

NORECO PETROLEUM DENMARK A/S

ANNUAL REPORT 2022

Adopted by the Annual General Meeting on
15 May 2023

Chairman of the meeting
Allan Plesner Søndergaard

NORECO PETROLEUM DENMARK A/S
Lyngbyvej 2, 2100 Copenhagen
CVR-nr. 11 72 98 94

Table of contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Statement by the Board of Directors and the Executive Board	3
Independent Auditor's Report	4
Management's review	
Company Information	6
Financial Highlights	7
Management's review	8
Financial Statements 1 January – 31 December	
Income Statement	9
Balance Sheet	10
Statement of changes in equity	12
Notes to the Financial Statements	13
Applied Accounting Policies	16

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Noreco Petroleum Denmark A/S for the financial year 1 January – 31 December 2022.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 15 May 2023

Marianne Wold Eide

Board of Directors

Euan Campbell Shirlaw
Chairman

Marianne Wold Eide

Allan Plesner Søndergaard

Independent auditor's report

To the shareholders of Noreco Petroleum Denmark A/S

Opinion

We have audited the financial statements of Noreco Petroleum Denmark A/S for the financial year 1 January – 31 December 2022, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 15 May 2023

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Jon Beck
State Authorised
Public Accountant
mne32169

Morten Høgh-Petersen
State Authorised
Public Accountant
mne34283

Company Information

The Company

Noreco Petroleum Denmark A/S
Lyngbyvej 2
DK - 2100 Copenhagen

CVR-nr: 11 72 98 94
Financial year: 1 January – 31 December
Registered municipality: Copenhagen

Board of Directors

Euan Campbell Shirlaw, Chairman
Allan Plesner Søndergaard
Marianne Wold Eide

Executive Board

Marianne Wold Eide

External Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Financial Highlights

	2022	2021	2020	2019	2018	2017
Income Statement (USD 1,000)						
Revenue	0	49	0	922	441	598
Profit (loss) before financial items	(75)	(127)	(137)	(432)	380	(1,476)
Net financial items	469	741	(1,322)	3,319	410	(1,841)
Profit (loss) for the year	(3,229)	(4,462)	2,018	68,018	588	(3,327)
Balance sheet (USD 1,000)						
Total Assets	66,555	70,440	76,211	72,967	5,826	5,746
Shareholders' Equity	54,529	57,758	62,220	60,201	(7,817)	(8,405)
Investments (USD 1,000)						
Production facilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial ratios						
Average oil price (USD/bbl)	N/A	65	N/A	64	72	48
Operating margin	N/A	N/A	N/A	-47%	-86%	-247%
Equity ratio	82%	82%	82%	83%	N/A	N/A
Average number of employees	0	0	0	0	0	0

The key figures are calculated as shown below:

Operating margin
$$\frac{\text{Profit (loss) before financial items} \times 100}{\text{Revenue}}$$

Equity ratio
$$\frac{\text{Equity, year-end} \times 100}{\text{Total liabilities, year-end}}$$

Average oil price is calculated as total invoiced oil sales divided by total lifted volume.

Management's review

Principal activities

Noreco Petroleum Denmark A/S is a wholly owned subsidiary of the Noreco Group. Noreco Petroleum Denmark has activities in the Danish North Sea through its participation in the Lulita field.

In 2022, the company participated in the following licences:

Licence	Field	Ownership %
DK 1/90 & 7/86	Lulita	10.000

Noreco Petroleum Denmark A/S is a wholly owned subsidiary of Noreco Oil Denmark A/S. The ultimate parent company BlueNord ASA is registered in Norway and listed at the Oslo Børs. For more information about the group please see the website www.bluenord.com.

Key operations and profit

In 2022 the net profit before tax amounted to USD 0.4 million (2021 USD 0.6 million). Total revenues for 2022 amounted to USD 0 million (2021 USD 0 million).

At 31 December 2022 the equity amounted to USD 54.5 million, compared to USD 57.8 million as of 1 January 2022.

Due to the redevelopment of the Tyra field, Lulita is temporarily shut in.

Outlook for 2023

The company currently has one production license, with a 5.0 % share of the Lulita field. Due to the redevelopment of the Tyra production facilities, the production from the Lulita field will be shut down until Tyra is back in production in winter 2023 - 24.

Safety and environment

In 2022, no major accidents or incidents occurred with significant impact on humans or the environment in operations which Noreco Petroleum Denmark took part as partner.

