that would appeal to prospective partners seeking exposure to high impact exploration activity. We know the appetite remains strong for this particular region given the prospectivity and proximity to world-class discoveries and developments, and we are therefore confident that PetroNor can realise material value from this portfolio approach. Informal discussions with interested parties are underway, and we hope to progress those further pending completion of the Guinea-Bissau transaction and any positive outcome in Senegal. We also expect to conclude the Aje transaction in Nigeria, adding another leg to the business, and an exciting development project where we believe we can deliver material long-term value for all the project stakeholders through a new development approach.

We are very mindful of the energy transition and are wholly committed to playing our role through responsible stewardship, while delivering the hydrocarbons required for global energy demand and socioeconomic development. In this regard we are developing a fit for purpose ESG strategy that will showcase our transparency and commitment to these critical elements of risk management.

The Company continues to place Governance as a priority, and post-period announced changes to the Board that demonstrated this commitment. The appointment of Mrs. Gro Kielland as an independent director to replace Mr. Gerhard Ludvigsen enhances the independence and diversity of the Board, and demonstrates our ambition through the appointment of a highly credible industry figure. We thank Gerhard for his invaluable contribution to the Company and are pleased to retain his expertise in an ongoing consultancy role.

With the ongoing pandemic and global economic backdrop, we are currently witnessing an improving sentiment towards the sector which we envisage will remain with oil trading in this current range, however with volatility both upwards and downwards. Despite improving market conditions, cost discipline remains a core focus at both asset and group level, and this mentality is central to all decision making.

As our portfolio and activity pipeline grows, we must ensure we are fully funded. In this regard, we announced post-period plans to raise USD 50 to 60 million of new equity to complete the value accretive acquisitions at PNGF Sud, and to comfortably fund all the near-term activities associated with that asset. Our largest shareholder Petromal has demonstrated support for the Company and its growth strategy through a commitment to that process. We also look forward to broadening our shareholder base and market appeal through that fund raising process, and hope to provide a positive update in due course.

2020 was a challenging year for the Company, the sector and the world as a whole. During which we have evolved into a full-cycle African E&P company, with a diverse portfolio of high-quality assets, all of which we expect to deliver value in the coming years. We continue to be opportunistic with regards to our inorganic growth, and see a strong pipeline of compelling and strategically complementary opportunities coming to market as a result of the ongoing structural changes in the sector brought about by the energy transition. With a strengthened financial position and growing reputation as a credible operator, we are well placed to consider these opportunities.

In conclusion, PetroNor has made considerable strategic progress through 2020, and the developments through Q1'21, both in terms of Company and macro, point towards an exciting year ahead with multiple operational and corporate catalysts. We thank all our stakeholders for their support and look forward to building on this momentum to further achieve our strategic objectives.

Yours sincerely, Knut Søvold

## OPERATIONAL UPDATE

### REVIEW OF OPERATIONS

#### CORPORATE

##### Board appointment and resignation

On 1 February 2021, Mrs. Gro Kielland was appointed as an independent director to replace Mr. Gerhard Ludvigsen.

Mrs. Kielland is a highly experienced and credible industry figure, having previously been the former CEO of BP Norway, and currently holds a number of non-executive roles, including a role on the Board of AkerBP, a company with a market cap of NOK 85 billion and a production of around 200,000 bopd.

Mr. Ludvigsen relinquished his position on the executive team, however, he will remain with the Company in an advisory role with specific focus on the Company's effective ESG strategy.

Following these changes, the Board consists of seven Directors, of which five are considered to be independent.

##### Free float & Market making

Post period, the free float of the Company exceeded 25%, for the first time since the merger with African Petroleum in 2019. The Directors hope to further broaden and diversify its shareholder base with the announced contemplated equity financing event.

In keeping with similar sized companies, the Company commenced a market making agreement with SpareBank 1 Markets AS on 3 November 2020, with the primary purpose of enhancing the liquidity in the trading of the Company's shares listed on Euronext Expand. The agreement was for a 6-month period, and the performance will be evaluated before the Company commits to renewing the agreement.

### OPERATIONAL UPDATES

#### Republic of Congo – PNGF Sud

PNGF Sud fields are located approximately 25 km off the coast of Pointe-Noire in water depths of 80-100 metres. PNGF Sud comprises 3 operating licenses, Tchibouela II, Tchendo II and Tchibeli-Litanzi II, covering five oil fields: Tchibouela Main, Tchibouela East, Tchendo, Tchibeli and Litanzi.

PetroNor, through Hemla E&P Congo, participated in the 2016 tender process with the Congo Ministry of Hydrocarbon for participation in the PNGF Sud license. As of 1 of January 2017, Hemla E&P Congo was awarded a 20% working interest in the PNGF Sud licenses (net 10.5% to PetroNor).

Initially discovered in 1979, PNGF Sud commenced production in 1987 and produces from 61 wells in five oil fields, Tchibouela, Tchibouela East, Tchendo, Tchibeli and Litanzi.

Following the entry of the new license group in 2017, significant operational improvements have been made, increasing gross production from c.15,000 bopd in January 2017. The average production in 2020 was 22,713 bopd. Through further workovers, surface and process improvements and infill drilling, gross production from PNGF Sud is expected to continue to grow in the coming years. Capital expenditure for a third infill drilling programme approved in the 2021 budget, this time adding Tchibeli to the infill drilling programme. Additionally, approved has been CAPEX to prepare for tying back the Tchibeli North discovery.

The PNGF Sud fields are developed with seven wellhead platforms and currently produce from some 65 active production wells, with oil exported via the onshore Djeno terminal. With its long production history, substantial well count and extensive infrastructure, PNGF Sud offers well diversified and low risk production and reserves with low break-even cost.

