



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 919 496 649
Organisasjonsform: Aksjeselskap
Foretaksnavn: CHRYSOR NORGE AS
Forretningsadresse: 4th floor
Haakon VIIs gate 1
0161 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Michael Haagaard
Dato for fastsettelse av årsregnskapet: 30.04.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 27.06.2021



Resultatregnskap

Beløp i: NOK	Note	2019	2018
RESULTATREGNSKAP			
Kostnader			
Exploration and evaluation exp	3	89 517 000	50 858 000
Lønnskostnad	4	3 648 000	5 931 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	5	3 626 000	171 000
Annen driftskostnad	5	7 156 000	10 630 000
Sum kostnader		103 947 000	67 590 000
Driftsresultat		-103 947 000	-67 590 000
Finansinntekter og finanskostnader			
Annen renteinntekt	6	654 000	18 000
Sum finansinntekter		654 000	18 000
Rentekostnad til foretak i samme konsern	6	5 154 000	251 000
Annen rentekostnad	6	2 917 000	47 000
Other financial expense	6	741 000	4 000
Foreign exchange loss	6	7 765 000	312 000
Sum finanskostnader		16 577 000	614 000
Netto finans		-15 923 000	-596 000
Ordinært resultat før skattekostnad		-119 870 000	-68 186 000
Tax refund	7	-103 254 000	-47 551 000
Changes in deferred tax	7	18 148 000	-2 682 000
Ordinært resultat etter skattekostnad		-34 764 000	-17 953 000
Årsresultat		-34 764 000	-17 953 000
Overføringer og disponeringer			
Loss for the period		-34 764 000	-17 953 000
Sum overføringer og disponeringer		-34 764 000	-17 953 000



Balanse

Beløp i: NOK	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Exploration and evaluation assets	8	52 614 000	3 828 000
Utsatt skattefordel	7		3 123 000
Right-of-use assets	10	13 068 000	
Sum immaterielle eiendeler		65 682 000	6 951 000
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	9	2 883 000	2 759 000
Sum varige driftsmidler		2 883 000	2 759 000
Sum anleggsmidler		68 565 000	9 710 000
Omløpsmidler			
Varer			
Fordringer			
Tax refund	7	115 168 000	52 658 000
Debtors - falling due within one year	12	16 311 000	6 166 000
Sum fordringer		131 479 000	58 824 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	13	87 378 000	8 049 000
Sum bankinnskudd, kontanter og lignende		87 378 000	8 049 000
Sum omløpsmidler		218 857 000	66 873 000
SUM EIENDELER		287 422 000	76 583 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Called up share capital	21	30 000	30 000



Balanse

Beløp i: NOK	Note	2019	2018
Ikke registrert kapitalforhøyelse	21	191 447 000	
Sum innskutt egenkapital		191 477 000	30 000
Opptjent egenkapital			
Udekket tap		52 717 000	17 953 000
Sum opptjent egenkapital		-52 717 000	-17 953 000
Sum egenkapital		138 760 000	-17 923 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7	14 302 000	
Lease liability	17	9 814 000	
Sum avsetninger for forpliktelser		24 116 000	
Annen langsiktig gjeld			
Sum langsiktig gjeld		24 116 000	0
Kortsiktig gjeld			
Leverandørgjeld	14	1 554 000	1 703 000
Public duty payable	14	2 629 000	1 037 000
Kortsiktig konserngjeld	16		82 718 000
Lease liability	17	3 617 000	
Exploration loan	15	79 019 000	
Intercompany payable	14	2 752 000	5 529 000
Accrued holiday pay and employee benefit prov	14	7 566 000	512 000
Accruals	14	27 409 000	3 007 000
Sum kortsiktig gjeld		124 546 000	94 506 000
Sum gjeld		148 662 000	94 506 000
SUM EGENKAPITAL OG GJELD		287 422 000	76 583 000



Chrysaor Norge AS

Registered Company Number 919 496 649

Report and Financial Statements

31 December 2019



Chrysaor Norge AS

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Chrysaor Norge AS

Corporate information

Directors

Phil Kirk

Andrew Osborne

Michael S. Haagaard

Independent Auditors

PricewaterhouseCoopers AS

Dronning Eufemias Gate 71

0194 Oslo

Norway

Registered Office

Haakon VII's Gate 1

0161 Oslo

Norway

Company No. 919 496 649



Chrysaor Norge AS

Directors' report

The Business

The original shelf company was incorporated in August 2017 and subsequently acquired and renamed as Chrysaor Norge AS (the 'Company') in March 2018 as a company engaged in oil and gas exploration and exploitation on the Norwegian Continental Shelf. The Company is incorporated in Norway with Company Number 919 496 649 and has its primary place of business at Haakon VII's Gate 1, 0161 Oslo.

Review of Business and Operations

The significant events during the year were:

- In January 2019, the Company was awarded two (2) production licences by the Ministry of Petroleum and Energy (MPE) in relation to the Awards in Predefined Areas (APA) 2018 Offshore Licensing Round; PL 973 (block 15/12) where the Company's working interest is 50% and PL 974 (block 15/12) where the Company's working interest is 21.43%.
- In June 2019, the Company was pre-qualified as an Operator on the Norwegian Continental Shelf by the authorities.
- In July 2019, the Company entered into a four (4) year US\$100 million Loan Agreement with its immediate parent company Chrysaor E&P Limited.
- In July 2019, the Company entered into a three (3) year NOK 750 million Exploration Financing Facility with Skandinaviska Enskilda Banken AB (SEB) including a NOK 250 million accordion option.
- In August 2019, the Company entered into a Sales and Purchase Agreement with OKEA AS under which the Company will acquire an additional 20% working interest in PL 038D, increasing the Company working interest to 35%. The transaction was approved by the authorities in October 2019.
- In August 2019, the Company entered into a Sales and Purchase Agreement with OKEA AS under which the Company will acquire an additional 18.57% working interest in PL 974, increasing the Company working interest to 40%. The transaction was approved by the authorities in October 2019.
- In August 2019, the Company participated in the APA 2019 Offshore Licensing Round.
- In September, the Company was approved by the authorities to take on the role as Operator for PL 973 which in turn marked the Company's first operatorship on the Norwegian Continental Shelf.
- In December, the Company converted outstanding debt of US\$ 21 204 551, equivalent to NOK 191 447 409, to its sole shareholder Chrysaor E&P Limited, to shares through a share capital increase.