Unusual events

The financial position at 31 December 2022 and the results of the activities for the financial year 2022 of the Company have not been affected by any unusual events other than what has already been described above.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

In March 2023 Noreco announced its intention to change name to BlueNord, the name change was approved by the Annual General Meeting in Norwegian Energy Company ASA, held on April 25 2023.

Financial Statements 1 January - 31 December

Income Statement

NOTE	USD '000	2022	2021
1	Revenue	0	49
2	Production costs	-30	-59
	Gross profit	-30	-10
	Sales and distribution costs	0	0
3	Administrative costs	-45	-117
	Profit (loss) before financial items	-75	-127
4	Financial income	1,151	1,512
5	Financial costs	-682	-770
	Income before tax	394	615
6	Tax on the profit for the year	-3,623	-5,076
	LOSS FOR THE YEAR	-3,229	-4,462
7	Proposed distribution of net profit		

BALANCE SHEET - ASSETS

NOTE	USD '000	2022	2021
FIXED ASSETS			
8	Production facilities	486	538
	Tangible fixed assets	486	538
9	Deferred tax assets	59,681	63,304
	Financial fixed assets	59,681	63,304
	TOTAL FIXED ASSETS	60,167	63,842
CURRENT ASSETS			
	Receivables from affiliates	6,318	6,542
	Other receivables	29	14
	Receivables	6,347	6,556
	Cash in hand and at bank	40	41
	TOTAL CURRENT ASSETS	6,387	6,597
	TOTAL ASSETS	66,555	70,440

BALANCE SHEET - LIABILITIES

NOTE	USD '000	2022	2021
SHAREHOLDERS' EQUITY			
	Share capital	1,784	1,784
	Retained earnings	52,745	55,974
	TOTAL SHAREHOLDERS' EQUITY	54,529	57,758
PROVISIONS			
	Asset Retirement Obligations	11,988	12,671
10	TOTAL PROVISIONS	11,988	12,671
LIABILITIES OTHER THAN PROVISIONS			
	Trade Payables	2	2
	Other debts	36	9
	Short-term liabilities	38	11
	TOTAL LIABILITIES OTHER THAN PROVISIONS	38	11
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	66,555	70,440
11	Contingent liabilities		
12	Related parties		

Statement of changes in equity

USD '000	Share capital	Retained Earnings	Proposed dividend for the year	Total equity
2022				
Equity at 1 January	1,784	55,974	0	57,758
Ordinary dividend paid	0	0	0	0
Net profit for the year	0	-3,229	0	-3,229
Equity at 31 December	1,784	52,745	0	54,529
2021				
Equity at 1 January	1,784	60,436	0	62,220
Ordinary dividend paid	0	0	0	0
Net profit for the year	0	-4,462	0	-4,462
Equity at 31 December	1,784	55,974	0	57,758

Notes to the Financial Statements

NOTE USD '000	2022	2021
1 Revenue		
Olie	0	49
Gas	0	0
Total	0	49
2 Production costs		
Operating costs	30	59
Depreciation	0	0
Total	30	59
3 Personnel costs and employees		
There are no employees in the company and the board does not receive remuneration		
4 Financial income		
Interest income	20	58
Interest from group entities	461	321
Foreign exchange gains	670	1,132
Total	1,151	1,512
5 Financial costs		
Accretion expense related to asset retirement obligations	58	41
Interest to group entities	622	551
Interest expense	2	2
Foreign exchange losses	0	177
Total	682	770
6 Tax		
Adjustment regarding previous years	0	228
Adjustment deferred tax for the year	-3,623	-5,304
Total	-3,623	-5,076

Notes to the Financial Statements

NOTE USD '000	2022	2021
7 Proposed distribution of net profits		
Retained earnings brought forward	-3,229	-4,462
Proposed dividend	0	0
	-3,229	63,304
8 Tangible fixed assets		Production facilities
Acquisition cost as at 1 January		2,659
Additions during the year		0
Adjustment regarding decommissioning		-52
Acquisition cost as at 31 December		2,607
Depreciation as at 1 January		2,121
Depreciation for the year		0
Depreciation as at 31 December		2,121
Book value as at 31 December		486
Depreciation is included in production costs		
	2022	2021
9 Deferred tax		
Deferred tax as at 1 January	63,304	68,608
Deferred tax adjustment for the year in the income statement	-3,623	-5,304
Balance as at 31 December	59,681	63,304