Several production enhancement initiatives were completed throughout the year on all fields including several workovers and surface process improvements. The continuous well workover activity since 2017 has reinstated several producing wells by improved gas-lift, ESP (Electrical Submersible Pumps) changeouts, reperforations and change of producing formation. These have been the main success of the production increases from 2017 year-on-year. Additionally, on Tchibouela East, production has been reinstated from 3 wells in a program of 6 in an ongoing workover programme. Several improvements to debottleneck the surface processes were implemented. These include water injection pumps, boiler replacements and water production debottlenecking changing pipes and pumps.

In October 2019, AGR Petroleum prepared a Competent Person's Report and the reserves below are calculated by subtraction of the production between the cut-off date of the CPR report and period end. AGR is currently in process of auditing the PNGF Sud



## OPERATIONAL UPDATE

reserves and resources. Results are expected in March 2021 and given increased production and expansion of infill drilling programmes an increase in both categories (reserves and resources) is expected beyond the numbers below.

PetroNor's Reserves per 31.12.2020

- 1P reserves of 6.15 MMbbls
- 2P reserves of 9.9 MMbbls
- 3P reserves of 13.17 MMbbls

PetroNor's Contingent Resource base includes discoveries of varying degrees of maturity towards development decisions. By end of 2020, PetroNor's assets contain a total 2C volume of approximately 7.31 MMbbls. This is unchanged for the year.

During Q4, 2020, the gross production was 22,182 MMbbls of oil, resulting in a net to PetroNor production of 2,329 bopd.

On 27 October 2020, in relation to a dispute concerning PNGF Sud, the Court of Appeal rejected an appeal against certain shareholders in PetroNor and the subsidiary Hemla Africa Holding AS ("HAH") and the appellant was ordered to cover the costs in connection with the appeal.

### Republic of Congo – PNGF BIS

PNGF Bis is located to the North-West of PNGF Sud and comprises 2 discoveries: Loussima SW and Loussima.

Through an umbrella agreement, the license partners of PNGF Sud have the right to negotiate, in good faith, the license terms to enter into a PSC for PNGF Bis. Subject to successful completion of negotiations, PetroNor will hold a 23.56% indirect interest.

Three exploration wells have been drilled on the license area. A discovery in pre-salt Vandji Fm was made in well LUSM-1 on Loussima in 1985. Loussima SW was discovered by well LUSOM-1 in 1987 with oil in Vandji Fm.

A second well, SUEM-2, was drilled on Loussima SW in 1991 to appraise the Vandji discovery. Hydrocarbon shows were detected in one of the wells in the Albion post-salt Sendji Fm, (analogue to Tchibeli / Litanzi reservoirs in PNGF Sud). The Sendji interval was not production tested. The depth to the Vandji reservoir is 3,250 mTVDSS, to Sendji around 1,940 mVDSS and the water depth in the area is 110 m. Tests on the Loussima SW LUSOM-1 well produced 4,700 bopd and the SUEM-2 well yielded 1,150 bopd.

The CPR report prepared by AGR estimates that PNGF Bis holds gross 2C resources of 28.9 MMbbl.

### The Gambia – A4

During September, the Company reached a mutual agreement with the Government of The Gambia to settle its arbitration

related to the A1 and A4 licences. PetroNor will relinquish any claims related to the A1 licence that has subsequently been awarded to a major oil company and will regain the A4 licence with a new 30-year lease under new terms.

The terms of the new licence are based on the newly developed Petroleum, Exploration and Production Licence Agreement PEPLA model. The Company will be able to carry the Prior Sunk cost associated with A4 into the new agreement for tax breaks and enhanced commercial model.

PetroNor will soon commence interpretation on reprocessed seismic data in support of seeking a partner to join the Company in drilling one exploration well in this highly attractive acreage that is on trend with the Sangomar Field, 30 km to the North in Senegal. PetroNor aim to participate in any future well at an equity level of 30-50% and are seeking partners to help test the exciting portfolio of potential drilling opportunities.

### Guinea-Bissau – 2 & 4A/5A

On 20 November 2020, the Company announced the purchase of SPE Guinea Bissau AB from Svenska Petroleum Exploration AB. Subject to Government approval, the Company will assume operatorship (78.57%) of the Sinapa (Block 2) and Esperança (Blocks 4a/5A) licences in Guinea-Bissau.

The licences have been recently extended for 3 years and are valid until 2 October 2023 maintaining the same attractive fiscal terms.

PetroNor intends to build on the excellent work of the previous Operator Svenska Petroleum Exploration Guinea Bissau, and maintain the momentum towards drilling built by the Partnership. The Atum-1x well will test a highly attractive and material prospect on the Sinapa licence, analogous to the Sangomar field in Senegal. Recently reprocessed seismic data will be interpreted as part of the ongoing evaluation of both licences and as preparation to drilling.

### Senegal – ROP & SOSP

The Company's subsidiary African Petroleum Senegal Limited registered a request for arbitration proceedings with the International Centre for Settlement of Investment Disputes (ICSID) on 11 July 2018 (case ARB/18/24) to protect its interests in the Senegal Offshore Sud Profond and Rufisque Offshore Profond blocks in Senegal.

During the period, the Company agreed with the Government of Senegal to an extension to the halt of arbitration proceedings. On 2 February 2021, another extension was agreed by the parties for a suspension of another 2 months. The extensions were a result of progressive dialogue as both parties seek to establish a



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satisfactory solution. Ongoing negotiations however have been hampered by the pandemic.

