



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

### Enheten

|                      |                                  |
|----------------------|----------------------------------|
| Organisasjonsnummer: | 924 186 720                      |
| Organisasjonsform:   | Aksjeselskap                     |
| Foretaksnavn:        | LONGBOAT ENERGY NORGE AS         |
| Forretningsadresse:  | Strandkaien 36<br>4005 STAVANGER |

### Regnskapsår

|                         |                         |
|-------------------------|-------------------------|
| Årsregnskapets periode: | 01.01.2021 - 31.12.2021 |
|-------------------------|-------------------------|

### 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: | Nina Irene Molvik Henriksen |
| Dato for fastsettelse av årsregnskapet:  | 05.04.2022                  |

### Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert  
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

*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, 14.04.2023



### Resultatregnskap

| Beløp i: NOK                                 | Note | 2021                | 2020               |
|----------------------------------------------|------|---------------------|--------------------|
| <b>RESULTATREGNSKAP</b>                      |      |                     |                    |
| <b>Inntekter</b>                             |      |                     |                    |
| Other operating income                       |      | 1 086 676           | 2 364              |
| <b>Sum inntekter</b>                         |      | <b>1 086 676</b>    | <b>2 364</b>       |
| <b>Kostnader</b>                             |      |                     |                    |
| Exploration expense                          | 7    | 76 406 662          | 0                  |
| Administrative Expenses                      |      | 26 118 589          | 11 646 776         |
| <b>Sum kostnader</b>                         |      | <b>102 525 251</b>  | <b>11 646 776</b>  |
| <b>Driftsresultat</b>                        |      | <b>-101 438 575</b> | <b>-11 644 412</b> |
| <b>Finansresultat</b>                        |      |                     |                    |
| Finance costs                                | 6    | 16 434 927          | 100 765            |
| <b>Sum finanskostnader</b>                   |      | <b>16 434 927</b>   | <b>100 765</b>     |
| <b>Netto finans</b>                          |      | <b>-16 434 927</b>  | <b>-100 765</b>    |
| <b>Ordinært resultat før skattekostnad</b>   |      |                     |                    |
| Income tax income                            | 8    | -82 463 181         | -9 104 810         |
| <b>Ordinært resultat etter skattekostnad</b> |      | <b>-35 410 321</b>  | <b>-2 640 367</b>  |
| <b>Årsresultat</b>                           |      | <b>-35 410 321</b>  | <b>-2 640 367</b>  |



### Balanse

| Beløp i: NOK                                   | Note | 2021               | 2020              |
|------------------------------------------------|------|--------------------|-------------------|
| <b>BALANSE - EIENDELER</b>                     |      |                    |                   |
| <b>Anleggsmidler</b>                           |      |                    |                   |
| <b>Immaterielle eiendeler</b>                  |      |                    |                   |
| Intangible assets                              | 10   | 286 238 070        | 0                 |
| <b>Sum immaterielle eiendeler</b>              |      | <b>286 238 070</b> |                   |
| <b>Varige driftsmidler</b>                     |      |                    |                   |
| Property, plant and equipment                  | 11   | 6 810 195          | 58 780            |
| <b>Sum varige driftsmidler</b>                 |      | <b>6 810 195</b>   | <b>58 780</b>     |
| <b>Sum anleggsmidler</b>                       |      | <b>293 048 265</b> | <b>58 780</b>     |
| <b>Omløpsmidler</b>                            |      |                    |                   |
| <b>Varer</b>                                   |      |                    |                   |
| Inventories                                    | 12   | 1 107 279          | 0                 |
| <b>Sum varer</b>                               |      | <b>1 107 279</b>   | <b>0</b>          |
| <b>Fordringer</b>                              |      |                    |                   |
| Trade and other receivables                    | 13   | 12 622 648         | 147 354           |
| Current tax receivables                        | 14   | 97 272 219         | 9 109 861         |
| <b>Sum fordringer</b>                          |      | <b>109 894 867</b> | <b>9 257 215</b>  |
| <b>Bankinnskudd, kontanter og lignende</b>     |      |                    |                   |
| Cash and cash equivalents                      | 15   | 227 579 469        | 866 438           |
| <b>Sum bankinnskudd, kontanter og lignende</b> |      | <b>227 579 469</b> | <b>866 438</b>    |
| <b>Sum omløpsmidler</b>                        |      | <b>338 581 615</b> | <b>10 123 653</b> |
| <b>SUM EIENDELER</b>                           |      | <b>631 629 880</b> | <b>10 182 433</b> |
| <b>BALANSE - EGENKAPITAL OG GJELD</b>          |      |                    |                   |
| <b>Egenkapital</b>                             |      |                    |                   |
| <b>Innskutt egenkapital</b>                    |      |                    |                   |
| Share capital                                  | 19   | 3 400 000          | 500 000           |



### Balanse

| Beløp i: NOK                             | Note | 2021               | 2020              |
|------------------------------------------|------|--------------------|-------------------|
| Share premium account                    | 20   | 352 250 800        | 1 530 000         |
| <b>Sum innskutt egenkapital</b>          |      | <b>355 650 800</b> | <b>2 030 000</b>  |
| <b>Opptjent egenkapital</b>              |      |                    |                   |
| Retained earnings                        |      | -38 050 517        | -2 640 367        |
| <b>Sum opptjent egenkapital</b>          |      | <b>-38 050 517</b> | <b>-2 640 367</b> |
| <b>Sum egenkapital</b>                   |      | <b>317 600 283</b> | <b>-610 367</b>   |
| <b>Gjeld</b>                             |      |                    |                   |
| <b>Langsiktig gjeld</b>                  |      |                    |                   |
| Utsatt skatt                             | 18   | 223 924 302        | 5 051             |
| <b>Sum avsetninger for forpliktelser</b> |      | <b>223 924 302</b> | <b>5 051</b>      |
| <b>Annen langsiktig gjeld</b>            |      |                    |                   |
| <b>Sum langsiktig gjeld</b>              |      | <b>223 924 302</b> | <b>5 051</b>      |
| <b>Kortsiktig gjeld</b>                  |      |                    |                   |
| Trade and other payables                 | 16   | 83 151 192         | 10 787 749        |
| Lease liabilities                        | 17   | 6 954 103          | 0                 |
| <b>Sum kortsiktig gjeld</b>              |      | <b>90 105 295</b>  | <b>10 787 749</b> |
| <b>Sum gjeld</b>                         |      | <b>314 029 597</b> | <b>10 792 800</b> |
| <b>SUM EGENKAPITAL OG GJELD</b>          |      | <b>631 629 880</b> | <b>10 182 433</b> |



Skatteetaten

Vår dato  
12.04.2021

Din/Deres dato

Saksbehandler  
Robin Ingebrigtsen

800 80 000  
Skatteetaten.no

Din/Deres referanse

Telefon  
99778267

Org.nr  
974761076

Vår referanse  
2021/5273987

Postadresse  
Postboks 9200 Grønland  
0134 OSLO

LONGBOAT ENERGY NORGE AS  
Postboks 231  
4001 STAVANGER

## Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk

Vi viser til Longboat Energy Norge AS' (org.nr. 924 186 720) søknad om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller 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

Fra søknaden siteres:

*Longboat Energy Norge AS er et heleid datterselskap av det engelske selskapet Longboat Energy PLC. Selskapet er nystiftet i desember 2019 med formål om å starte letearbeid etter olje og gass hovedsakelig på norsk og britisk sokkel. Virksomheten er internasjonal og alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk som arbeidsspråk. I tillegg er en betydelig majoritet av eiere og styremedlemmer engelske.*

*I oljebransjen er engelsk det klart dominerende språket og en norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.*

*Med bakgrunn i det ovenstående sender vi derfor inn søknad om dispensasjon.*

### Skattekontorets 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 mv., 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, kunder og lokalsamfunnet.

Det er etter skattekontorets 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 dette tilfellet er det opplyst at kommunikasjon med de fleste av selskapets aktører skjer på engelsk. Selskapets eiere er i hovedsak engelskspråklige og vil ikke ha mulighet for å forstå årsregnskap og årsberetning på norsk. Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Magrit Kilen Stoebner  
underdirektør  
Innsats, storbedrift  
Skatteetaten

Robin Ingebrigtsen

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.*



BDO AS  
Luramyrvæien 40  
Postboks 1107  
4391 Sandnes

## Independent Auditor's Report

To the General Meeting in Longboat Energy Norge AS

### Opinion

We have audited the financial statements of Longboat Energy Norge AS.

The financial statements comprise:

- The balance sheet as at 31 December 2021
- The income statement for 2021
- Statement of changes in equity
- Statement of cash flows for the year that ended 31 December 2021
- Notes to the financial statements, including a summary of significant accounting policies

In our opinion:

- The financial statements comply with applicable statutory requirements, and
- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### Basis for Opinion

We conducted our audit in accordance with 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report. Our opinion on the financial statements does not cover the other information.