The Company worked actively in 2019 to expand its portfolio via a combination of organic and acquisition-based growth and has identified several opportunities that may materialise during 2020.

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.



Chrysaor Norge AS

Directors' report (continued)

Financial Results

The Company presents the accounts for the period from 1 January 2019 to 31 December 2019 ('the period').

The Company had no operating income generated from production during the period. The operating costs consist mainly of exploration costs, salaries and personnel related costs and administrative costs. The total operating costs in period were NOK 103,9 million (2018: NOK 67,6 million), whereof NOK 89,5 million (2018: NOK 50,9 million) were related to exploration and evaluation expenditures, and NOK 14,4 million (2018: NOK 16,7 million) to general and administrative costs.

The Company's net financial items amounted to a charge of NOK 15,9 million (2018: NOK 0,6 million) and consisted mainly of interest costs related to the parent company funding, foreign exchange loss on the US Dollar denominated parent company funding and interest costs related to the Exploration Financing Facility with Skandinaviska Enskilda Banken AB (SEB).

The Company operates under and is subject to the tax refund regime whereof 78% of the eligible exploration costs are subject to a refund from the Norwegian Tax Authorities, which together with changes in deferred tax resulted in a net tax credit of NOK 85,1 million in the income statement (2018: credit NOK 50,2 million).

The Company's net result after tax is a loss of NOK 34,8 million (2018: loss NOK 18,0 million).

The overall net cash inflow was NOK 79,3 million (2018: NOK 8,0 million). The cash inflow generated from financing activities was NOK 168,7 million (2018: NOK 82,5 million), as a result of parent company funding and drawdown of the Exploration Financing Facility, whilst net cash outflow from operating activities was NOK 26,9 million (2018: NOK 62,1 million) mainly consists of the loss before tax, offset by tax refund received and changes in working capital. The cash outflow from investing activities was NOK 62,5 million (2018: NOK 12,3 million) and consisted of investments in exploration and evaluation assets.

Balance Sheet and Financing

Total assets at 31 December 2019 were NOK 287,4 million (2018: NOK 76,6 million). Total assets consisted mainly of cash and cash equivalents, capitalised portfolio assets, right-of-use assets related to office lease (in accordance with implementation of new IFRS 16 Leases requirements) and the calculated tax refund from the Norwegian Tax Authorities which is due for reimbursement in 4Q 2020.

In 2019, the Company was financed through funding from the parent company, draw down of the Exploration Financing Facility, and available cash and has a positive equity position of NOK 138,8 million, compared to a deficit of NOK 17,9 million in 2018. In December 2019, the Company converted the outstanding debt to its sole shareholder Chrysaor E&P Limited to shares through a share capital increase which in turn resulted in a positive equity position for the Company. The total debt in the Company is NOK 148,7 million (2018: NOK 94,5 million) mainly related to the drawdown of the Exploration Financing Facility and current short-term liabilities.

The funding commitment from the parent company is regulated by a shareholder loan agreement formalised in July 2019 and provides the Company with sufficient funds to implement its business plan in the medium term.

Based on the above, the Board considers that the conditions for a going concern are fulfilled, and the financial statements have been prepared accordingly.



Chrysaor Norge AS

Directors' report (continued)

Financial Risks

The Company considers the main financial risk factors to be the commodity prices, interest rates and foreign exchange rates.

Despite the fact that the Company currently holds no interest in any producing assets, it considers the commodity prices to be an important parameter which will directly influence the overall cost level and competition within the industry and valuation of exploration assets which in turn will have a direct impact on the Company's ability to implement and finance its strategy and objectives including acquisition of assets and ultimately the Company's further development.

It is the Board's view that the domestic interest rate level will stay low and this will consequently have a limited impact on the Company's overall financing costs for the medium term.

The Norwegian Krone was still relatively weak compared to the US Dollar throughout 2019 and the currency exposure to the US Dollar may influence the financing costs.

Working Environment, Staff and HSEQ

As of 31 December 2019, the Company employed a total of nineteen (19) employees (2018: ten (10) employees). The highly competent team with comprehensive and diversified experience allows the Company to effectively manage all aspects of an exploration and production (E&P) business.

The absence due to sickness, including children's sickness, amounted to 3,57 % of total working hours in 2019 (2018: 0,01%). The absence includes one (1) long-term (non-work related) sickness leave.

A primary goal for Chrysaor Norge AS is to further develop a culture of openness with no barriers related to all aspects of HSEQ both within the Company and when working with stakeholders in order to secure a safe working environment, high level of quality and minimal impact on the environment.

During 2019 the Company was approved by the Authorities as an Operator on the Norwegian Continental Shelf, and subsequently took over the Operatorship of PL 973, one of the three production licences within the portfolio. A site survey was carried out during summertime without any reported incidents or non-conformities. There have been no occurrences or reports of accidents or personal injuries related to office work or operations during the year, and no minor or significant material damage.

For reporting on environmental aspects related to the licence where the Company has an ownership, reference is made to reporting by the operator in line with current practices.

Reporting Norwegian Gender Equality Act

The Company is committed to gender equality and the Board of Directors will ensure that this is promoted in the organisation by developing a range of procedures for internal publication which will promote gender equality in the Company. These procedures will include but are not limited to Equal Opportunities and Anti-Harassment and Bullying. Out of the nineteen (19) employees as of 31 December 2019, six (6) are female. The Board of Directors consists of three (3) males.