Notes to the Financial Statements

NOTE	USD '000	2022	2021
10 Asset Retirement Obligations			
Decommissioning as at 1 January		12,671	13,546
Adjustments during the year		-741	-916
Accretion expense related to asset retirement obligations		58	41
Book value as at 31 December		11,988	12,671

As part of the overall restructuring in 2015, an agreement was reached that entails that the partners took over Noreco's share of the Nini/Cecilie licences, however Noreco remains liable for the asset retirement obligation towards the license partners. The liability related to Nini/Cecilie is capped at the escrow amount, which is currently DKK 426 million, corresponding to USD 61 million of which USD 11 million relates to Noreco Petroleum Denmark A/S.

11 Contingent liabilities

The interests in the company's licenses have been pledged as collateral for the Noreco Group's loans, including the producing field Lulita.

The company is jointly taxed with other Danish group companies. As a group company, the company is indefinitely and jointly and severally liable with other group companies for Danish corporate and withholding taxes on dividends, interest and royalties within the joint taxation. Any subsequent corrections of joint tax income and withholding tax, etc. could result in liability for the company.

12 Related parties

Noreco Petroleum Denmark A/S' related parties comprise:

Substantial influence

Noreco Oil Denmark A/S, being principal shareholder.

Noreco Petroleum Danmark A/S is part of the consolidated financial statements of BlueNord ASA, Nedre Vollgate 0158 Oslo, Norway, which is the smallest and largest group in which the Company is included as a subsidiary.

Other related parties

The company's other related parties comprise companies in the BlueNord Group, board members, management and leading employees and their family members. Further, related parties comprise companies, in which aforementioned persons have substantial interests.

Notes to the Financial Statements

Applied accounting policies

The annual report is prepared in accordance with the provisions of the Danish Financial Statements Act regarding companies under reporting class B, with opt in of specific provisions for reporting class C.

The applied accounting policies are the same as last year.

Recognition and measurement

Revenue is recognised in the income statement as it is earned. In addition, value adjustments are recognised for financial assets and liabilities measured at fair value or amortized cost. All expenses incurred to achieve the year's earnings are recognised in the income statement, including depreciations, write-downs and provisions, and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will derive from the company and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each accounting item below.

Foreign currency translation

The annual report is presented in USD, which is the functional currency of the company. The following exchange rates have been used: as of 31 December 2022 0.143426 USD/DKK; and as of 31 December 2021: 0.152411 USD/DKK.

Foreign currency transactions are translated applying the exchange rate at the transaction date. Exchange rate differences arising between the exchange rate at the transaction date and the rate at the payment date are recognised in the income statement as a financial item.

Receivables, debt and other monetary items in foreign currencies not settled at the balance sheet date are measured at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time the receivable or debt arises is recognised in the income statement under financial income and expenses.

Fixed assets purchased in foreign currency are measured at the exchange rate on the transaction date.

Notes to the Financial Statements (continued)

Applied accounting policies

Income Statement

REVENUE

Revenue is recognized when the customer obtains control of the hydrocarbons, which is ordinarily at the point of delivery (lifting and sales) when title passes (sales method). Over/under lifting occurs when the company has lifted and sold more or less hydrocarbons from a producing field than what the company is entitled to at the time of lifting.

PRODUCTION COSTS

Production costs are costs that are directly attached to production of hydrocarbons, e.g. costs for operating and maintaining production facilities and installations. Costs mainly consist of man-hours, insurance, processing costs, environmental fees, transport costs etc. Further, production costs includes depreciation of production facilities and adjustment of over- under lift position.

EXPLORATION COSTS

Exploration costs include the year's costs related to exploration activities and write-downs on dry wells.

SALES AND DISTRIBUTION COSTS

Sales and distribution costs include costs in connection with transport and sale of oil and gas.

ADMINISTRATION COSTS

Administration costs comprise office costs and depreciations etc.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses include interest income and expense, realized and unrealized exchange gains and losses.

TAX ON PROFIT FOR THE YEAR

Tax on profit for the year consists of the current tax and offset changes in deferred tax, including changes in tax rates and is recognised in the income statement with the portion attributable to the profit for the year and directly on equity with the portion attributable to entries directly on equity.

The company is jointly taxed with Noreco Olie- og Gasudvinding Danmark B.V. Danish Branch, Noreco Oil Denmark A/S, Noreco Denmark A/S and Noreco DK Pipeline ApS.