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 consolidated 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.

Penneo Dokumentnøkkel: W4HEP-3WW3M-UBK36-E8YS1-Q13WJ-Z51V



## Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

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

The Board of Directors and the Managing Director (management) are for the preparation of financial statements that give a true and fair view 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 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 the 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>

BDO AS

Stig Fjell Dahl

State Authorised Public Accountant

(This document is signed electronically)

Penneo Dokumentnøkkel: W4HEP-3WW3M-UBK36-E8YS1-Q13WJ-Z5J1V



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**Stig André Fjell Dahl**

Partner

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**LONGBOAT ENERGY NORGE AS**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



## LONGBOAT ENERGY NORGE AS

### COMPANY INFORMATION

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|                          |                                                                                   |
|--------------------------|-----------------------------------------------------------------------------------|
| <b>Directors</b>         | J J Saetre (Chair)<br>H Salthe (Managing Director)<br>H A Hammer<br>J G M Riddick |
| <b>Company number</b>    | 924 186 720                                                                       |
| <b>Registered office</b> | Strandkaien 36<br>Stavanger 4005<br>Norway                                        |
| <b>Auditor</b>           | BDO AS<br>Munkedamsveien 45<br>0250 Oslo<br>Norway                                |



## LONGBOAT ENERGY NORGE AS

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## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and financial statements for the year ended 31 December 2021.

#### Strategy and activities

The Company's strategy is to create a full-cycle E&P company on the NCS and deliver growth through value accretive M&A together with near-field exploration opportunities. The strategy is to grow the Company in a manner that is sustainable both financially and environmentally. Longboat Energy is committed to improving emissions in projects that it is involved in and ultimately to becoming a net zero producer.

A major first step in delivering this strategy was made in the summer with three farm-in transactions, which provided the Company with a bespoke drilling programme of seven wells with further appraisal drilling likely on success. The exploration portfolio is gas weighted and within tie-back distance to existing infrastructure, with an overlap between exploration partners and infrastructure owners; a clear low-cost route to monetisation and the potential for developments which can contribute positively to decarbonisation and are well aligned to Longboat Energy's ESG targets.

While the first transactions were exploration farm-ins, the strategy remains to grow the Company, not only organically from exploration, but also to continue to chase value accretive opportunities which involves the acquisition of reserves and production.

#### Report on operations

In June 2021, the Company executed farm-in agreements with Equinor Energy AS, Spirit Energy Norway AS and Idemitsu Petroleum Norge AS covering the seven near term exploration wells. The drilling and carry costs are being financed by a combination of equity and loan finance from the Company' parent, Longboat Energy plc, and a NOK 600 million (£50 million) Exploration Finance Facility or EFF with SpareBank 1 SR-Bank ASA and ING Bank N.V ('EFF').

Under the current fiscal regime for explorers, which is set to be updated this year, the Company is eligible for a 78 per cent. tax rebate on exploration spending. The expected average pre-tax dry hole cost per well is approximately US\$6 million.

From the portfolio, four of the committed wells have been drilled as follows:

Rødhetta Exploration Well (Company 20%): the results of the Vår operated Rødhetta prospect, announced in October, confirmed that hydrocarbons were encountered in the primary target in the Middle Jurassic Stø Formation. The top of the reservoir was reached close to prognosis with 29 meters of high net-to-gross, moderate to good quality sandstone and a gas column of approximately 18 meters over an oil rim. Preliminary estimates by the operator place the size of the discovery between 9 and 12 mmboe recoverable (gross). As the Rødhetta volumes are at the lower end of pre-drill expectations, assessment of both existing discoveries and additional prospectivity in the area is needed to understand the commercial development potential of Rødhetta through existing regional infrastructure. The well was drilled 30 km north of the Goliath field and 5 km south from the Tornerose discovery.

Egyptian Vulture Exploration Well (Company 15%): the Equinor operated Egyptian Vulture well results were announced in late October and confirmed a light oil discovery in the primary target in the Lower Cretaceous Intra-Lange Formation with 13 metres net sand in a 37 metre oil filled gross interval. The upper part of the Lange sand interval has a high net to gross ratio and porosities in the order of 16 percent. The operator's preliminary estimate of recoverable resources in the Egyptian Vulture discovery was 19 to 63 MMboe (gross) and the oil-in-place volume has been estimated at 220 to 440 MMboe (gross). Further appraisal will be required to understand the flow potential of the reservoir and future development wells on this laterally extensive discovery measuring approximately 80 km<sup>2</sup> as defined by the seismic amplitude anomaly.

Egyptian Vulture sits in an area of significant infrastructure and export opportunities both for oil and gas. The well was drilled 20 km from the Åsgard field and 23 km from the Kristin field, both of which are also operated by Equinor and which offer development options.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

Mugnetind Exploration Well (Company 20%): the results of the AkerBP Mugnetind well confirmed that hydrocarbons had been encountered in the Upper Jurassic Ula Formation with a 28 metres gross section with a 14 metres net sandstone of moderate to good quality. The reservoir section in Mugnetind is thinner than predicted and as the discovery contains recoverable resources between 5 and 11 MMboe, it is not considered to be commercial in isolation.

Ginny/Hermine Exploration Well (Company 9%): the results of the Equinor operated Ginny and Hermine well were announced on 4th February 2022 with the well failing to find hydrocarbons. The operator is currently assessing if there is further prospectivity on the licence.

There are now three further committed wells to follow, during 2022, including two key wells Cambozola (Company 25%) and Kveikje (Company 10%), in one of the NCS' most active and prolific exploration and production areas. These prospects provide acreage in the most prolific hydrocarbon province in Norway, near Statfjord, Snorre, Gullfaks and Troll with numerous recent discoveries (Atlantis, Dugong, Equino, Basto) being made as operators focus on infrastructure-led exploration opportunities to utilise mature infrastructure and reduce CO<sub>2</sub> emissions. Multiple nearby tie-back options exist for both Cambozola and Kveikje on either a standalone basis or as part of wider regional developments. This area is also expected to be key for a number of energy transition projects. These two wells Equinor operated wells by Equinor will be drilled back-to-back with the semi-submersible drilling rig Deepsea Stavanger.

The final well in the programme targeting the Copernicus prospect (Company 10%) will be drilled using the Deepsea Yantai (operated by PIGNIG) and is expected to be drilled this coming summer. The prospect lies on the Utgard High in the Vøring Basin region of the Norwegian Sea and the prospect is a combination trap with mapped stratigraphic pinch out down-dip and a small structural component at the apex.

#### Ministry of Petroleum and Energy Approval

In August 2021 the Company was approved by the Ministry of Petroleum and Energy as a licence holder of oil and gas assets on the NCS. To achieve this status the Company had to demonstrate its in-house technical ability and now has a full team of geoscientists and engineers located in its Stavanger offices.

#### Financial review

The Company had net cash at the end of the period of NOK 227.58 million (2020: NOK 0.87 million), following advances from its parent Longboat Energy plc in the form of subscriptions for new shares totalling NOK 353.6 million (NOK 2.9 million in share capital and NOK 350.72 million in share premium) and an inter-company loan of NOK 17.6 million.

During the period, the Company had an active drilling campaign spudding four wells and completing three wells, Rødhette, Egyptian Vulture and Mugnetind. The exploration costs came in below the amounts originally budgeted at the time of the licence acquisitions. Exploration expenditure was NOK 362.64 million with NOK 286.24 million posted as intangible assets and NOK 76.41 million written off against the profit and loss account relating to the Mugnetind well. A tax rebate of NOK 209.11 million was received under the Norwegian temporary tax regime and the Company expects to receive a further rebate of NOK 97.27 million during 2022 in respect of the period to 31 December 2021.

The loss after taxation for the period after tax was NOK 35.41 million (2020: NOK 2.64 million), this includes the write off of NOK 76.41 million of pre-tax exploration costs in relation to the Mugnetind exploration well and after a tax credit of NOK 82.46 million.

Salaries and pension costs in the twelve month period were NOK 13.56 million reflecting increased staffing costs following the acquisition of the Company's first oil and gas assets. Bank charges of NOK 0.66 million were incurred and exchanges losses of NOK 16.4 million primarily arising on foreign currency bank balances.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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In early December confirmation was received from the Norwegian Ministry of Finance of the intention to allow the pledge for the exploration tax refund to remain in place for 2022 which provided the banks with sufficient comfort to allow drawings under the EFF in 2022, ahead of the publication of the detail on the new tax changes. The Ministry of Finance have not yet provided any confirmation of a pledge for 2023, however, the bulk of committed E&A activity is during 2022 and based on a legal review of the EFF, a removal of the pledge in 2023 would not impact the utilisation of the facility in 2022.