Chrysaor Norge AS

Directors' report (continued)

Research and Development

The Company participated in the Digital Cuttings Project managed by Norwegian Oil and Gas Association (NOROG) in 2019. The overall goal of the project is to digitise cutting samples from 1,500 wells during a three (3) year period and make the results available to the contributing companies through the national database DISKOS.

Corporate Governance

The Company has prepared and implemented a management system, which is actively monitored and continuously improved and updated by all relevant stakeholders. Two (2) Extraordinary General Meetings and five (5) Board Meetings were conducted during 2019.

Financial Statements and Allocations

It is the Board of Directors' opinion that the financial statement including the income statement, the balance sheet including notes, the statement of changes in equity and the cash flow statement gives a true and fair view of the state of the affairs in the Company. The Board of Directors is not aware of any material matters regarding the Company's financial statement and affairs that are not reflected in the income statement and balance sheet statement.

The net loss for the year was NOK 34,8 million. The Board proposes that the net result is transferred to uncovered loss. The Company's equity position is positive by NOK 138,8 million, compared to a deficit of NOK 18,0 million as of 31 December 2018.

Subsequent Events

In January 2020, the Company was awarded eight (8) production licences by the MPE in relation to the APA 2019 Offshore Licensing Round; PL 973 B (block 15/12) where the Company's working interest is 50%, PL 1032 (blocks 2/7 and 2/10) where the Company's working interest is 40%, PL 1033 (blocks 1/9 and 2/7) where the Company's working interest is 40%, PL 1034 (block 15/12) where the Company's working interest is 60%, PL 1046 (blocks 24/3 and 6, and 25/1 and 4) where the Company's working interest is 40%, PL 1058 (blocks 6307/1 and 6407/10) where the Company's working interest is 40%, PL 1060 (blocks 6407/8 and 9) where the Company's working interest is 20% and PL 1066 (block 6507/3) where the Company's working interest is 50%.

The awards of the licences listed above has triggered additional payments related to seismic uplifts to vendors in accordance with and regulated by the existing Master Licence Agreements. The additional payments of seismic uplift amount to approximately NOK 24 million and will be accounted for in 2020.

The outbreak of the COVID-19 virus combined with the commodity price fall in the first quarter of 2020 have had a profound negative impact on the oil and gas industry as at the date of this report. The Board believes that the impact of these events on the Company, which is in the exploration and pre-development phase, is limited because the Company is fully funded by a combination of a loan from its parent company and an Exploration Financing Facility.



Chrysaor Norge AS

Directors' report (continued)

Market Outlook and Future Prospects

The Company's focus continues to be on delivering safe, reliable operations to protect its people, assets and the environment, and to generate value from within its portfolio.

In response to the COVID-19 outbreak, the wider Group mobilised its Crisis Management and Business Continuity Teams to oversee business operations, with the top priority being the safety of the workforce. The Company has carried out a review of all operational activities for 2020 and will do only what is necessary, with the aim of keeping the workforce safe and continuing safe operations, for as long as needed. This will result in a necessary deferral of the 2020 drilling programme in to 2021 but which will also have the effect of reducing activity and capital investment for 2020.

Despite these prevailing conditions, the Company will continue to implement its stated strategy to create a full cycle exploration and production company via safe operations and sustainable growth and will be a visible and active player on the Norwegian Continental Shelf. This is achieved by a combination of applications in the Standard Offshore Licensing Rounds, the annual APA Offshore Licensing Rounds and an active farm-in market. The Board continues to be positive about the potential to acquire attractive new exploration licences and producing assets through a combination of organic and acquisition-based growth.

Oslo, 29 April 2020

Phil Kirk
Chairman of the Board

Andrew Osborne
Board Member

Michael S. Haagaard
Board Member / Country Manager

Company Registered No. 919 496 649



Chrysaor Norge AS

Income statement

for the period ending 31 December

		2019	18 Aug 17- 31 Dec 18
	Note	NOK 000	NOK 000
Revenue		-	-
Exploration & evaluation expenditure	3	(89 517)	(50 858)
General and administrative costs	4,5	(14 430)	(16 732)
Operating loss		(103 947)	(67 590)
Finance income	6	654	18
Finance expenses	6	(16 577)	(614)
Loss before taxation		(119 870)	(68 186)
Tax credit	7	85 106	50 233
Loss for the period		<u>(34 764)</u>	<u>(17 953)</u>

Statement of comprehensive income

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Loss for the period	(34 764)	(17 953)
Other comprehensive income	-	-
Total comprehensive loss for the financial period	<u>(34 764)</u>	<u>(17 953)</u>

The notes on pages 12 to 34 form part of these financial statements.



Chrysaor Norge AS

Balance sheet

as at 31 December

		2019	2018
	Note	NOK 000	NOK 000
Non-current assets			
Furniture, fixtures & fittings	9	2 883	2 759
Right-of-use assets	10	13 068	-
Exploration and evaluation assets	8	52 614	3 828
Deferred tax	7	-	3 123
Total non-current assets		68 565	9 710
Current assets			
Tax refund	7	115 168	52 658
Debtors: amounts falling due within one year	12	16 311	6 166
Cash and cash equivalents	13	87 378	8 049
Total current assets		218 857	66 873
Total assets		287 422	76 583
Current liabilities			
Creditors: amounts falling due within one year	14	(41 910)	(11 788)
Lease liability	17	(3 617)	-
Exploration loan	15	(79 019)	-
Intercompany loan	16	-	(82 718)
Total current liabilities		(124 546)	(94 506)
Non-current liabilities			
Lease liability	17	(9 814)	-
Deferred tax	7	(14 302)	-
Total non-current liabilities		(24 116)	-
Total liabilities		(148 662)	(94 506)
Net assets/(liabilities)		138 760	(17 923)
Capital and reserves			
Called up share capital	21	30	30
Unregistered share capital	21	191 447	-
Accumulated losses		(52 717)	(17 953)
Total equity / (deficit)		138 760	(17 923)

The notes on pages 12 to 34 form part of these financial statements.