### Nigeria – OML-113 / The Aje field

On 31 December 2020, PetroNor and Panoro Energy ASA ("Panoro") agreed to extend the completion long stop date for the previously announced purchase of Panoro's fully owned subsidiaries that hold 100% of the shares in Pan Petroleum Aje Limited ("Pan Aje") ("the Transaction"). The original long stop date was 31 December 2020, being the date by which authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources were required to have been received. The amended long stop date to complete the Transaction is now 30 June 2021.

The regulatory approval process in Nigeria is well underway at an advanced stage but has been delayed by the pandemic.

As previously announced, following completion of the Transaction, Panoro's intention is to declare a special dividend and distribute to its shareholders USD 10 million equivalent in PetroNor shares in order for Panoro shareholders to retain a direct listed exposure to Aje/OML 113.

PetroNor had also in 2019 entered into separate agreements with the OML 113 operator Yinka Fawale Petroleum ("YFP") to create a holding company to exploit the substantial gas and liquids reserves at Aje. The regulatory process for this agreement is aligned with the Transaction and is expected to be approved concurrently.

PetroNor and Panoro have also taken the opportunity to review the deferred contingent element of the Transaction, reflecting the changed macro-economic background since the original announcement in 2019. Under the original agreement, once PetroNor had recovered all its costs related to their future investments to bring Aje gas into production, the Company was to pay to Panoro additional consideration of USD 0.15 per 1,000 cubic feet of the natural gas sales, such additional consideration being capped at USD 25 million. The amended terms are for the consideration to be USD 0.10 per 1,000 cubic feet with the additional consideration being capped at USD 16.67 million.

PetroNor continued work to update the FDP to expedite gas development and engaged with potential offtakers and partners. PetroNor will engage the JV partners after DPR approval.

### Flare Gas

PetroNor E&P has jointly with Aragon ([www.aragon.no](http://www.aragon.no)) developed a concept to capture flare gas. PetroNor and Aragon will convert pollution into clean energy. Today the world is flaring gas similar to an amount which could power all the cars in Europe or supply Africa continent with electricity. Our consortium has

been approved in Nigeria and is now in process to qualify for specific projects, PetroNor intends to expand its flare gas division as soon as we have one project developed as reference.

## FINANCIAL PERFORMANCE AND ACTIVITIES

Despite the ongoing impact of the pandemic, the Directors are pleased to report an EBITDA of USD 34.4 million for the year (2019: USD 49.1 million).

The Consolidated Entity managed to generate a net profit for the year of USD 11.0 million (2019: loss USD 5.8 million). However, the prior year loss was due to the accounting for a USD 19.4 million share-based payment expense in relation to the reverse takeover in August 2019. Once adjusted, the 2019 comparative would be a profit of USD 13.6 million.

These figures are due to the steady oil production of the PNGF Sud during the quarter and throughout the year that have come about from the workover program. In fact, since the Consolidated Entity first entered the JV in 2016, it has seen a 33% increase in the gross field production and the OPEX reduce by 58% from USD 25.0 /bbl to USD 10.4 / bbl in the same timeframe.

During 2020, 993,574 barrels were lifted, a 12.7% increase on the 880,844 barrels lifted in 2019. Then even with the depressed oil prices, the Consolidated Entity still managed an average selling price of USD 41 / bbl for the year, compared to the USD 65 / bbl in 2019. As a consequence, the group reports USD 67.5 million in revenue, a 34.3% decrease on 2019 USD 102.8 million.

As at the year end, the Consolidated Entity had positive working capital of USD 21.8 million (2019: USD 8.4 million). Although the year end cash had decreased and was USD 14.1 million (2019: USD 27.9 million), the working capital increase was mostly due to:

- i) the renegotiation of interest-bearing debt, only USD 4.0 million was classified as short-term debt at the period end (2019 USD 12.9 million);
- ii) increase in the cash advance for the asset retirement obligation, 2020 USD 21.3 million (2019: USD 14.6 million)
- iii) decrease in trade payables, 2020 USD 5.5. million (2019: USD 14.8 million)

Throughout the year the Consolidated Entity maintained cost discipline, but a direct comparison of the administrative expenses for the Group between 2020 and 2019 is not possible. Due to the merger in August 2019, the 2019 comparative figures include the costs of the merger transaction, and 8 months of the former Cypriot group. Whereas 2020 figures portray the costs of the enlarged group, despite significant cutbacks by management on overheads after the initial outbreak of the pandemic in the Spring of 2020.

During the quarter no dividend was paid or recommended.

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The Board of Directors (the “Board”) confirms that the interim financial statements have been prepared pursuant to the going concern assumption. The continuing impact that COVID-19 will have on the Groups’ operations and the global markets, plus the uncertainty on the successful outcome of the contemplated equity financing and on the Groups’ ability to renegotiate outstanding payables to significant shareholders, indicate material uncertainties on the status of going concern. The going concern assumption is based upon the financial position of the Group and the development plans currently in place.