#### The working environment and the employees

Leave of absence due to illness totaled zero hours in 2021 (zero hours in 2020). The Company will continue its efforts to maintain this record on the number of sick days, and has initiatives such as free physical therapy through the Storebrand health insurance as well as emphasizing the importance of a good working environment with a flexible balance between work and family.

No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year.

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis.

#### Insurance for board members

The board members are insured with a Directors' and Officers' Liability Insurance via Longboat Energy plc. The insurance covers a limit of liability of GBP 5 million and applies to all Longboat legal entities. The principal purpose of the cover is to reimburse Directors for losses or advance defense costs in the event of a loss resulting from a legal action brought for alleged wrongful acts in their capacity as directors and officers.

#### Results

For the period to 31 December 2021, the Company's loss after taxation was NOK 35.4 million.

It is the Board's policy that the Company should seek to generate capital growth for its shareholder. A major first step in delivering such growth was made in June with the farm-in transactions, which provided Longboat with a bespoke drilling programme of seven wells with further appraisal drilling likely on success. The exploration portfolio is gas weighted and within tie-back distance to existing infrastructure, with an overlap between exploration partners and infrastructure owners; a clear low-cost route to monetisation and the potential for developments.

#### Norwegian Fiscal Stimulus and potential Norwegian tax changes

In 2021 the Company benefited from the Norwegian government temporary tax reforms for the offshore oil and gas industry, introduced in June 2020 to mitigate the effect of the Covid pandemic, whereby tax losses incurred are paid out early by way of negative instalment tax payments "terminskatt". During the period, the Company received NOK 209.11 million in negative tax instalments with a receivable of NOK 97.27 million at the year end.

In August 2021 the Government and the Ministry of Finance announced proposals for potential changes to the Norwegian petroleum taxation system from 2022 onwards. The key element of these proposals is the immediate expensing of investments with the intention of improving the neutrality of the tax system between the government and the industry by aligning the pre-versus-post-tax economics. Under the proposals the total marginal tax rate remains the same at 78 per cent but the current exploration refund will cease and the Company will instead receive the tax value of losses (including exploration costs) refunded in cash at the revised Special Petroleum Tax rate of 71.8 per cent in the following year and the remaining corporation tax element (6.2 per cent) will be carried forward to be set off against future profits from production.

Although the exploration rebate will not form part of the new legislation, which is key to the EFF, based on the consultation feedback and explicit statements made and reassurances received from the Norwegian Government, it is expected that the authorities will include a system for pledging tax loss settlements to the lending banks in a similar arrangement as is currently in place for the exploration tax cost refund scheme. The Norwegian Ministry of Finance wrote to various affected E&P companies in December 2021 notifying them of the intention for the Exploration Finance Facility tax-backed security arrangement to remain in place during 2022 irrespective of the proposed new tax regime. We expect full details of the new tax system to be proposed by the Government in the first half of 2022.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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The Company has made a preliminary assessment of the impact of the proposed tax changes, which effectively increase the equity funding requirement of exploration costs from 22 to 28.2 per cent, and believes the Company remains funded for its exploration programme. In reaching this conclusion, the Company has assumed that the EFF shall be amended to reflect the proposed new tax regime enabling the Company to continue to borrow against the proposed tax refund in the same ratio as the existing exploration tax refund, and to pledge the same in favour of the lenders. The Company is working with a group of banks on a new debt facility to reflect the expected changes in the tax regime and to support further development and production acquisitions.

#### Principal risks and uncertainties facing the business

The risks set out below are a selection of the principal near-term risks that face the Company and are in shortened form. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

##### Area: Exploration/ drilling, developing and operating risks

Description: The Company has invested in oil and gas exploration assets which are speculative and involve a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable. In addition, drilling operations involve a number of risks, many of which are beyond the control of the Company, which may delay or adversely impact the projects which the Company may have acquired or which the Company may have invested. These include mechanical failures or delay, adverse weather conditions and governmental regulations or delays. These delays and potential impacts could result in a project's activities being damaged, delayed or abandoned and substantial losses could be incurred.

Mitigation: The Company has a multi-well programme that carries a range of differing technical and commercial risks. Operational drilling and HSE risks will be managed by the Company through its intended dedicated HSE personnel, Business Management System, third parties and other third-party operators. The Company will maintain a programme of insurance to cover such exposure up to recognised industry limits but should an incident occur of a magnitude in excess of such limits, the Company would be fully exposed to the financial consequences.

##### Area: Fiscal and other risks derived from government involvement in the oil and gas industry

Description: Any government action such as a change in oil or gas pricing policy (including royalties), exploration and development policy, or taxation rules or practice, or renegotiation or nullification of existing concession contracts, could have a material effect on the Company. The Company notes the proposed changes to the Norwegian tax regime announced on 31 August 2021. If adopted, as is expected, the proposed changes would require certain amendments to the Company's Exploration Financing Facility in order to reflect both changes to the tax rate calculation methodology and security structure in favour of the lenders.

Mitigation: The Company operates solely in Norway, which benefits from a sophisticated tax authority capable of assessing any adverse impact of any change in legislation before it is enacted.

##### Area: Availability of Debt finance

Description: The Company uses its Exploration Financing Facility ("EFF"), provided by certain lending banks, to prefinance the Norwegian Government's exploration tax rebate and to reduce the amount of working capital the Company needs to hold on its balance sheet. The Exploration Financing Facility currently has an aggregate commitment limit of NOK600 million. In the event that the pledge /security arrangements are not continued under the proposed tax regime (see above), then the EFF would cease to be available to the Company which in turn would be unable to meet its working capital obligations without other funding being secured.

Mitigation: As regards the proposed changes to the Norwegian tax regime, based on explicit statements made by the Norwegian Government on seeking to protect the security structure of the tax refunds the Board believes that the EFF will continue to be accessible during 2022. We still await the final detail on the new regime, any transition arrangements and final clarity on the pledge for tax refund in 2022. Clarity on 2023 will be provided when further information on the new tax regime is made available, this is expected in the first half of 2022.

## **LONGBOAT ENERGY NORGE AS**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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##### **Area: Access to Capital**

Description: The Company's business is capital intensive and its projects may be subject to delays or cost overruns or increased scope and assets may move into the development stage. Moreover any new acquisitions will require further equity capital and new debt facilities. In any of these circumstances the Company will require additional financing from credit or equity markets (via its parent company) and the availability of such financing is subject not only to market conditions but also a continued willingness of investors to finance oil and gas companies in an increasingly hostile political and social environment.

Mitigation: The Company will endeavour to invest in and acquire assets which meet its environmental and emissions criteria with a view to building a sustainable business that will continue to attract capital.

##### **Area: Volatility of commodity prices**

Description: The supply, demand and prices for commodities are volatile and are influenced by factors beyond the Company's control. With increased pressure to reduce GHG emissions by replacing fossil fuel energy generation with zero emission energy generation it is possible that peak demand for oil will be reached, and oil price will be adversely impacted as and when this happens. A significant prolonged decline in commodity prices could impact the viability of some or all of the exploration, development and producing projects which the Company may propose to acquire. Conversely extremely high oil and gas prices heighten certain risks to the Company namely: the impact on the economy, political and thereby fiscal backlash, even greater competition for assets and the challenge of matching buyer and seller expectations. In the near term, the impact of the invasion of Ukraine has exacerbated these effects particularly for potential vendors with assets in Russia who may now retain assets previously slated for disposal.

Mitigation: Where and when appropriate the Company will put in place suitable hedging arrangements, in accordance with its hedging policy, to mitigate the risk of a fall in commodity prices but such arrangements will only cover the relatively short term, leaving the Company exposed to any longer-term decline in commodity prices, and in addition some of the hedging arrangements entered into by the Company also carry inherent delivery risks

##### **Area: The Company may face significant competition for acquisition opportunities**

Description: There is significant competition from entities which possess greater technical, financial, human and other resources. The Company cannot assure investors that it will be successful against such competition. Such competition may cause the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case.

Mitigation: It is not possible to mitigate competition for quality assets, however, the Company seeks to reduce competitive risk by targeting assets where it has a specific knowledge or would likely be a preferred partner.

##### **Area: Reliance on key personnel**

Description: The success of the Company, including its ability to identify and complete potential acquisitions, will be dependent on the services of key management and operating personnel, including both its existing Directors and individuals who have yet to be identified. If the Company fails to recruit or retain the necessary personnel, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected.

Mitigation: In order to mitigate this risk, the Company has to offer competitive remuneration and retention packages to incentivise loyalty and good performance from its staff. There can be no mitigation against loss of key personnel resulting from any major accident or other loss of physical wellbeing.

##### **Area: Functioning M&A market**

Description: The extreme movement in oil and gas prices triggered by the invasion of Ukraine will likely impact the M&A market and vendors may defer assets disposal programmes pending a more stable market.