The financial statements on pages 8 to 34 were approved by the Board of Directors on 29 April 2020 and signed by:

Phil Kirk
Chairman of the Board

Andrew Osborne
Board Member

Michael Haagaard
Board Member / Country
Manager

Company Registration No: 919 496 649



Chrysaor Norge AS

Statement of changes in equity
for the period ended 31 December

	<i>Share capital NOK 000</i>	<i>Unregistered share capital NOK 000</i>	<i>Accumulated losses NOK 000</i>	<i>Total NOK 000</i>
<i>At 18 August 2017</i>	-	-	-	-
Issue of share capital	30	-	-	30
Loss for the period	-	-	(17 953)	(17 953)
<i>At 31 December 2018</i>	30	-	(17 953)	(17 923)
Loss for the period	-	-	(34 764)	(34 764)
Conversion of debt	-	191 447	-	191 447
<i>At 31 December 2019</i>	30	191 447	(52 717)	138 760



Chrysaor Norge AS

Cash flow statement

for the period ended 31 December

		2019	18 Aug 17-
	Note	NOK 000	31 Dec 18
			NOK 000
Cash flow from operating activities			
Loss before tax		(119 870)	(68 186)
<i>Adjusted for:</i>			
Tax refund received in the period		52 620	-
Depreciation and amortisation	9, 10	3 626	171
Finance expenses, excluding foreign exchange		8 812	302
Impact of changes in exchange rates without cash effect		7 602	312
<i>Changes in working capital:</i>			
Change in accounts receivables and other receivables		(10 145)	(6 148)
Change in trade creditors and other accruals		30 422	11 409
Net cash flow from operating activities		(26 933)	(62 140)
Cash flow from investing activities			
Purchase of fixed assets	9	(1 069)	(2 930)
Investment in exploration and evaluation assets		(61 384)	(9 377)
Net cash flow from investing activities		(62 453)	(12 307)
Cash flow from financing activities			
Proceeds from drawdown of bank loans, net of transaction costs incurred		78 500	-
Interest paid		(2 689)	-
Proceeds from drawdown of short-term debt to group company	16	95 973	82 466
Payment of lease liability		(3 069)	-
Issue of equity		-	30
Net cash flow from financing activities		168 715	82 496
Net cash flow from / used (-) in the period		79 329	8 049
Cash and cash equivalents at beginning of period		8 049	-
Cash and cash equivalents at end of period		87 378	8 049

Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Chrysaor Norge AS for the year ended 31 December 2019 were authorised for issue by the board of directors on the 29 April 2020. The Company is a private company limited by share capital and domiciled in Norway. The Company's principal place of business is Oslo, Norway and its registered office is Haakon VII's Gate, 0161 Oslo, Norway.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The financial statements have been prepared under the assumption of a going concern and on a historical cost basis.

Balance sheet classification

Current assets and current liabilities include items due less than a year from the balance sheet date, and items related to the operating cycle, if longer. Other assets and liabilities are classified as non-current. The current portion of non-current debt is included under current liabilities.

Going concern

The Directors have adopted the going concern basis of accounting for the preparation of the financial statements as the Company's ultimate parent company, Chrysaor Holdings Limited, has undertaken to directly provide the necessary financial support to the Company as and when required, to meet all liabilities for a period of at least 12 months from the date of signing these financial statements.

Segment reporting

The Company's activities consist of one class of business - the acquisition, exploration, development and production of oil and gas reserves and related activities in a single geographical area, the Norwegian Continental Shelf.

Joint arrangements

Exploration and production operations are usually conducted through joint arrangements with other parties. The Group reviews all joint arrangements and classifies them as either joint operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Group are classified as joint operations.

In relation to its interests in joint operations, the Company recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.



Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

Foreign currency translation

The Company's functional currency and presentation currency is Norwegian Kroner (NOK).

Transactions recorded in foreign currencies are initially recorded in the Company's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

Acquisition of interests in joint operations (not under common control)

The acquisition of interests in joint operations in which the activity constitutes a business are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Company of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations are measured in accordance with that Standard.

If the initial accounting for the acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

Acquisition of interests in joint operations (under common control)

Business combinations and the acquisition of interests in joint operations under common control are not included within the scope of IFRS 3 and therefore, the Company has applied what it sees the most appropriate method of accounting for these transactions. The Company uses the pooling of interests method which involves the following:

- reflects the value of the assets and liabilities of the acquired interests at their carrying amounts on the date of acquisition;
- no adjustments are made to reflect fair values, or recognise any new assets or liabilities at the date of the combination that would otherwise be done under the acquisition method under IFRS 3;
- no 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining parties;
- any difference between the consideration transferred and the acquired net assets is reflected within equity; and
- no restatement of periods prior to the acquisition. The acquiring entity accounts for the combination prospectively from the date on which it occurred.

Intangible assets - exploration and evaluation assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Pre-licence costs

Pre-licencing costs are expensed in the year in which they are incurred.

(b) Licencing and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds that recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the Income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the Income statement.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties within development and production assets. No amortisation is charged during the exploration and evaluation phase.

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Notes to the financial statements

for the year ended 31 December 2019 (continued)

(d) Farm-outs - in the exploration and evaluation phase

The Company does not record any expenditure made by the farminee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, plant and equipment - Oil and gas development and production assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells including unsuccessful development or delineation wells, is capitalised as oil and gas properties within development and production assets.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided using the unit of production method based on proven and probable reserves. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for prospectively in the depreciation charge over the revised remaining proven and probable reserves.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income statement.