## TOP 20 SHAREHOLDERS

As at 29 January 2021

#	SHAREHOLDER	NUMBER OF SHARES	PER CENT
1	Petromal LLC <sup>1</sup>	371,961,246	38.28%
2	NOR Energy AS <sup>2</sup>	233,555,857	24.04%
3	Gulshagen III AS <sup>3</sup>	45,000,000	4.63%
4	Nedi Hagan AS <sup>4</sup>	45,000,000	4.63%
5	ENG Group Soparfi S.A.	40,681,739	4.19%
6	Gulshagen II AS	39,292,140	4.04%
7	Enga Invest AS	21,777,572	2.24%
8	Telinet Energi AS	20,468,927	2.11%
9	Pust For Livet AS <sup>5</sup>	15,000,000	1.54%
10	Nordnet Bank AB	11,672,623	1.20%
11	Nordnet Livsforsikring AS	6,352,370	0.65%
12	Avanza Bank AB	4,583,114	0.47%
13	Danske Bank A/S	3,453,137	0.36%
14	Sandberg JH AS	3,373,951	0.35%
15	Knutshaug Invest AS	3,021,565	0.31%
16	UBS Switzerland AG	2,551,921	0.26%
17	Saxo Bank A/S	2,493,620	0.26%
18	Nordea Bank Abp	2,236,644	0.23%
19	Ole Andreas Baksaas	2,232,809	0.23%
20	John Andreas Rognstad	2,200,000	0.23%
	<b>Subtotal</b>	<b>876,909,235</b>	<b>90.25%</b>
	Others	94,756,053	9.75%
	<b>Total</b>	<b>971,665,288</b>	<b>100.00%</b>

<sup>1</sup> Non-Executive Chairman, Mr. Alhomouz is the CEO of Petromal LLC.

<sup>2</sup> NOR Energy AS is a company controlled jointly by Mr. Søvold and Mr. Ludvigsen through indirect beneficial interests.

<sup>3</sup> Gulshagen III AS is a company controlled by Mr. Søvold through an indirect beneficial interest.

<sup>4</sup> Nedi Hagan AS is a company controlled by Mr. Ludvigsen through an indirect beneficial interest.

<sup>5</sup> Pust for Livet AS is a company that may be influenced by Mr. Ludvigsen through immediate family control.

## PRINCIPAL RISKS

The Group is subject to a number of risk factors inherent in the oil and gas industry which are further detailed in the annual report. These include technical risks, reserve and resource estimates, and risks of operating in a foreign country (in particularly economic, political, social and environmental risks).

The principal risks disclosed in the annual report have not materially changed, and although the Company has raised equity finance in previous years, there may be new risks in the contemplated equity financing disclosed post period end for our investors to consider.

Risks associated with the contemplated equity financing are disclosed in the corporate presentation included with details on the proposed transactions, which is available on the Company website.

## HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Group’s objective for health, environment, safety and quality (HSEQ) is zero accidents and zero unwanted incidents in all activities. PetroNor experienced no accidents, injuries, incidents or any environmental claims during the quarter.

The Group’s operations have been conducted by the operators on behalf of the licensees, at acceptable HSE standards and the Operator of PNGF Sud is reporting regularly on all key HSE indicators. No accidents that resulted in loss of human lives or serious damage to people or property have been reported during the quarter. There have been no significant known breaches of the Company’s exploration license conditions or any environmental regulations to which it is subject.



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### OUTLOOK

The Company is awaiting the respective governmental approvals of the Sinapa, Esperança and Aje transactions and anticipates these to complete in the next few months. The Company was pleased to announce post period two transactions to increase its net indirect interest in core asset PNGF Sud from 10.5% to 16.83% following

- i. a USD 18 million contingent acquisition of all shares held by Symero Ltd ("Symero") in subsidiary HAH (the "Symero Transaction"); and
- ii. a court ruling in Congo related to parts of MGI International S.A.'s ("MGI") indirect share in PNGF Sud.

This will generate ~60% increase in PetroNor's PNGF Sud production and reserves with no impact on overhead costs;

- Net production from PNGF Sud to increase from 2,385 barrels of oil per day ("bopd") to 3,850 bopd, based on 2020 average production;
- Net 2P reserves as of Year-end 2020 increasing from 9.9 million to 15.9 million barrels of oil ("mmbbl");
- Reserves and resources are currently being audited, with update expected in March 2021. Based on production performance and expanded infill drilling program, the Company expects an increase in both reserves and resources.

Post period, the Company also announced plans to raise USD 50 to 60 million of new equity, whereof approximately USD 37 to 41 million committed through pre-subscription from Petromal and in-kind consideration to Symero. Post the contemplated equity financing, PetroNor will be in a robust financial position and fully funded for all sanctioned activities with significant flexibility to adjust its capital expenditure in a low oil price environment.

#### Symero Transaction

PetroNor will acquire Symero's shares in HAH representing 29.293% of the share capital of HAH, equivalent to a 4.93% indirect interest in PNGF Sud, for a consideration of USD 18 million to be paid in-kind through issuance of new shares in PetroNor at a price equivalent to the price in the contemplated equity financing. Following the Symero Transaction, PetroNor will own 100% of HAH.

Symero is owned by NOR Energy AS, a company owned by Knut Søvold, CEO of the Company, and Gerhard Ludvigsen.

The Symero Transaction is subject to successful completion of the contemplated equity financing. Furthermore, as the Symero Transaction is a related party transaction, the transaction is subject to approval by ordinary resolution at an extraordinary general meeting of the Company (the "EGM"). An ordinary resolution under the Australian Corporations Act requires approval by simple majority of those persons attending the meeting (in person, proxy or representative) and being eligible

to vote at the meeting. The EGM is expected to be held on or about 5 April 2021, following the publication of an independent expert report ("Expert Report") as required pursuant to the Australian Corporations Act. The Expert Report will be attached to the calling notice for the EGM. The shareholders' approval required will include an approval in accordance with Chapter 2E of the Australian Corporations Act of 2001 as a related party transaction and potentially a separate approval under section 611 item 7 of the Australian Corporations Act of 2001 to permit an increase in the voting power in the Company that would exceed the thresholds. As an Australian domiciled company, PetroNor has been granted an exemption from the Norwegian take-over rules from the Oslo Stock Exchange.