Mitigation: The Company will continue to pursue its acquisition strategy and engage with vendors in the hope and expectation that the current crisis will abate.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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##### Area: Foreign Exchange Rate Volatility

Description: The Company is reliant upon funding from its parent company which in turn raises equity capital in pounds sterling. The majority of the Company's expenditure is in Norwegian kroner and United States dollars and changes in currency values could have an indirect material adverse effect on the Company's financial position. This may be exacerbated by a strong US dollar triggered by the events in Ukraine.

Mitigation: Whilst the Company may hedge against any specific currency exposure of scale, to date it has simply converted its cash to meet its budgeted currency exposure as and when the exchange rates are favourable and so is exposed to any material exchange rate movements.

#### Corporate and Social Responsibility Report

##### Introduction

The Company is committed to high standards of health, safety and environmental performance. The health and safety of people, the protection of the environment and compliance with all applicable legal and internal requirements as well as industry best practice, is critical to the overall success of the Company. The Company's Business Management System (BMS) provides both the framework and mechanism for setting, monitoring and measuring suitable health, safety and environmental objectives as well as ensuring their continual improvement.

##### Business Principles Ethics

The Company is committed to maintaining high standards of corporate governance to ensure that it is managed with openness, honesty and transparency. The Company's Business Principles and Ethics Policy, which can be found on our Parent Company website, is key to the way we work both internally and externally.

The Company strives to meet the highest standards of integrity and ethics as it undertakes its activities. To ensure these values are core to the business, they are integrated within the BMS through policies, procedures and project plans.

The Company's operations are in Norway, which is amongst the most well managed oil and gas jurisdictions in the world. This in turn will require the Company to operate to very high regulatory standards for Environmental, Health and Safety legislation.

##### Environmental stewardship

The Company supports the goals of the Paris Agreement and the net zero emissions by 2050 targets set by the European Commission. The Company recognises the combined challenge of meeting increasing energy demand driven by a growing global and more affluent population and the urgent need to reduce global carbon emissions. As such, the Company aims to take an active role in driving down carbon emissions from its activities as it develops, acquires further assets and supports the energy transition through playing an active role at a company and industry level to promote best practice in environmental stewardship.

The Company remains committed to reporting consistently and meeting investor needs for transparent environmental disclosure. As Longboat develops its portfolio it will continue to ensure it has high standards of environmental transparency and reporting relevant to the asset base. Longboat will continue to monitor the evolution of environmental reporting standards and will seek to produce a separate sustainability report as its portfolio grows.

The Company also supports the UN Sustainable Development Goals ("UN SDGs"), in particular SDG 7 Affordable and clean energy, SDG 5 Gender equality, SDG 12 Responsible consumption and production, SDG 13 Climate action and SDG 14 Life below the water. These SDGs will help to guide the Company in minimising the impacts and maximising the benefits of its activities as it develops its business. The Company plans to develop its business so that it has a sustainable strategy as an oil and gas company providing safe and responsible energy at a low cost with low emissions.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

Accordingly, the Company is committed to:

- supporting the energy transition through playing an active role to promote best practice in environmental stewardship;
- pursuing a strategy of delivering low Scope 1 and Scope 2 emissions per barrel, to minimise carbon intensity of operations (including no routine flaring) and transparent annual disclosure of GHG emissions;
- prioritising renewable energy sources in the powering of operated and non-operated platforms where possible;
- using an internal carbon price for investment decisions; and
- being net zero by 2050 with an earlier target date to be set dependent on the profile of the assets acquired and the costs of CO<sub>2</sub> abatement and offset solutions.

#### Greenhouse gas (GHG) emissions

The Company reports its equity share of Scope 1 emissions from exploration drilling and an estimate of its Scope 2 emissions of GHGs, in line with SASB standards as part of its annual HSE monitoring programme. GHG emissions are reported annually to the Norwegian Environment Agency. During 2021 Longboat drilled three exploration wells Egyptian Vulture, Mugnetind and Rødhetta. Longboat's equity share of Scope 1 Greenhouse gas emissions ("GHG") were 1,667 tonnes (CO<sub>2</sub>, CO, N<sub>2</sub>O, nm VOC, NO<sub>x</sub> and Sox), of this 1,639 tonnes of the Scope 1 GHG emissions were CO<sub>2</sub> (2020: nil Scope 1 emissions). It is the Company's intention to acquire oil and gas production and development assets and if successful, the Company will assess and manage the risks of its operations in order to improve its environmental performance on a continual basis. It is the Company's intention that environmental management will be an integral part of the BMS and will include the following activities: environmental permits, identification of main environmental aspects, chemical assessments and substitution plans, environmental reporting, environmental surveys/studies and assessments and oil spill preparedness plans.

Scope 2 GHG emissions comprise those arising from generation of electricity supplied to offices, Longboat has estimated its scope 2 carbon dioxide emissions based on the operation of its Stavanger office and its parent company's smaller office in London, which includes heating, flights, other travel, computer and phone usage. For 2021 these scope 2 emissions were estimated to be approximately 31.5 tonnes of carbon dioxide (2020:10 tonnes). The increase in emissions is a result of a becoming qualified as a licence holder in Norway, with an increased technical staff and a larger office in Stavanger the methodology and assumptions for estimating Scope 2 Emissions were prepared in conjunction with Thundersaid Energy, the research consultancy for the energy transition and Proactima's ESG advisory service.

#### Environmental releases

Longboat has a target of zero acute discharges to sea. Any spill, irrespective of size, is recorded and followed up internally and reported to the authorities. There were no spills in 2021 from the three wells that Longboat had equity interests in (2020: nil).

#### People and Equal opportunities and discrimination

The Company is an equal opportunities employer and will recruit, employ and develop employees in line with best practice and based on the qualifications, experience and skills required for the work. We consider applications for employment from people regardless of gender, race, age, disability, marital status, sexual orientation or religious belief. We have respect for human dignity and the rights of the individual. We support the principles of, and promote respect for, the Universal Declaration of Human Rights.

#### Societal contribution

The Company intends to identify impactful community programmes to be funded as part of the longer-term corporate social investment strategy. There is extensive reporting on the Parent Company's website of our statements and policies on issues available on the HSE and Governance section of our website including statements on: Anti-Bribery and corruption; Anti-facilitation of tax evasion; Human Rights; Modern Slavery Statement and Whistleblowing.

#### Statement of going concern

The financial statements of the Company have been prepared on a going concern basis. The Company relies on financing from the Parent Company and a Parent Company guarantee to continue in operation.



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### Independent auditors

The Directors have reason to believe that BDO AS conducted an effective audit. The Directors have provided the auditors with full access to all of the books and records of the Company. BDO AS has expressed its willingness to continue to act as auditors to the Company and a resolution for its re-appointment will be proposed at the next Company meeting.

H Salthe  
Managing Director

H A Hammer  
Board Member

Julian G M Riddick  
Board Member

Jorunn J Saetre  
Chair of the Board

4 April 2022



## LONGBOAT ENERGY NORGE AS

### DIRECTORS' RESPONSIBILITIES STATEMENT

#### *FOR THE YEAR ENDED 31 DECEMBER 2021*

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The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Norway governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## LONGBOAT ENERGY NORGE AS

### INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LONGBOAT ENERGY NORGE AS

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#### Opinion

We have audited the financial statements of Longboat Energy Norge AS.

The financial statements comprise:

- The balance sheet as at 31 December 2021
- The income statement, statement of comprehensive income for 2021
- Statement of changes in equity
- Statement of cash flows for the year that ended 31 December 2021
- Notes to the financial statements, including a summary of significant accounting policies

In our opinion:

- The financial statements comply with applicable statutory requirements, and
- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report. Our opinion on the financial statements does not cover the other information.

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 consolidated 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.

#### 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 of financial statements that give a true and fair view 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.



## LONGBOAT ENERGY NORGE AS

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF LONGBOAT ENERGY NORGE AS

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#### **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 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 the 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>

#### **For and on behalf of BDO AS**

**Stig Andre Fjelldahl**  
**State Authorised Public Accountant**

Date: .....

Munkedamsveien 45  
0250 Oslo  
Norway



# LONGBOAT ENERGY NORGE AS

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2021

|                                                       |       | Year ended<br>2021<br>NOK | Period<br>from 5<br>December<br>2019 to<br>31 December<br>2020<br>NOK |
|-------------------------------------------------------|-------|---------------------------|-----------------------------------------------------------------------|
|                                                       | Notes |                           |                                                                       |
| Other operating income                                |       | 1,086,676                 | 2,364                                                                 |
| Administrative expenses                               |       | (26,118,589)              | (11,646,776)                                                          |
| <b>Operating loss</b>                                 |       | (25,031,913)              | (11,644,412)                                                          |
| Finance costs                                         | 6     | (16,434,927)              | (100,765)                                                             |
| Exploration expense                                   | 7     | (76,406,662)              | -                                                                     |
| <b>Loss before taxation</b>                           |       | (117,873,502)             | (11,745,177)                                                          |
| Income tax income                                     | 8     | 82,463,181                | 9,104,810                                                             |
| <b>Loss and total comprehensive loss for the year</b> |       | (35,410,321)              | (2,640,367)                                                           |
|                                                       |       | <b>NOK</b>                | <b>NOK</b>                                                            |
| Loss per share                                        | 9     | (24.89)                   | (6.4)                                                                 |

A statement of other comprehensive income has not been presented as no items of comprehensive income other than the loss for the financial year were incurred during the financial year. As such, comprehensive income for the year amounted to NIL (2020: NIL).