Impairment of non-current assets (excluding goodwill)

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the recoverable amount of the associated asset or cash generating unit, being the higher of the fair value less costs of disposal and value in use. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the difference is recognised in the Income statement as an impairment charge.

Financial Instruments

(a) Financial Assets

The Company uses two criteria to determine the classification of financial assets: the Company's business model and contractual cash flow characteristics of the financial assets. Where appropriate the Company identifies three categories of financial assets: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVOCI).



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

Loans and receivables

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest rate (EIR) method, less impairment. The EIR amortisation is presented within finance income in the Income statement.

Cash and cash equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(b) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and Loans

As noted above, these financial liabilities are recognised initially at fair value plus directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(c) Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with the Company's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the Income statement.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

(d) Fair Values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Equity

Share capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of the Company.

Currency translation reserve

This reserve comprises exchange differences arising on the change of functional currency of the Company.

Inventories

Hydrocarbon inventories are stated at fair value less cost to sell with movements recognised in the income statement. Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis.

Employee Benefits

According to Norwegian law employees are mandatory members of the Company's Pension Scheme ("obligatorisk tjenestepensjon"). The scheme is based on a contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

Leasing commitments

Rentals payable under operating leases are charged in the Income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term taking account of reasonably expected extensions.

The Company adopted IFRS 16 - Leases from 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognise a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. Lease liabilities are measured at the present value of remaining lease payments, discounted using the Company's calculated borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the Income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Taxes

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity not in the income statement.

(b) *Deferred tax*

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date.
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to be offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Company to make a single net payment.

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 carry forward are therefore normally recognised in full. The carrying amount of deferred income tax assets related to onshore activities are reviewed at each balance sheet date. Onshore deferred income tax assets are only recognised to the extent that there is sufficient future onshore taxable profit available to allow the



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

deferred income tax asset to be utilised. Unrecognised deferred income tax assets related to onshore activities are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Interest income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities in the balance sheet.

Cash flow statement

The cash flow statement is prepared using the indirect method.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial or operational decisions. Parties are also related if they are subject to common control.

Transactions between related parties are transfers of resources, services or obligations, regardless of whether a price is charged. All transactions between related parties are made based on the principle of 'arm's length', which is the estimated market price.

New accounting standards and interpretations

The Company adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2019.

As described in the Company's annual financial statements for 2018, IFRS 16 Leases entered into force from 1 January 2019. The implementation resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company adopted the standard using the modified retrospective approach and accordingly comparative information has not been restated. The implementation had no impact on net equity.

Critical judgements and estimates

The preparation of the Company's financial statement requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

In particular the Company has identified the following areas where significant judgement, estimates and assumptions are required:

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the Income statement in the period when the new information becomes available.

Climate Change

The Company recognises that there may be potential financial implications in the future from climate change risk. The Company expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines which, although will result in intended benefits, is likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts, contingent liabilities. However as at the balance sheet date the Company believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

3. Exploration and evaluation expenditure

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Pre-licence seismic and other direct pre-licence purchases	48 947	50 858
Allocation of indirect costs	40 570	-
	<u>89 517</u>	<u>50 858</u>



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

4. Salary and personnel costs

(a) Personnel costs

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Salaries	28 895	4 508
Social security tax	3 896	733
Pension expenses	2 506	417
Other benefits	1 066	273
Allocation to exploration expenditure and capitalised exploration	(32 715)	-
Total salary and personnel costs	3 648	5 931
Total other operating expenses, see note 6	10 782	10 801
Total general and administrative costs	14 430	16 732
Average number of man-years during the period	17	3

(b) Remuneration of Country Manager

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Salary	2 013	1 377
Bonus	346	-
Pension	206	140
Other benefits	14	6
	2 579	1 523

The Country Manager commenced his position on 18 April 2018.

(c) Compensation to Board of Directors

There has been no remuneration to the Board of Directors in 2019 or 2018.

The Country Manager has a 6 months contractual notice period. There is no agreement regarding severance pay on termination of employment to the Country Manager or to members of the Board of Directors. No loans have been granted and no guarantees have been issued to the Country Manager or any member of the Board of Directors. The Country Manager has an agreement regarding bonus, given certain criteria.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

5. Other operating expenses

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Hired personnel and services	7 967	3 312
Intercompany services	14 069	5 159
Office rentals and other leasing expenses	-	1 077
Depreciation, amortisation and write-downs	3 626	171
Other operating expenses	3 755	1 082
Allocation to exploration expenditure and capitalised exploration	(18,635)	-
Total other operating expenses	10 782	10 801
Total salary and personnel costs, see note 5	3 648	5 931
Total general and administrative costs	14 430	16 732

Remuneration to auditor is allocated as specified below:

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Auditors' remuneration	284	60
	<u>284</u>	<u>60</u>

The auditors have not delivered any other services than audit of the financial statements in 2019 or 2018.

6. Finance income and finance expenses

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Finance income		
Interest receivable	654	18
	<u>654</u>	<u>18</u>
Finance expenses		
Intercompany interest payable	(5 154)	(251)
Other interest payable	(2 917)	(47)
Other financial expenses	(741)	(4)
Foreign exchange loss	(7 765)	(312)
	<u>(16 577)</u>	<u>(614)</u>
Net Finance expenses	(15 923)	(596)



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

7. Tax credit

(a) Tax credit in the income statement

The major components of income tax credit for the periods below:

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Current income tax:		
Tax refund current year	103 292	47 551
Adjustment current tax prior year	(38)	-
Changes in deferred tax	(18 148)	2 682
Tax credit in the income statement	85 106	50 233