The Company has obtained voting undertakings for approval of the Symero Transaction from Petromal, members of the Company's Board of Directors and executive management, representing 19.9% of the existing shares (193,361,392 shares). While additional voting undertakings cannot be provided for regulatory reasons, Petromal has further confirmed its strong support of the Symero Transaction and the contemplated equity financing. As the Symero Transaction is considered a transaction with related parties, 34.8% of the shareholders are not eligible to vote.

Subject to shareholder approval and satisfaction of all conditions precedent, the Symero Transaction is expected to close by end of April 2021.

#### MGI Ruling

Due to MGI's breach of covenants under the loan agreement between HAH and MGI, the commercial court, Tribunal de Commerce de Pointe Noire, in Congo has awarded HAH 9,900 shares in HEPCO, increasing HAH's share of HEPCO with 9.9%, equivalent to PetroNor increasing its indirect interest in PNGF Sud with 1.40% at a cost of approximately USD 4 million. As per Congolese law, the award can be challenged in a higher court, and if so the timing of such further appeal and any final outcome are uncertain.

#### USD 50 to 60 million contemplated equity financing

PetroNor has mandated Arctic Securities AS, Pareto Securities AS and SpareBank1 Markets AS as Joint Managers and Bookrunners to arrange a series of equity investor meetings and calls commencing on 19 February 2021.

Subject to, inter alia, market conditions and investor feedback, an equity private placement of approximately USD 50 to 60 million may follow. The net proceeds from the Private Placement will be used to finance drilling of infill wells and other increased oil recovery initiatives on PNGF Sud and general corporate purposes, as well as to issue the consideration shares for the Symero Transaction. Further, the Company would through the

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contemplated equity financing seek to broaden and diversify its shareholder base and increase free float.

The Company's largest shareholder, Petromal, has committed to subscribe for its pro-rata share (38.28%) of the Contemplated Equity Financing, representing a subscription of approximately USD 19 to 23 million. Additionally, Nor Energy AS, PetroNor's other cornerstone shareholder, through its 100% ownership in Symero, is subscribing for USD 18 million in-kind through the Symero Transaction, which along with Petromal's commitment totals approximately USD 37 to 41 million of the contemplated equity financing. The in-kind consideration shares to Symero are subject to a six-month's lock-up from the shares are issued.

The contemplated equity financing is expected to take place in early March, in the event it generates less than the announced amount, the Company may be required to pursue alternative funding initiatives to meet its working capital requirements, to

scale back some of its planned investment opportunities, and to rationalise the exploration portfolio and / or take other steps to reduce expenditure commitments through farm out opportunities or asset sales. The Company expects to be able to finance any working capital shortfall through renegotiation of existing and / or new debt financing.

A potential equity raise would also seek to increase the Company's free float, which remains a key objective for the Company in order to enhance the capital market interest for the Company and attract a stronger and more diversified shareholder base.

### **Infill Drilling Program**

The infill drilling program on the Litanzi and Tchendo fields has been further delayed mainly due to the pandemic and is expected to restart in the 2H 2021.



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

USD' 000	Three months ended 31 December		Twelve months ended 31 December	
(Unaudited)	2020	2019	2020	2019
<b>Revenue</b>	<b>16,836</b>	<b>26,405</b>	<b>67,543</b>	<b>102,760</b>
Cost of sales	(4,823)	(10,954)	(25,885)	(37,207)
<b>Gross profit</b>	<b>12,013</b>	<b>15,451</b>	<b>41,658</b>	<b>65,553</b>
Other operating income	265	-	269	9
Administrative expenses	(4,520)	(5,425)	(12,644)	(19,793)
<b>Profit from operations</b>	<b>7,758</b>	<b>10,026</b>	<b>29,283</b>	<b>45,769</b>
Finance expense	(736)	(446)	(2,734)	(1,822)
Finance income	-	-	-	-
Foreign exchange (loss) / gain	982	(285)	1,497	(440)
Share based payment	-	-	-	(19,374)
<b>Profit / (loss) before tax</b>	<b>8,004</b>	<b>9,295</b>	<b>28,046</b>	<b>24,133</b>
Tax expense	(4,913)	(6,746)	(17,078)	(29,894)
<b>Profit / (loss) for the period</b>	<b>3,091</b>	<b>2,547</b>	<b>10,968</b>	<b>(5,761)</b>
<b>Other Comprehensive income:</b>				
Exchange losses arising on translation of foreign operations	(464)	-	(1,048)	-
<b>Total comprehensive income / (loss)</b>	<b>2,627</b>	<b>2,547</b>	<b>9,920</b>	<b>(5,761)</b>
<i>Profit / (loss) for the period attributable to:</i>				
Owners of the parent	1,243	392	2,306	(13,364)
Non-controlling interest	1,848	2,155	8,662	7,603
	<b>3,091</b>	<b>2,547</b>	<b>10,968</b>	<b>(5,761)</b>
<i>Total comprehensive income / (loss) attributable to:</i>				
Owners of the parent	791	392	2,306	(13,364)
Non-controlling interest	1,836	2,155	8,662	7,603
	<b>2,627</b>	<b>2,547</b>	<b>10,968</b>	<b>(5,761)</b>
<i>Earnings per share attributable to members:</i>	<b>USD cents</b>	<b>USD cents</b>	<b>USD cents</b>	<b>USD cents</b>
Basic profit / (loss) per share	0.13	0.79	0.24	(1.54) Cents
Diluted profit / (loss) per share	0.13	0.79	0.24	(1.54) Cents