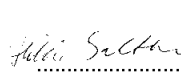
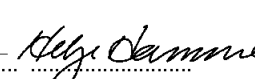
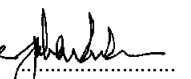
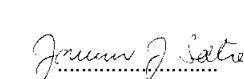
## LONGBOAT ENERGY NORGE AS

### STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

|                                     | Notes | 2021<br>NOK  | 2020<br>NOK |
|-------------------------------------|-------|--------------|-------------|
| <b>Non-current assets</b>           |       |              |             |
| Intangible assets                   | 10    | 286,238,070  | -           |
| Property, plant and equipment       | 11    | 6,810,195    | 58,780      |
|                                     |       | 293,048,265  | 58,780      |
| <b>Current assets</b>               |       |              |             |
| Cash and cash equivalents           | 15    | 227,579,469  | 866,438     |
| Inventories                         | 12    | 1,107,279    | -           |
| Trade and other receivables         | 13    | 12,622,648   | 147,354     |
| Current tax receivable              | 14    | 97,272,219   | 9,109,861   |
|                                     |       | 338,581,615  | 10,123,653  |
| <b>Total assets</b>                 |       | 631,629,880  | 10,182,433  |
| <b>Current liabilities</b>          |       |              |             |
| Trade and other payables            | 16    | 83,151,363   | 10,787,748  |
| Lease liabilities                   | 17    | 6,954,103    | -           |
|                                     |       | 90,105,466   | 10,787,748  |
| <b>Non-current liabilities</b>      |       |              |             |
| Deferred tax liabilities            | 18    | 223,924,302  | 5,051       |
| <b>Total liabilities</b>            |       | 314,029,768  | 10,792,799  |
| <b>Equity</b>                       |       |              |             |
| Called up share capital             | 19    | 3,400,000    | 500,000     |
| Share premium account               | 20    | 352,250,800  | 1,530,000   |
| Retained earnings                   |       | (38,050,688) | (2,640,367) |
| <b>Total equity</b>                 |       | 317,600,112  | (610,367)   |
| <b>Total equity and liabilities</b> |       | 631,629,880  | 10,182,433  |

The financial statements were approved by the board of Directors and authorised for issue on 4 April 2022 and are signed on its behalf by:

|                                                                                     |                                                                                     |                                                                                     |                                                                                      |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|  |  |  |  |
| H Salthe                                                                            | H A Hammer                                                                          | Julian G M Riddick                                                                  | Jorunn J Saetre                                                                      |
| Managing Director                                                                   | Board Member                                                                        | Board Member                                                                        | Chair of the Board                                                                   |

4 April 2022

Company Registration No. 924 186 720



## LONGBOAT ENERGY NORGE AS

### STATEMENT OF CHANGES IN EQUITY

#### FOR THE YEAR ENDED 31 DECEMBER 2021

|                                                    | Notes | Share capital<br>NOK | Share premium account<br>NOK | Retained earnings<br>NOK | Total<br>NOK |
|----------------------------------------------------|-------|----------------------|------------------------------|--------------------------|--------------|
| <b>Balance at 19 December 2019</b>                 |       | -                    | -                            | -                        | -            |
| <b>Period ended 31 December 2020:</b>              |       |                      |                              |                          |              |
| Loss and total comprehensive income for the period |       | -                    | -                            | (2,640,367)              | (2,640,367)  |
| Issue of share capital                             | 19    | 500,000              | 1,530,000                    | -                        | 2,030,000    |
| <b>Balance at 31 December 2020</b>                 |       | 500,000              | 1,530,000                    | (2,640,367)              | (610,367)    |
| <b>Year ended 31 December 2021:</b>                |       |                      |                              |                          |              |
| Loss and total comprehensive income for the year   |       | -                    | -                            | (35,410,321)             | (35,410,321) |
| Issue of share capital                             | 19    | 2,900,000            | 350,720,800                  | -                        | 353,620,800  |
| <b>Balance at 31 December 2021</b>                 |       | 3,400,000            | 352,250,800                  | (38,050,688)             | 317,600,112  |



## LONGBOAT ENERGY NORGE AS

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

| Notes                                                         | 2021<br>NOK          | 2020<br>NOK        |
|---------------------------------------------------------------|----------------------|--------------------|
| Profit for the year after tax                                 | (35,410,322)         | (2,640,366)        |
| Taxation charged                                              | (82,463,181)         | (9,104,810)        |
| Finance costs                                                 | -                    | 96,245             |
| Release of prepaid bank fees                                  | 608,333              | -                  |
| Interest payable                                              | 7,250,600            | -                  |
| Interest receivable                                           | (2,210)              | -                  |
| Depreciation and impairment of property, plant and equipment  | 243,102              | 15,940             |
| Other gains and losses                                        | 76,406,662           | -                  |
| Increase in inventories                                       | (1,107,279)          | -                  |
| Increase in trade and other receivables                       | (6,862,416)          | (147,355)          |
| ROU asset                                                     | 263,621              | -                  |
| Decrease in trade and other payables                          | 6,309,316            | 2,498,304          |
| Increase in amounts due to related parties                    | 19,104,197           | -                  |
| Corporate tax received                                        | 218,220,074          | -                  |
| <b>Net cash inflow/(outflow) from operating activities</b>    | <b>202,560,497</b>   | <b>(9,282,042)</b> |
| <b>Investing activities</b>                                   |                      |                    |
| Expenditure on exploration and evaluation assets              | (315,654,881)        | -                  |
| Purchase of property, plant and equipment                     | (73,328)             | (74,720)           |
| Loans received                                                | -                    | 8,193,200          |
| Interest received                                             | 2,210                | -                  |
| <b>Net cash (used in)/generated from investing activities</b> | <b>(315,725,999)</b> | <b>8,118,480</b>   |
| <b>Financing activities</b>                                   |                      |                    |
| Proceeds from issue of shares                                 | 353,620,800          | 2,000,000          |
| Interest paid                                                 | (6,642,267)          | -                  |
| Loan facility fees                                            | (7,100,000)          | -                  |
| <b>Net cash (used in)/generated from financing activities</b> | <b>339,878,533</b>   | <b>2,000,000</b>   |
| <b>Net increase in cash and cash equivalents</b>              | <b>226,713,031</b>   | <b>836,438</b>     |
| Cash and cash equivalents at beginning of period              | 866,438              | 30,000             |
| Cash and cash equivalents at end of period                    | 227,579,469          | 866,438            |



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### Company information

Longboat Energy Norge AS is a private company limited by shares incorporated in Norway. The registered office is Strandkaia 36, Stavanger 4005, Norway. The Company's principal activities and nature of its operations are disclosed in the Directors' report.

##### 1.1 Accounting convention

As required by the European Union's IAS Regulation and the Norwegian Accounting Act, the Company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new and revised accounting standards and interpretations, and other changes, as described below.

The financial statements have been prepared under the historical cost convention.

##### 1.2 Foreign currency

The functional currency for the Company is Norwegian Kroner. Transactions in foreign currencies during the year are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate ruling on the Balance Sheet date and any gains and losses on translation are reflected in the Income Statement.

##### 1.3 Joint arrangements

Judgement is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Company has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work programme and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- the structure of the joint arrangement — whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Company also considers the rights and obligations arising from:
- the legal form of the separate vehicle; the terms of the contractual arrangement; and Joint arrangements
- other facts and circumstances, considered on a case by case basis.

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

A Joint Operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangements. 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.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### 1.4 Going concern

The Directors, having considered cash flow forecasts, sensitivities and stress tests and undertaken careful enquiry, are of the opinion that the Company has adequate working capital to continue its operations and meet its liabilities and commitments for a period of at least the next 12 months. Accordingly, the directors have made an informed judgement to continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their assessment, the Directors have carefully considered potential risks and uncertainties associated with the Company's business model and additionally the continuing conflict in Ukraine and associated international sanctions activity on Russia.

The forecasts indicate that sufficient liquidity is maintained across the going concern period and have been prepared on the basis of committed exploration expenditure and budgeted operating costs, continuation of the Norwegian tax refund arrangements based on proposals issued by the Norwegian Ministry of Finance and the continued availability of draw down under the EFF in 2022 and 2023.