(b) Reconciliation of the total tax credit

	2019	18 Aug 17- 31 Dec 18
	NOK 000	NOK 000
Loss before taxation	(119 870)	(68 186)
Expected income tax at nominal tax rate, 22% (2018: 23%)	26 371	15 683
Expected petroleum tax, 56% (2018: 55%)	67 127	37 502
Permanent differences and valuation allowance	(159)	(243)
Financial items	(9 531)	(2 661)
Effect of new tax rates	-	(48)
Adjustments prior year	1 298	-
Total tax credit reported in the income statement	85 106	50 233
Effective tax rate	71%	74%

(c) Deferred tax included in the balance sheet is as follows:

	2019	2018
	NOK 000	NOK 000
Non-current assets	(34 392)	(2 183)
Tax losses carried forward, corporate tax 22%	9 072	2 260
Tax losses carried forward, offshore 56%	11 018	3 046
Deferred tax (liability) / asset	(14 302)	3 123
Deferred tax asset not recognised	-	-
Deferred tax (liability) / asset in the balance sheet	(14 302)	3 123



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 22%, to which is added a special tax for oil and gas companies at the rate of 56%, giving a total tax rate of 78%.

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 recognised in full.

There is no time limit on the right to carry tax losses forward in Norway.

Specification of tax refund in the balance sheet

	2019 NOK 000	2018 NOK 000
Tax refund current year income statement	103 292	47 551
Tax refund recorded on acquisition of licence	11 876	5 107
Tax refund in the balance sheet	115 168	52 658

8. Exploration and evaluation assets

	<i>Exploration & evaluation assets NOK 000</i>
At 1 January 2019	3 828
Additions	48 786
Amounts written-off	-
At 31 December 2019	<u>52 614</u>
	NOK 000
At 18 August 2017	-
Additions	3 828
Amounts written-off	-
At 31 December 2018	<u>3 828</u>

Additions in 2019 includes the purchase of a 20% working interest in the production licence PL 038 D and 18.57% in PL 974. In 2018 the interest of 15% in production licence PL 038 D was purchased.

The Company's share of committed capital expenditure in 2020 is NOK 52.1 million.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

9. Property, plant and equipment

	<i>Furniture, fixtures and office machines NOK 000</i>
Cost:	
At 1 January 2019	2 930
Additions	1 069
Disposals	-
At 31 December 2019	<u>3 999</u>
Accumulated Depreciation:	
At 1 January 2019	(171)
Charge for the year	(945)
At 31 December 2019	<u>(1 116)</u>
Net book value:	
At 31 December 2019	<u>2 883</u>
	<i>NOK 000</i>
Cost:	
At 18 August 2017	-
Additions	2 930
Disposals	-
At 31 December 2018	<u>2 930</u>
Accumulated Depreciation:	
At 18 August 2017	-
Charge for the year	(171)
At 31 December 2018	<u>(171)</u>
Net book value:	
At 31 December 2018	<u>2 759</u>
Economic life	3-5 years
Depreciation method	Straight line



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

10. Right-of-use-assets

	<i>Right of Use Assets NOK 000</i>
Cost:	
At 1 January 2019	12 667
Additions	3 082
Disposals	-
At 31 December 2019	<u>15 749</u>
Accumulated Depreciation:	
At 1 January 2019	-
Charge for the year	(2 681)
At 31 December 2019	<u>(2 681)</u>
Net book value:	
At 31 December 2019	<u>13 068</u>

Depreciation period Lease period

Depreciation method Straight line

The right-of-use assets are offices that the Company leases.

11. Jointly controlled assets

The Company accounts for jointly controlled assets by recognising its share of the arrangement's asset liabilities and cash flows. At year end the Company holds the follow licence interests:

	Working interest	Operator	End of concession period
PL 973	50%	Chrysaor Norge AS	March 2026
PL 038 D	35%	OKEA ASA	April 2021
PL 974	40%	OKEA ASA	March 2021

In January 2020 the Company was awarded eight additional production licences by the Ministry of Petroleum and Energy (MPE) in relation to the APA 2019 Offshore Licensing Round, see note 23.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

12. Debtors: amounts falling due within one year

	2019	2018
	NOK 000	NOK 000
Trade debtors	2 257	495
Prepayments	1 467	337
VAT receivable	851	2 677
Working capital and overcall, joint operations	11 736	2 657
	<u>16 311</u>	<u>6 166</u>

Trade receivables are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2019, there were no (2018: \$nil) trade receivables that were past due but not impaired.

13. Cash and cash equivalents

	2019	2018
	NOK 000	NOK 000
Cash at bank and in hand, unrestricted	83 590	5 148
Bank deposit, employee taxes	3 788	2 901
	<u>87 378</u>	<u>8 049</u>

14. Creditors: amounts falling due within one year

	2019	2018
	NOK 000	NOK 000
Trade creditors	1 554	1 703
Intercompany payable	2 752	5 529
Accrued holiday pay and employee benefit provision	7 566	512
Public duties payable	2 629	1 037
Accruals	27 409	3 007
	<u>41 910</u>	<u>11 788</u>

All liabilities fall due within 12 months from the balance sheet date.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

15. Current borrowings, exploration loan

	2019	2018
	NOK 000	NOK 000
Exploration financing facility, funds drawn	83 000	-
Exploration financing facility, transaction costs	(3 981)	-
	<u>79 019</u>	<u>-</u>

In July 2019, the Company entered into an Exploration Financing Facility agreement with Skandinaviska Enskilda Banken (SEB) of NOK 750 million with an accordion option of NOK 250 million. The expiry date of the facility is 31 December 2021 with an option to extend to 31 December 2022. Available amount for funding will at all times be 95% of the tax value of the eligible costs which have not already been refunded by tax authorities. Interest rate is NIBOR 3 months + 1.5%.

The loan is secured by a first priority pledge of the tax receivable from the exploration refund pursuant to the Norwegian Petroleum Tax Act.