The accompanying notes form part of these financial statements

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

USD'000	Notes	As at 31 December 2020 (Unaudited)	As at 31 December 2019 (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Inventories	10	3,578	3,233
Trade and other receivables	11	30,976	24,772
Cash and cash equivalents	12	14,121	27,891
		<b>48,675</b>	<b>55,896</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	23,647	22,587
Intangible assets	15	6,935	4,691
		<b>30,582</b>	<b>27,278</b>
<b>Total assets</b>		<b>79,257</b>	<b>83,174</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	22,922	34,602
Loans and borrowings	17	4,000	12,941
		<b>26,922</b>	<b>47,543</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	14,912	-
Provisions	18	15,307	14,373
		<b>30,219</b>	<b>14,373</b>
<b>Total liabilities</b>		<b>57,141</b>	<b>61,916</b>
<b>NET ASSETS</b>		<b>22,116</b>	<b>21,258</b>
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital		17,735	17,735
Foreign currency translation reserve		(995)	-
Retained earnings		(8,920)	(11,226)
		<b>7,860</b>	<b>6,509</b>
Non-controlling interests		14,256	14,749
<b>TOTAL EQUITY</b>		<b>22,116</b>	<b>21,258</b>

The accompanying notes form part of these financial statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD' 000	Issued capital	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total
<b>For the period ended 31 December 2020</b> <i>(Unaudited)</i>					
<b>BALANCE AT 1 JANUARY 2020</b>	<b>17,735</b>	<b>(11,226)</b>	<b>-</b>	<b>14,749</b>	<b>21,258</b>
Profit for the period	-	2,306	-	8,662	10,968
Other comprehensive loss	-	-	(955)	(93)	(1,048)
<b>Total comprehensive income / (loss) for the period</b>	<b>17,735</b>	<b>8,920</b>	<b>(955)</b>	<b>23,318</b>	<b>31,178</b>
Dividend paid	-	-	-	(9,062)	(9,062)
<b>BALANCE AT 31 DECEMBER 2020</b>	<b>17,735</b>	<b>8,920</b>	<b>(955)</b>	<b>14,256</b>	<b>22,116</b>
<b>For the period ended 31 December 2019</b> <i>(Audited)</i>					
<b>BALANCE AT 1 JANUARY 2019</b>	<b>120</b>	<b>13,688</b>	<b>-</b>	<b>12,811</b>	<b>26,619</b>
(Loss) / Profit for the period	-	(13,364)	-	7,603	(5,761)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>120</b>	<b>(13,364)</b>	<b>-</b>	<b>7,603</b>	<b>(5,761)</b>
Issue of capital	17,615	-	-	-	17,615
Dividend paid	-	(11,550)	-	(5,665)	(17,215)
<b>BALANCE AT 31 DECEMBER 2019</b>	<b>17,735</b>	<b>(11,226)</b>	<b>-</b>	<b>14,749</b>	<b>21,258</b>

The accompanying notes form part of these financial statements



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>USD' 000</b> <b>(Unaudited)</b>	Notes	<b>For the year ended</b> <b>31 December 2020</b>	<b>For the year ended</b> <b>31 December 2019</b>
<b>Cash flows from operating activities</b>			
Total comprehensive (loss) / income for the period		26,998	24,133
Adjustments for:			
Income tax expense			
Depreciation and amortisation		4,575	3,323
Unwinding of discount on decommissioning liability		934	877
Impairment of goodwill		-	9
Share-based payment expense		-	16,433
		<b>32,507</b>	<b>44,775</b>
Decrease in trade and other receivables		411	6,724
Increase in advance against decommissioning cost		(6,614)	(3,286)
Increase in inventories		(345)	(663)
(Decrease) / increase in trade and other payables		(11,680)	24,950
<b>Cash (used in) / generated from operations</b>		<b>(18,228)</b>	<b>27,725</b>
Income taxes paid		(17,078)	(29,894)
<b>Net cash flows from operating activities</b>		<b>(2,799)</b>	<b>42,606</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(7,880)	(12,466)
Purchases of intangibles		-	-
<b>Net cash flows from investing activities</b>		<b>(7,880)</b>	<b>(12,466)</b>
<b>Financing activities</b>			
Issue of ordinary shares		-	1,182
Proceeds from loans and borrowings	13	15,000	12,917
Repayment of loans and borrowings		(12,941)	(7,059)
Dividends paid to non-controlling interest	13	(5,150)	(5,665)
Dividends paid		-	(11,550)
<b>Net cash from financing activities</b>		<b>(3,091)</b>	<b>(10,175)</b>
Net (decrease) / increase in cash and cash equivalents		(13,770)	19,965
Cash and cash equivalents at beginning of period		27,891	7,926
<b>Cash and cash equivalents at end of period</b>		<b>14,121</b>	<b>27,891</b>

The accompanying notes form part of these financial statements

## NOTES TO THE INTERIM FINANCIAL REPORT

### 1. Corporate information

The condensed financial report of the Company and its subsidiaries (together the “Group”) for the period ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 25 February 2021.

PetroNor E&P Limited is a ‘for profit entity’ and is a company limited by shares incorporated in Australia. Its shares are publicly traded on Euronext Expand (code: PNOR), a regulated marketplace of the Oslo Stock Exchange, Norway. The principal activities of the Group are the exploration and production of crude oil.

### 2. Basis of preparation

This general purpose condensed interim financial report for the quarter ended 31 December 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting and the supplement requirements of the Norwegian Securities Trading Act (Verdipapirhandelloven).