In considering the continued access to the EFF, the Directors (and the EFF lending banks based on enquiries made by the Directors) considered written assurances from the Norwegian Ministry of Finance that the existing security structure of the tax refunds will be preserved for 2022, which will enable the EFF to continue to be available. Whilst an element of inherent uncertainty regarding the availability of the EFF remains until the legislative process is complete, the assurances received from the Norwegian Ministry of Finance are such that the Directors consider the risks of the security structure not being preserved for 2022 to be remote. Confirmation of the continued availability of tax refunds as security for the EFF is anticipated when details of the new Norwegian tax regime are published. In March 2022 Longboat made its first drawing of NOK 15 million under the EFF.

The Ministry of Finance has not yet confirmed if the pledge will continue in 2023, however, the bulk of the Company's committed E&A expenditure is scheduled for the current year and sensitivity scenarios in which no draw downs are available in 2023 demonstrate that sufficient liquidity is retained for at least 12 months from the date of approval of the financial statements. The Directors have obtained legal advice which confirms that contractual repayment terms of amounts drawn down in 2022 would be unaffected by an adverse revision to the security package in 2023. The Directors have further considered combination stress case scenarios in which exploration cost escalation is combined with inability to access the EFF which indicates that liquidity is retained until Q4 2023, however, the Directors are at a well progressed stage with lending banks regarding alternate facilities being available should they be required.

Having considered the forecasts the Directors consider that the Company will have sufficient liquidity and no material uncertainties are considered to exist in respect of going concern.

## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### 1.5 Intangible assets other than goodwill

###### Capitalisation

Pre-acquisition costs on oil and gas assets are recognised in the Income Statement when incurred. Costs incurred after rights to explore have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs are capitalised as intangible exploration and evaluation ("E&E") assets. The assessment of what constitutes an individual E&E asset is based on technical criteria but essentially either a single licence area or contiguous licence areas with consistent geological features are designated as individual E&E assets.

Exploration licence costs are capitalised in 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 the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that work is under way to determine that the discovery is economically viable. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

Oil and gas assets include rights in respect of unproved properties. Property, plant and equipment, including expenditure on major inspections, and intangible assets are initially recognised in the Balance Sheet at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

Intangible assets are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income, within interest and other income.

##### 1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any evidence on the performance of the assets received following the end of the period, which relates to the current period will be recognised in a subsequent period rather than in the current period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

Impairment of intangible assets is assessed when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The facts and circumstances used are in accordance with those dictated by IFRS 6 and if any of those circumstances are present then an impairment test is performed in accordance with IAS 36 and any loss recognised. An exploratory well in progress at period end which is determined to be unsuccessful subsequent to the balance sheet date based on substantive evidence obtained during the drilling process in that subsequent period is treated as a non-adjusting subsequent event.

#### 1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                       |                      |
|-----------------------|----------------------|
| Fixtures and fittings | 20% straight line    |
| Computers             | 33.33% straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

#### 1.8 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### **Financial assets at fair value through profit or loss**

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

##### **Financial assets held at amortised cost**

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognized at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

##### **Financial assets at fair value through other comprehensive income**

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognized.

The company has made an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when the equity instrument is derecognized or its fair value substantially decreased. Dividends are recognized as finance income in profit or loss.

##### **Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are assessed for impairment at each reporting end date.

For trade receivables and intercompany receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Due to the nature of the balances the Company has determined that a provisions matrix is not appropriate and applies a scenario based approach to estimate lifetime ECL.

##### **Derecognition of financial assets**

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### 1.11 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

##### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently receivable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are non-tax deductible or non-taxable. The company's receivable for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### **1.13 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.14 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### **1.15 Leases**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

#### 1.16 Reserves

##### *Share capital*

Share capital represents the nominal value of shares.

##### *Share Premium*

This reserve represents the difference between the issue price and the nominal value of shares at the date of issue, net of related issue costs.

##### *Retained Earnings*

Net revenue profits and losses of the Company which are revenue in nature are dealt with in this reserve.

#### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or may have an effect on future periods:

|                                                         |                                                           | Effective from: |
|---------------------------------------------------------|-----------------------------------------------------------|-----------------|
| IFRS 4 (Amendments)                                     | Extension of the temporary exemption from applying IFRS 9 | 1 January 2021  |
| IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments) | Interest Rate Benchmark Reform - Phase 2                  | 1 January 2021  |
| IFRS 16 (Amendments)                                    | Covid-19 related rent concessions                         | 1 April 2021    |



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 2 Adoption of new and revised standards and changes in accounting policies (Continued)

##### Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

|                                     |                                                                                                                                                                                                                            | Effective from: |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| IFRS 17                             | Insurance contracts                                                                                                                                                                                                        | 1 January 2023  |
| IAS 1 (Amendments)                  | Classification of liabilities as current or non-current                                                                                                                                                                    | 1 January 2023  |
| IFRS 3 (Amendments)                 | Reference to the conceptual framework                                                                                                                                                                                      | 1 January 2022  |
| IAS 16 (Amendments)                 | Property, plant and equipment - proceeds before intended use                                                                                                                                                               | 1 January 2022  |
| IAS 37 (Amendments)                 | Onerous contracts - cost of fulfilling a contract                                                                                                                                                                          | 1 January 2022  |
| Annual Improvements 2018-2020 Cycle | Amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (fees in the '10 percent' test for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in the fair value measurements) | 1 January 2022  |
| IAS 1 (Amendments)                  | Classification of liabilities as current or non-current - deferral of effective date                                                                                                                                       | 1 January 2023  |
| IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies                                                                                                                                                                                          | 1 January 2023  |
| IAS 8 (Amendments)                  | Definition of accounting estimates                                                                                                                                                                                         | 1 January 2023  |
| IAS 12 (Amendments)                 | Deferred tax related to assets and liabilities arising from a single transaction                                                                                                                                           | 1 January 2023  |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company aside from additional disclosures.

The Company plans to adopt the above standards when from the effective dates noted in the table above.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

##### Deferred Taxes

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Recognition of the benefits of the deferred tax assets requires that we generate future taxable income. Assumptions about the generation of future taxable income depend on our estimates of future cash flows, which are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure and capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdiction in which we operate could limit our ability to obtain tax deductions in future periods.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. See note 17 for more information on the deferred tax assets recognised and unrecognised.

Judgement is required to determine the appropriate carrying value for exploration assets recognised in the statement of financial position. The Company has to take into consideration whether the assets have suffered any impairment, taking into consideration the results of the drilling to date, and the likelihood of reserves being found. The Company relies upon information from third parties to take these decisions, and can be subject to change if future information becomes available.

##### Exploration and evaluation assets (note 7 & 9)

Judgement is required to determine whether impairment indicators exist in respect of the Company's exploration assets recognised in the statement of financial position. The Company has to take into consideration whether the assets have suffered any impairment, taking into consideration the results of the drilling to date, and the likelihood of reserves being found. The Company relies upon information from third parties to take these decisions, and can be subject to change if future information becomes available. At 31 December 2021 the Company determined that impairment of NOK 76.4 million was required in respect of the Mugnetind licence detailed in note 7 and 9. Judgment was further exercised in evaluating the extent to which an impairment indicator existed at year end in respect of the Ginny/Hermine licence however based on the timing of substantive drilling post year end and the continued evaluation of the well no impairment indicator was considered to exist.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 4 Auditor's remuneration

|                                                       | 2021<br>NOK | 2020<br>NOK |
|-------------------------------------------------------|-------------|-------------|
| Fees payable to the company's auditor and associates: |             |             |
| <b>For audit services</b>                             |             |             |
| Audit of the financial statements of the company      | 203,542     | 50,300      |

#### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

|           | 2021<br>Number | 2020<br>Number |
|-----------|----------------|----------------|
| Directors | 1              | 1              |
| Staff     | 3              | -              |
| Total     | 4              | 1              |

The total charge as remuneration for 2021 is:

|                       | 2021<br>NOK | 2020<br>NOK |
|-----------------------|-------------|-------------|
| Remuneration          | 10,916,275  | 1,746,312   |
| Social security costs | 1,626,499   | -           |
| Pension costs         | 1,016,268   | -           |
| Total                 | 13,559,042  | 1,746,312   |

The total remuneration for Leading Personnel for 2021 is:

|         | 2021<br>NOK | 2020<br>NOK |
|---------|-------------|-------------|
| Salary  | 1,438,651   | -           |
| Pension | 321,250     | -           |
| Other   | 511,616     | -           |
| Total   | 2,271,518   | -           |

On 1 October 2021 the Company appointed a new Managing Director (MD), the previous individual having dual roles as both Managing Director of the Company and CEO of the Group.