16. Intercompany loan

	2019	2018
	NOK 000	NOK 000
Loan from parent company	-	82 718
	<u>-</u>	<u>82 718</u>

The Company has been funded through 2018 and 2019 by its parent company Chrysaor E&P Limited. The loan, which was drawn mainly in NOK through 2018, was converted to US Dollar at the year end 2018. In 2019 the fund drawn have been denominated in USD. Interest has been calculated at a rate of 3.5% p.a. At the end of 2019 the loan was converted to equity.

	2019	2018
	NOK 000	NOK 000
Intercompany loan period beginning	82 718	-
Cash flows:		
Proceeds from intercompany borrowings	95 973	82 466
Total cash flows	<u>95 973</u>	<u>82 466</u>
Non-cash changes:		
Accrued interest	5 154	252
Foreign exchange	7 602	-
Conversion of loan to equity	(191 447)	-
Total intercompany loan period end	<u>-</u>	<u>82,718</u>



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

17. IFRS 16

The Company implemented IFRS 16 Leases from 1 January 2019 and recognised a right-of-use asset related to leasing of offices, see note 10.

Lease liability

	2019 NOK 000
Lease liability 1 January	12 667
Additions lease contracts	3 082
Accretion lease liability, included in finance cost	751
Cash payments, lease liability	(3 069)
Lease liability 31 December	<u>13 431</u>
Current lease liability	3 617
Non-current lease liability	9 814
Lease liability 31 December	<u>13 431</u>

Future minimum lease payments under non-cancellable lease agreement (undiscounted):

	2019 NOK 000	2018 NOK 000
As at 31 December		
Within 1 year	4 003	3 028
1 to 5 years	11 397	11 911
After 5 years	-	-
	<u>15 400</u>	<u>14 939</u>

18. Financial risk management

Overview

The Company is exposed to a variety of risks, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. The note also presents the Company's objectives, policies and process for managing capital.

Credit risk

The Company has no significant credit risk. The Company is exposed to credit risk related to trade receivables and cash and cash equivalents. Sales are only made to customers that have not experienced any significant payment problems. Cash and cash equivalents are receivables from banks.



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Notes to the financial statements

for the year ended 31 December 2019 (continued)

Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below shows a maturity analysis for financial liabilities:

The cash flows below assume repayment on the latest date available, even if expected repayment may be earlier.

<i>As at 31 December 2019</i>	<i>Carrying amount</i> <i>NOK 000</i>	<i>Cash flow</i> <i>NOK 000</i>	<i>< 1 year</i> <i>NOK 000</i>	<i>1-5 years</i> <i>NOK 000</i>
Trade and other payables	4 306	4 306	4 306	-
Current borrowings, exploration loan	79 019	85 541	85 541	-
Intercompany loan	-	-	-	-
Total financial liabilities	83 325	89 847	89 847	-

With reference to intercompany loan, please see note 16.

<i>As at 31 December 2018</i>	<i>Carrying amount</i> <i>NOK 000</i>	<i>Cash flow</i> <i>NOK 000</i>	<i>< 1 year</i> <i>NOK 000</i>	<i>1-5 years</i> <i>NOK 000</i>
Trade and other payables	7 232	7 232	7 232	-
Intercompany loan	82 718	85 613	85 613	-
Total financial liabilities	89 950	92 845	92 845	-

The table below shows a maturity analysis for financial assets:

<i>As at 31 December 2019</i>	<i>Carrying amount</i> <i>NOK 000</i>	<i>Cash flow</i> <i>NOK 000</i>	<i>< 1 year</i> <i>NOK 000</i>	<i>1-5 years</i> <i>NOK 000</i>
Trade and other receivables	13 993	13 993	13 993	-
Cash and cash equivalents	87 378	87 378	87 378	-
Total financial assets	101 371	101 371	101 371	-



Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

<i>As at 31 December 2018</i>	<i>Carrying amount</i> <i>NOK 000</i>	<i>Cash flow</i> <i>NOK 000</i>	<i>< 1 year</i> <i>NOK 000</i>	<i>1-5 years</i> <i>NOK 000</i>
Trade and other receivables	3 152	3 152	3 152	-
Cash and cash equivalents	8 049	8 049	8 049	-
Total financial assets	11 201	11 201	11 201	-

Interest rate risk

The Company has from 2019 external borrowings with floating interest rate conditions and is consequently exposed to interest rate risk to borrowings. The Company did not have any such borrowings at year end 2018.

Sensitivity analysis at 31 December 2019:

Interest rate sensitivity is calculated based on the exposure to interest-bearing debt with floating interest rate conditions on the balance sheet date.

- If 3-month NIBOR had been 50 basis points higher / lower, the Company's net loss would have been NOK 0.3 million higher / lower respectively.

Currency risk

The Company is exposed to foreign exchange rate risk related to the value of NOK relative to other currencies, mainly related to the intercompany loan (2018) and bank deposits denominated in US Dollar.

Sensitivity analysis at 31 December 2019:

- If the NOK had gained 10% against the US Dollar, the Company's net loss would have been NOK 0.5 million higher.
- If the NOK had weakened 10% against the US Dollar, the Company's net loss would have been NOK 0.5 million lower.

Sensitivity analysis at 31 December 2018:

- If the NOK had gained 10% against the US Dollar, the Company's net loss would have been NOK 6.7 million lower.
- If the NOK had weakened 10% against the US Dollar, the Company's net loss would have been NOK 0.5 million higher.

Capital management

The overall objective of the Company is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.



Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

19. Financial instruments*Financial instruments by category*

<i>Financial assets</i>	<i>Loans & receivables</i>	<i>Total carrying amount</i>
<i>As at 31 December 2019</i>	<i>NOK 000</i>	<i>NOK 000</i>
Debtors: amounts falling due within one year	13 993	13 993
Cash and cash equivalents	87 378	87 378
Total	101 371	101 371

<i>Financial liabilities</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>
<i>As at 31 December 2019</i>	<i>NOK 000</i>	<i>NOK 000</i>
Creditors: amounts falling due within one year	4 306	4 306
Current borrowings, exploration loan	79 019	79 019
Total	83 325	83 325

Prepaid expenses, accrued receivables and accrued expenses are not included.