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 31 December 2019 and considered together with any public announcements made by the Company during the period ended 31 December 2020 in accordance with the continuous disclosure obligations of Euronext Expand. A copy of the annual report is available on the Company’s website [www.petronorep.com](http://www.petronorep.com).

The interim financial report is presented in United States Dollars being the functional currency of the Company.

#### Going Concern

The COVID-19 outbreak continues to have a negative impact on the health of individuals, international trade and commerce. Even though throughout the pandemic the Company’s core asset PNGF Sud has maintained steady oil production, unfortunately the limitations on social mobility have hindered and delayed the completion of multiple other projects. The uncertainty of when and for how long restrictions may be imposed by Governments, and the potential resultant impact on the business cannot be measured and accurately predicted.

Post period-end, the Company announced a contemplated equity financing to generate USD 50 to USD 60 million. Subject to, inter alia, market conditions and investor feedback, an equity private placement of approximately USD 50 to 60 million (“Private Placement”) may follow. Net cash proceeds from a Private Placement will be used to finance drilling of infill wells and other

increased oil recovery initiatives on PNGF Sud as well as for general corporate purposes. In addition, shares equivalent to the value of USD 18 million will be issued to represent the consideration for the Symero Transaction.

The Company’s largest shareholder, Petromal, has committed to subscribe for its pro-rata share (38.28%) of the contemplated equity financing, representing a subscription of approximately USD 19 to 23 million. Additionally, Nor Energy AS, PetroNor’s other cornerstone shareholder, through its 100% ownership in Symero, is subscribing for USD 18 million in-kind through the Symero Transaction, which along with Petromal’s commitment totals approximately USD 37 to 41 million of the contemplated equity financing.

As per the annual report and as at the signing date of this interim report, there are outstanding amounts due for immediate repayment to Petromal and NOR Energy AS, for USD 2.0 million and USD 3.6 million respectively. These liabilities are related to the cash consideration for the reverse takeover transaction in 2019.

As evidenced by the presubscription in the contemplated equity financing, the Directors expect that the Company will continue to enjoy the support of its major shareholders. This includes in relation to any necessary deferral of the outstanding current liabilities.

The contemplated equity financing is expected to take place in early March, in the event it generates less than the announced amount, the Company may be required to pursue alternative funding initiatives to meet its working capital requirements, to scale back some of its planned investment opportunities, and to rationalise the exploration portfolio and / or take other steps to reduce expenditure commitments through farm out opportunities or asset sales. The Company expects to be able to finance any working capital shortfall through renegotiation of existing and / or new debt financing.

This financial report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. As at the signing of this report it is uncertain if the contemplated equity financing will raise sufficient funds; that alternative funding and / or other initiatives will be successful; or if the Company will be able to renegotiate the repayment terms of shareholder and other liabilities as necessary. These conditions indicate a material uncertainty that may cast a significant doubt on the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****3. Accounting policies**

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2019.

**4. Significant accounting judgements, estimates and assumptions**

The preparation of the interim financial report entails the use of judgements, estimates and assumptions that affect the application

of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the Company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2019.

**5. Revenue from contracts with customers**

USD'000 (Unaudited)	Three months ended 31 December		Twelve months ended 31 December	
	2020	2019	2020	2019
Revenue from sales of petroleum products	9,225	15,861	40,635	57,479
Assignment of tax oil	4,913	6,746	17,078	29,894
Assignment of royalties	2,698	3,798	9,830	15,387
	<b>16,836</b>	<b>26,405</b>	<b>67,543</b>	<b>102,760</b>
Quantity of oil lifted (Barrels)	206,165	251,896	993,574	880,844
Average selling price (USD per barrel)	44.75	62.96	40.90	65.25
Quantity of net oil produced after royalty, cost oil and tax oil (Barrels)	230,483	222,048	999,522	860,769

**6. Cost of sales**

USD'000 (Unaudited)	Three months ended 31 December		Twelve months ended 31 December	
	2020	2019	2020	2019
Operating expenses	953	4,448	11,357	18,292
Royalty	2,698	3,798	9,830	15,387
Depreciation and amortisation of oil and gas properties	1,341	999	4,429	3,231
Movement in oil inventory	(169)	1,709	269	297
	<b>4,823</b>	<b>10,954</b>	<b>25,885</b>	<b>37,207</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****7. Administrative expenses**

USD'000 (Unaudited)	Three months ended 31 December		Twelve months ended 31 December	
	2020	2019	2020	2019
Employee benefit expenses	1,638	645	6,002	4,035
Travelling expenses	71	264	312	1,047
Legal and professional	1,196	3,175	3,279	6,521
Other expenses	1,615	1,340	3,051	2,885
Related party loan write-off	-	-	-	5,305
	<b>4,520</b>	<b>5,424</b>	<b>12,644</b>	<b>19,793</b>

**8. Finance cost**

USD'000 (Unaudited)	Three months ended 31 December		Twelve months ended 31 December	
	2020	2019	2020	2019
Unwinding of discount on decommissioning liability	234	219	934	877
Interest on loan	484	121	1,632	839
Other finance costs	18	106	168	106
	<b>736</b>	<b>446</b>	<b>2,734</b>	<b>1,822</b>

**9. Earnings per share**

USD'000 (Unaudited)	Three months ended 31 December		Twelve months ended 31 December	
	2020	2019	2020	2019
Profit / (loss) from continuing operations attributable to the equity holders used in calculation	1,243	392	2,306	(13,364)
Number of shares				
Weighted average number of shares used in the calculation of:				
Basic profit per share	971,665,288	323,888,429	971,665,288	868,020,990
Diluted profit per share	973,781,280	323,888,429	974,229,968	868,020,990

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted loss per share only to the extent to which they are dilutive. There are 2,279,470 options as at 30 September 2020 (30 September 2019: nil options).