Both MD's participated in the Group bonus scheme where the final amount is decided by the parent company Remuneration Committee on an annual basis. In addition, the current MD received an award in the period under the Longboat Energy plc Long Term incentive Plan.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 6 Finance costs

|                                      | 2021<br>NOK       | 2020<br>NOK    |
|--------------------------------------|-------------------|----------------|
| Interest on intercompany loans       | 1,500,802         | 96,245         |
| Interest and fees on long term loans | 4,133,333         | -              |
| Interest relating to JVB             | 2,185,370         | -              |
| Interest on ROU asset                | 32,915            | -              |
| Exchange (gain)/loss                 | 8,518,971         | (12,365)       |
| Other financial cost                 | 63,536            | 16,885         |
|                                      | <u>16,434,927</u> | <u>100,765</u> |

On 31 March 2020 the Company entered into a loan facility with parent company Longboat Energy plc, a company registered in England, under which the NOK equivalent of £5 million was made available to the Company. Utilisations under the loan incurs interest at 7.5% and is repayable on 24 January 2025.

#### 7 Exploration expense

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

|                                             | 2021<br>NOK       | 2020<br>NOK |
|---------------------------------------------|-------------------|-------------|
| Amounts written off on exploration activity | <u>76,406,662</u> | <u>-</u>    |

During the year, the Company acquired interests in seven exploration wells on the Norwegian Continental Shelf, such acquisitions completing on 31 August 2021.

During the year, the evaluation of the some of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have decided to write off the cost of the well and associated licence costs.

For Exploration Expenditures in 2022, the Company's ongoing committed exploration programme including the drilling of three wells will be financed by a combination of existing cash, tax receivables and drawdowns under the EFF.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 8 Income tax expense

|                                                                        | 2021<br>NOK   | 2020<br>NOK  |
|------------------------------------------------------------------------|---------------|--------------|
| <b>Current tax</b>                                                     |               |              |
| Norway corporate and special tax credit on loss for the current period | (306,382,432) | (9,109,861)  |
| <b>Deferred tax</b>                                                    |               |              |
| Origination and reversal of temporary differences                      | 223,919,251   | 5,051        |
| <b>Total tax (credit)</b>                                              | (82,463,181)  | (9,104,810)  |
| <b>Current tax</b>                                                     |               |              |
| Loss before tax and finance                                            | (100,946,737) | (11,645,078) |
| Capitalised exploration costs                                          | (286,238,070) | -            |
| Share Option expense                                                   | 597,528       | -            |
| Depreciation expense                                                   | (16,009)      | (6,477)      |
| Right of use asset                                                     | 230,706       | -            |
| Finance expenses                                                       | (16,891,640)  | (98,401)     |
| Prepaid financial expense                                              | (5,883,333)   | -            |
| Basis for special tax at 56%                                           | (386,372,582) | (11,651,555) |
| Basis for special tax at 22%                                           | (409,147,555) | (11,749,956) |
| Current tax total                                                      | (306,381,108) | (9,109,861)  |
| Adjustment from prior year                                             | (1,324)       | -            |
| Total current tax                                                      | (306,382,432) | (9,109,861)  |
| <b>Deferred tax</b>                                                    |               |              |
| Capitalised exploration costs                                          | 286,238,070   | -            |
| Share options expense                                                  | (597,528)     | -            |
| Depreciation expense                                                   | 16,009        | 6,477        |
| Right of use assets                                                    | (230,706)     | -            |
| Right of use liability                                                 | (32,915)      | -            |
| Loan fees                                                              | 5,883,333     | -            |
| Basis for deferred tax at 56%                                          | 285,425,845   | 6,477        |
| Basis for deferred tax at 22%                                          | 291,276,263   | 6,477        |
| Total deferred tax                                                     | 223,919,251   | 5,051        |
| Total tax credit                                                       | (82,463,181)  | (9,104,810)  |



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 8 Income tax expense

(Continued)

Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. The current tax (rebate) of NOK 306.4 million represents what has been paid out during 2021 and will be paid out during 2022 according to Norwegian Tax Legislation. As per 31 December 2021 NOK 209.1 million has been refunded, leaving NOK 97.3 million to be paid during 2022. The deferred tax charge represents the tax portion on capitalised intangibles being deductible for tax purposes.

#### 9 Earnings per share

|                                                                                                                                              | 2021<br>NOK  | 2020<br>NOK |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
| <b>Number of shares</b>                                                                                                                      |              |             |
| Weighted average number of ordinary shares for basic earnings per share                                                                      | 1,422,739    | 412,439     |
| <b>Earnings</b>                                                                                                                              |              |             |
| Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the group for continued operations | (35,410,321) | (2,640,367) |
| <b>Basic and diluted earnings per share</b>                                                                                                  |              |             |
| From continuing operations                                                                                                                   | (24.89)      | (6.40)      |

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

#### 10 Intangible assets

|                        | Exploration<br>and Evaluation<br>Assets<br>NOK |
|------------------------|------------------------------------------------|
| <b>Cost</b>            |                                                |
| At 1 January 2021      | -                                              |
| Additions              | 362,644,732                                    |
| Exploration write off  | (76,406,662)                                   |
| At 31 December 2021    | 286,238,070                                    |
| <b>Carrying amount</b> |                                                |
| At 31 December 2021    | 286,238,070                                    |

During the year, the Company acquired interests in seven exploration licences on the Norwegian Continental Shelf, which completed on 31 August 2021.

During the year, the evaluation of the some of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have concluded to write off the cost of the well and associated licence costs.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 11 Property, plant and equipment

|                                                | Right of use<br>asset<br>NOK | Fixtures and<br>fittings<br>NOK | Computers<br>NOK | Total<br>NOK |
|------------------------------------------------|------------------------------|---------------------------------|------------------|--------------|
| <b>Cost</b>                                    |                              |                                 |                  |              |
| At 1 December 2020                             | -                            | -                               | -                | -            |
| Additions                                      | -                            | -                               | 74,720           | 74,720       |
| At 31 December 2020                            | -                            | -                               | 74,720           | 74,720       |
| Additions                                      | 6,921,189                    | 39,855                          | 33,473           | 6,994,517    |
| At 31 December 2021                            | 6,921,189                    | 39,855                          | 108,193          | 7,069,237    |
| <b>Accumulated depreciation and impairment</b> |                              |                                 |                  |              |
| At 1 December 2020                             | -                            | -                               | -                | -            |
| Charge for the year                            | -                            | -                               | 15,940           | 15,940       |
| At 31 December 2020                            | -                            | -                               | 15,940           | 15,940       |
| Charge for the year                            | 230,706                      | 1,993                           | 10,403           | 243,102      |
| At 31 December 2021                            | 230,706                      | 1,993                           | 26,343           | 259,042      |
| <b>Carrying amount</b>                         |                              |                                 |                  |              |
| At 31 December 2021                            | 6,690,483                    | 37,862                          | 81,850           | 6,810,195    |
| At 31 December 2020                            | -                            | -                               | 58,780           | 58,780       |

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Expected rates:

Fixtures and fittings 5 years straight line

Computers 3 years straight line

Actual rates:

Fixtures and fittings 20% straight line

Computers 33.33% straight line



### LONGBOAT ENERGY NORGE AS

#### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

##### 12 Inventories

|                        | 2021<br>NOK | 2020<br>NOK |
|------------------------|-------------|-------------|
| Materials and supplies | 1,107,279   | -           |

Closing inventories are equal to their net realisable value.

##### 13 Trade and other receivables

|                   | 2021<br>NOK | 2020<br>NOK |
|-------------------|-------------|-------------|
| Trade receivables | 468,900     | -           |
| VAT recoverable   | 562,340     | -           |
| Other receivables | 342,522     | -           |
| Prepayments       | 11,248,886  | 147,355     |
|                   | 12,622,648  | 147,355     |

##### 14 Current tax receivable

|                           | 2021<br>NOK   | 2020<br>NOK |
|---------------------------|---------------|-------------|
| Current year tax credit   | 306,381,108   | 9,109,861   |
| Paid from tax authorities | (209,108,889) | -           |
| Current tax receivable    | 97,272,219    | 9,109,861   |

This is the balance due to the company from The Norwegian Directorate of Taxes as a rebate relating to exploration expenditure.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 15 Cash and cash equivalents

|                                          | 2021<br>NOK        | 2020<br>NOK    |
|------------------------------------------|--------------------|----------------|
| Current account                          | 37,575,623         | 645,262        |
| Norge NOK account                        | 30,039,637         | -              |
| Restricted funds related to employee tax | 2,000,369          | 188,457        |
| SR Bank - Current account                | 5,644,911          | -              |
| Euro account                             | 29,480             | -              |
| USD account                              | 50,186,151         | -              |
| GBP account                              | 102,103,298        | -              |
| Credit card                              | -                  | 32,720         |
|                                          | <u>227,579,469</u> | <u>866,438</u> |