<i>Financial assets</i>	<i>Loans & receivables</i>	<i>Total carrying amount</i>
<i>As at 31 December 2018</i>	<i>NOK 000</i>	<i>NOK 000</i>
Debtors: amounts falling due within one year	3 152	3 152
Cash and cash equivalents	8 049	8 049
Total	11 201	11 201

<i>Financial liabilities</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>
<i>As at 31 December 2018</i>	<i>NOK 000</i>	<i>NOK 000</i>
Creditors: amounts falling due within one year	7 232	7 232
Current borrowings, exploration loan	82 718	82 718
Total	89 950	89 950

Prepaid expenses, accrued receivables and accrued expenses are not included.

Fair value of financial instruments

It is assessed that the carrying amounts of financial assets and creditors and intercompany loan is approximately equal to its fair values. For current borrowings, exploration loan it is assessed that the fair value is approximately NOK 83 million at year end 2019 (2018; NOK nil).



Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

20. Contingent liabilities and other commitments

The Company has not been involved in any legal or financial disputes in 2018 or 2019.

Minimum work programmes

The Company is required to participate in the approved work programmes for the licences. See note 8 for a specification of future committed capital expenditure.

Liability for damages / insurance

The Company's operations involve risk for damages, including pollution. The operations are covered by an operation insurance policy.

Seismic uplift

The Company has entered into contracts for purchase of seismic data that will entitle the vendors to additional amounts ("seismic uplift") if the Company is awarded exploration licences in the area of the seismic data. See note 23.

21. Called up share capital

	2019	2018
Ordinary shares of NOK 1 each	30 000	30 000

Chrysaor Norge AS has one class of shares with equal rights for all shares. No dividends have been proposed or paid in 2019 or 2018. All shares are owned by Chrysaor E&P Limited.

The share capital was increased by one share at NOK 1 nominal value and NOK 191 447 408 share premium in December 2019 by conversion of debt to the shareholder, see note 16. The capital increase was registered in 2020.

22. Related party disclosure

See note 4 for information about compensation to Country Manager and Board of Directors. The Company has also purchased services from its parent company Chrysaor E&P Limited. The amount is specified in note 5.

See note 16 for information about loan from parent company Chrysaor E&P Limited. Interest expense relating to this loan is specified in note 6.

See note 14 for information about short-term payable to parent company Chrysaor E&P Limited.

23. Post balance sheet events

In January 2020, the Company was awarded eight (8) production licences by the Ministry of Petroleum and Finance (MPE) in relation to the Awards in Predefined Areas (APA) 2019 Offshore Licencing Round; PL 973 B (block 15/12) where the Company's working interest is 50%, PL 1032 (blocks 2/7 and 2/10) where the Company's working interest is 40%, PL 1033 (blocks 1/9 and 2/7) where the Company's working interest is 40%, PL 1034 (block 15/12) where the Company's working interest is 60%, PL 1046 (blocks 24/3 and 6, and 25/1 & 4) where the Company's working interest is 40%, PL 1058 (blocks 6307/1 and 6407/10) where the Company's working interest is 40%, PL 1060 (blocks 6407/8 and 9) where the Company's working interest is 20% and PL 1066 (block 6507/3) where the Company's working interest is 50%.



Chrysaor Norge AS

Notes to the financial statements

for the year ended 31 December 2019 (continued)

The awards of the licences listed above has triggered additional payments related to seismic uplift to vendors in accordance with and regulated by the existing Master Licence Agreements. See note 20. The additional payments of seismic uplift amount to approximately NOK 24 million and will be accounted for in 2020.

The outbreak of the COVID-19 virus combined with the commodity price crash in the first quarter of 2020 have had a material effect on commodity prices and in turn a profound impact on the oil and gas industry as a whole at the date of this report. The Board believes that the impact of these events on the Company is limited as the Company is in the exploration and pre-development phase and is fully funded by a combination of a loan from its parent company and an Exploration Financing Facility.

24. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Chrysaor E&P Limited and the ultimate parent undertaking and controlling party is Chrysaor Holdings Limited in whose consolidated financial statements the Company's financial statements are consolidated. The consolidated financial statements of Chrysaor Holdings Limited are publicly available from Companies House in the UK.



To the General Meeting of Chrysaor Norge AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chrysaor Norge AS, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report - Chrysaor Norge AS

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

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on Other Legal and Regulatory Requirements

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 29 April 2020
PricewaterhouseCoopers AS

Henrik Z. Nessler
State Authorised Public Accountant

(2)



Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
22.01.2019	21.12.2018	Torstein Kinden Helleland
800 80 000	Din/Deres referanse	Telefon
Skatteetaten no	Marit Brastad	22078139
Org.nr	Vår referanse	Postadresse
974761076	2019/5232102	Postboks 9200 Grønland 0134 OSLO

SUMIT UP AS
Bankveien 7
1383 ASKER

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Chrysaor Norge AS, org.nr. 919 496 649

Det vises til deres brev av 21. desember 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Chrysaor Norge AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Chrysaor Norge AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Chrysaor Norge AS er et heleid datterselskap av det engelske Chrysaor E&P Ltd. Selskapet har som formål å drive virksomhet relatert til produksjon og leting etter hydrokarbon og virksomhet relatert til dette. Selskapets arbeidsspråk er engelsk. Selskapet opererer i sektorer, der engelsk er det klart dominerende språket. All kommunikasjon med selskapets primære kunder og kreditorer foregår på engelsk.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i



samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapets er eiet av et utenlandsk selskap. Virksomheten er utpreget internasjonal og arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Henning Stokke
seniorrådgiver
Juridisk avdeling
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.