Balance Sheet

INTANGIBLE FIXED ASSETS

Exploration expenses are incurred to determine whether there are deposits of oil or gas.

Research costs for drilling operations where hydrocarbon deposits are detected are recognised at cost as intangible fixed assets. If the finding results in a decision to expand the field, exploration costs are transferred to production plants under tangible fixed assets.

In accordance with the successful efforts method, a "dry hole" is fully depreciated in the year in which it is declared dry or declared uncommercial. For relinquished licenses, any activated exploration costs are fully depreciated in the year in which the license is abandoned.

Notes to the Financial Statements (continued)

Applied accounting policies

Intangible fixed assets are written down to the recoverable amount if it is lower than the carrying amount. An impairment test is performed for each asset or group of assets, if there is an indication of impairment.

TANGIBLE FIXED ASSETS

Production plants in connection with the expansion of oil and gas fields are measured at cost price less accumulated depreciation and impairment losses.

Production plants are depreciated from the start of production according to the Unit of Production method based on produced and expected recoverable volumes of oil.

Field closures under tangible fixed assets are measured at the present value of estimated field closure costs less depreciation. Present value is determined at the time the obligation is incurred and capitalized. The capitalised field closure cost is depreciated from the start of production according to the Unit of Production method based on produced and expected recoverable amounts of oil (see provisions).

Operating equipment and fixtures are measured at cost less accumulated depreciation.

Depreciation of operating equipment and fixtures is made on a straight-line basis over the expected useful life of the assets, which is 3-5 years.

Depreciation and write-downs are recognised in the profit and loss account under production costs. Gains and losses on disposal of property, plant and equipment are included in the income statement under the respective functions.

Property, plant and equipment are written down to the recoverable amount if it is lower than the carrying amount. An impairment test is performed for each asset or group of assets, if there is an indication of impairment.

IMPAIRMENT OF ASSETS

The carrying amount of tangible assets is assessed annually for impairment, in addition to what is expressed by depreciation. If there are indications of impairment, an impairment test is performed for each asset or group of assets. Write-down is made to the recoverable amount if it is lower than the carrying amount. The recoverable amount is the highest value of the value in use and fair values less cost of disposal. The capital value is calculated as the present value of expected net cash flows from the use of the asset or group of assets and expected net cash flows from the sale of the asset or group of assets after the end of useful life.

RECEIVABLES

Receivables are measured at amortized cost or a lower net realizable value, which is normally nominal value less write-downs to meet any expected losses.

Prepayments and debt to operators are measured as the difference between paid cash calls and costs incurred according to the operator accounts for the individual licenses.

Accrued income, recognised under assets, include costs paid for subsequent financial years and are measured at cost. The item also includes recognised underlifting of crude oil, which is measured at realizable value. As the producing fields have more participants, situations may arise where a participant has lifted and sold more/less oil than the participant is relatively entitled to at the time of the lift. Such a situation is termed overlift and underlift respectively. Crude oil lifting is recognised under current liabilities under other debt.

DIVIDEND

Proposed dividends are recognised as a liability at the time of adoption at the Annual General Meeting (the date of declaration). Dividends expected to be paid out for the year are shown as a separate item under equity.

Notes to the Financial Statements (continued)

Applied accounting policies

CORPORATE AND DEFERRED TAX

Current tax liabilities and receivables are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for prepaid tax.

Deferred tax is measured using the balance sheet debt method of all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the value at which they are expected to be used. Changes in deferred tax due to changes in tax rates are recognised in the income statement.

ASSET RETIREMENT OBLIGATIONS

Provisions reflect the estimated cost of decommissioning and removal of wells and production facilities used for the production of hydrocarbons. Asset retirement obligations are measured at net present value of the anticipated future cost (estimated based on current day costs inflated). The liability is calculated on the basis of current removal requirements and is discounted to present value using a risk free rate adjusted for credit risk. Liabilities are recognised when they arise and are adjusted continually in accordance with changes in requirements, price levels etc. When a decommissioning liability is recognised or the estimate changes, a corresponding amount is recorded to increase or decrease the related asset and is depreciated in line with the asset. Increase in the provision as a result of the time value of money is recognised in the income statement as a financial expense. If abandonment cost through agreements with partners have been limited to a given amount, this then forms the basis for the recognized liability.

LIABILITIES

Liabilities including debt to suppliers and group entities, as well as other debt, are measured at amortised cost, which usually corresponds to nominal value.