#### 16 Trade and other payables

|                                    | 2021<br>NOK       | 2020<br>NOK       |
|------------------------------------|-------------------|-------------------|
| Trade payables                     | 8,851,669         | 1,223,291         |
| Amount owed to parent undertaking  | 25,700,350        | 8,193,200         |
| Accruals                           | 16,102,687        | 299,516           |
| Accruals (JV)                      | 14,487,694        | -                 |
| Social security and taxes withheld | 2,152,066         | 1,071,741         |
| Other payables                     | 1,597,047         | -                 |
| Over/Undercall (JV)                | 14,259,850        | -                 |
|                                    | <u>83,151,363</u> | <u>10,787,748</u> |



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 17 Lease liabilities

The Company has lease contracts for buildings used in its operations. The Company has agreed a new lease for its Stavanger office which was signed in July 2021. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

|                                                             | 2021<br>NOK | 2020<br>NOK |
|-------------------------------------------------------------|-------------|-------------|
| Current liabilities                                         | 6,954,103   | -           |
| Amounts recognised in profit or loss include the following: |             |             |
| Interest on lease liabilities                               | (230,131)   | (12,365)    |

#### 18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

|                                                     | Accelerated<br>capital<br>allowances<br>NOK |
|-----------------------------------------------------|---------------------------------------------|
| Deferred tax balance at 1 January 2020              | -                                           |
| <b>Deferred tax movements in prior year</b>         |                                             |
| Differences in tax basis for depreciation in Norway | 5,051                                       |
| Deferred tax liability at 1 January 2021            | 5,051                                       |
| <b>Deferred tax movements in current year</b>       |                                             |
| Differences in tax basis for depreciation in Norway | 223,919,251                                 |
| Deferred tax liability at 31 December 2021          | 223,924,302                                 |

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

The company has tax losses that are available indefinitely for offsetting against future taxable profits. These have been recognised on the basis that there are future taxable profits expected within the company which will allow it to be offset.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 19 Share capital

|                               | 2021<br>Number | 2020<br>Number | 2021<br>NOK | 2020<br>NOK |
|-------------------------------|----------------|----------------|-------------|-------------|
| <b>Ordinary share capital</b> |                |                |             |             |
| <b>Issued and fully paid</b>  |                |                |             |             |
| Shares at NOK 1 each          | 3,400,000      | 500,000        | 3,400,000   | 500,000     |

#### Reconciliation of movements during the year:

|                                             | Number    |
|---------------------------------------------|-----------|
| At 1 January 2021                           | 500,000   |
| Issue of 1,000,000 shares on 19 July 2021   | 1,000,000 |
| Issue of 1,000,000 shares on 10 August 2021 | 1,000,000 |
| Issue of 900,000 shares on 29 November 2021 | 900,000   |
| At 31 December 2021                         | 3,400,000 |

#### 20 Share premium account

|                              | 2021<br>NOK | 2020<br>NOK |
|------------------------------|-------------|-------------|
| At the beginning of the year | 1,530,000   | -           |
| Issue of new shares          | 350,720,800 | 1,530,000   |
| At the end of the year       | 352,250,800 | 1,530,000   |

Under the terms of the EFF, the Company is restricted from paying any dividend, charge, fee or other distribution in respect of its share capital unless it has demonstrated to the lending banks that it has sufficient funding (as defined) for the remainder of the relevant year.

#### 21 Financial instruments

##### Categories of financial instruments

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics; and
- The carrying amounts of financial instruments.

|                                                | 2021<br>NOK | 2020<br>NOK |
|------------------------------------------------|-------------|-------------|
| <b>Financial liabilities at amortised cost</b> |             |             |
| Trade payables                                 | 8,851,668   | 1,223,291   |
| Social security and withheld taxes             | 2,152,066   | 1,071,742   |
|                                                | 11,003,734  | 2,295,033   |



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 21 Financial instruments

(Continued)

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The Company does not have any assets or liabilities measured at fair value. There have been no transfers in to or transfers out of fair value hierarchy levels in the period.

The Company is exposed to financial risks through its various business activities. In particular, changes in interest rates and exchange rates can have an effect on the capital, financial and revenue situation of the Company. In addition, the Company is subject to credit risks.

The Company has adopted internal guidelines, which concern risk control processes and which regulate the use of financial instruments and thus provide a clear separation of the roles relating to operational financial activities, their implementation and accounting, and the auditing of financial instruments. The guidelines on which the Company's risk management processes are based are designed to ensure that the risks are identified and analyzed across the Company. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Company controls and monitors these risks primarily through its operational business and financing activities.

#### Credit Risks

The credit risk describes the risk from an economic loss that arises because a contacting party fails to fulfil their contractual payment obligations. The credit risk includes both the immediate default risk and the risk of credit deterioration, connected with the risk of the concentration of individual risks. For the Company, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Company's policy is to place its cash with reputable clearing banks. During the period, the Company's cash was deposited with one bank with a credit rating of AA-.

Notwithstanding existing collateral, the amount of financial assets indicates the maximum default risk in the event that counterparties are unable to meet their contractual payment obligations. The maximum credit default risk amounted to NOK 227,579,509 at the balance sheet date, of which all of it was cash on deposit at bank.

**LONGBOAT ENERGY NORGE AS****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****21 Financial instruments****(Continued)**

The Company has available a revolving exploration financing facility (EFF) of NOK 600 million with SpareBank 1 SR-Bank ASA and ING Bank N.V. The Company can draw 95 per cent. of the current 78% tax value of eligible costs incurred (as defined in the facility agreement). However ahead of the publication and approval of the proposed petroleum tax changes by the Norwegian Government, the Company is drawing the lesser of the amounts available under the facility and 95 per cent. of the proposed 71.8% tax value of eligible costs. The company has not utilised the EFF in relation to exploration spend in 2021 and the credit remained unused at 31 December 2021.

**Liquidity Risks**

Liquidity risk is defined as the risk that a company may not be able to fulfil its financial obligations. The Company manages its liquidity by maintaining cash and cash equivalents sufficient to meet its expected cash requirements to implement its investing policy. In the event that there is a risk that the cash required to follow the investment policy is greater than the Company's liquid resources, the Company would seek further financing from its parent company Longboat Energy plc.

At 31 December 2021, the Company had cash on deposit of NOK 227,579,509 (2020: NOK 866,438).

**Market Risks****Interest Rate Risks**

Interest rate risks exist due to potential changes in market interest rates and can lead to a change in the fair value of fixed-interest bearing instruments, and to fluctuations in interest payment for variable interest rate financial instruments.

The Company is exposed to interest rate risk on cash held on deposit at banks. Interest income for the period to 31 December 2021 was NOK 2,210 (2020: NOK 2,364). These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Company.

**22 Other leasing information****Lessee**

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

|                                               | <b>2021<br/>NOK</b> | <b>2020<br/>NOK</b> |
|-----------------------------------------------|---------------------|---------------------|
| Minimum lease payments under operating leases | 765,187             | 641,533             |

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

|                           | <b>2021<br/>NOK</b> | <b>2020<br/>NOK</b> |
|---------------------------|---------------------|---------------------|
| <b>Land and buildings</b> |                     |                     |
| Within one year           | -                   | 53,318              |

Information relating to lease liabilities is included in note 17.



## LONGBOAT ENERGY NORGE AS

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 23 Retirement benefit schemes

|                                                                     | 2021<br>NOK | 2020<br>NOK |
|---------------------------------------------------------------------|-------------|-------------|
| <b>Defined contribution schemes</b>                                 |             |             |
| Charge to profit or loss in respect of defined contribution schemes | 1,016,268   | -           |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

#### 24 Related party transactions

The Company has taken advantage of the disclosure exemption which exempts them from disclosing related party transactions with fellow group undertakings as outlined in IAS 24, as 100% of the voting rights are controlled by the ultimate parent undertaking, Longboat Energy plc.

The Company considers the directors to be key management personnel and their remuneration is disclosed in note 5.

#### 25 Controlling party

The Company is a wholly owned subsidiary undertaking of Longboat Energy plc, the ultimate parent company, a company registered in England.

Longboat Energy plc has 100% of the voting rights.

A copy of these accounts are available at 5th Floor, One New Change, London, EC4M 9AF.

#### 26 Subsequent events

Post the year end, the results of the Equinor operated Ginny and Hermine well were announced on 4th February 2022 with the well failing to find hydrocarbons. The operator is currently assessing if there is further prospectivity on the licence.

Post the year end Russia invaded the Ukraine. The Board has assessed the risks to the Company associated with the Russian invasion of Ukraine and, unless the conflict escalates into a conflict between Russia and NATO, has concluded that there are no direct consequences to the Company although there are indirect risks as outlined, in the Principal Risks and Uncertainties section, notably as regards commodity prices, FX rates and the impact on the M&A market.