## NOTES TO THE INTERIM FINANCIAL REPORT

## 10. Inventories

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Crude oil inventory	689	871
Materials and supplies	2,889	2,362
	<b>3,578</b>	<b>3,233</b>

Crude oil inventory is valued at cost of USD 17.79 per bbl (2019: USD 23.13 per bbl).

## 11. Accounts receivable, deposits and prepayments

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables	5,726	4,013
Due from related parties	3,639	5,639
Advance against decommissioning cost	21,260	14,646
Other receivables	351	474
	<b>30,976</b>	<b>24,772</b>

## 12. Cash and bank balances

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Cash in bank	14,121	26,988
Restricted cash	-	903
	<b>14,121</b>	<b>27,891</b>

## 13. Significant non-cash event

The payment of a \$3.9m dividend by a subsidiary company to its minority interest, that was subsequently loaned back to the Company on the same day has been considered a non-cash event within investing and financing activities.

## 14. Production assets and equipment

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Cost	33,709	28,830
Depreciation	(10,062)	(6,243)
	<b>23,647</b>	<b>22,587</b>

Net carrying amount

## 15. Intangible assets

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
<b>Net carrying value</b>		
Licences and approval	6,931	4,686
Software	4	5
	<b>6,935</b>	<b>4,691</b>

## 16. Accounts payable and accrued liabilities

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Trade payables	5,458	14,809
Due to related parties	11,986	13,784
Taxes and state payables	328	473
Other payables and accrued liabilities	5,150	5,536
	<b>22,922</b>	<b>34,602</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17. Loans payable

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Loans payable		
- Secured	15,000	12,941
Loans to related parties		
- Unsecured	3,912	-
	<b>18,912</b>	<b>12,941</b>

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Ageing of loans payable		
Current	4,000	12,941
Non-current	14,912	-
	<b>18,912</b>	<b>12,941</b>

On 28 September 2020, subsidiary company Hemla Africa Holding AS paid a US\$3.9m dividend to minority interest and related party Symero Ltd. An amount equal to the dividend was immediately loaned to the Company by Symero Ltd with interest rates matching those already provided by external financing and no security was provided for the loan.

## 18. Decommissioning liability

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The exact timing of the obligations is uncertain and depend on the rate the reserves of the field are depleted. However, based on the existing production profile of the PNGF Sud field and the size of the reserves, it is expected that expenditure on retirement is likely to be after more than ten years. The current bases for the provision are a discount rate of 6.5% and an inflation rate of 1.6%. The decommissioning liability (ARO) study was done internally by the operator Perenco and was presented to ARO Committee. The partners approved the study on November 13, 2018.

## 19. Related party transactions

Balances due from and due to related parties disclosed in the consolidated statement of financial position:

USD'000	31 December 2020 (Unaudited)	31 December 2019 (Audited)
Loan receivable from MGI International S.A. <sup>1</sup>	3,639	5,639
Other receivable from Nor Energy AS	292	-
<b>Total from related parties</b>	<b>3,931</b>	<b>5,639</b>
Loans payable include:		
Symero Ltd <sup>2</sup>	3,912	-
Other payables include:		
Nor Energy AS	3,670	5,783
Petromal – Sole Proprietorship LLC	2,030	4,534
MGI International S.A. <sup>1,2</sup>	6,178	3,467
Symero Ltd	108	-
<b>Total to related parties</b>	<b>11,986</b>	<b>13,784</b>

<sup>1</sup>MGI International S.A. is a minority shareholder in the Group's subsidiary in Congo.

<sup>2</sup>Symero Ltd is the minority shareholder in the Group's subsidiary Hemla Africa Holding AS, and is jointly controlled by Knut Søvold and Gerhard Ludvigsen.

<sup>3</sup>Amount payable to MGI is their share of dividend from Group's subsidiary in Congo.

## 20. Events subsequent to reporting date

On 2 February 2021, the Company announced that the arbitration proceedings for the Group's interests in Senegal were further suspended for 2 months. The extension is a result of ongoing discussions as well as delays to the process as a result of the global pandemic.

On 18 February, the Company detailed plans for a contemplated equity financing and two transactions to increase its indirect net equity position for the existing projects in Congo, further details are disclosed within the Outlook of the Operational Update in this report.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)

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Except for the above, the Company has not identified any events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.

## STATEMENT OF RESPONSIBILITY

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We confirm that, to the best of our knowledge, the condensed set of unaudited financial statements for the quarter ended 31 December 2020, which has been prepared in accordance with IAS34 Interim Financial Statements, provides a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Approved by the Board of PetroNor E&P Limited:



Eyas Alhomouz, Chairman of the Board



Jens Pace, Director of the Board



Joseph Iskander, Director of the Board



Roger Steinepreis, Director of the Board



Gro Kielland, Director of the Board



Ingvil Smirnes Tybring-Gjedde, Director of the Board



Alexander Neuling, Director of the Board

## CORPORATE DIRECTORY

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### DIRECTORS

Eyas Alhomouz Chairman  
 Joseph Iskander  
 Gro Kielland  
 Alexander Neuling  
 Jens Pace  
 Roger Steinepreis  
 Ingvil Smines Tybring-Gjedde

### SENIOR MANAGEMENT

Michael Barrett  
 Christopher Butler  
 Claus Frimann-Dahl  
 Knut Søvold Chief Executive Officer  
 Emad Sultan

### COMPANY SECRETARY

Angeline Hicks

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### STOCK EXCHANGE LISTING

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