Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	913 120 981
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	INPEX NORGE AS
Forretningsadresse:	Strandveien 50 1366 LYSAKER

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018

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:	Koji Ochiai
Dato for fastsettelse av årsregnskapet:	29.05.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert

År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

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, 20.08.2020

Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		0	0
Sum inntekter		**0**	**0**
Kostnader			
Payroll and related cost	5	32 436 000	19 822 000
Depreciation and amortisation	10	78 000	220 000
Exploration expenses	4	106 046 000	80 258 000
Other operating expenses	6	13 950 000	10 279 000
Sum kostnader		**152 510 000**	**110 579 000**
Driftsresultat		**-152 510 000**	**-110 579 000**
Finansinntekter og finanskostnader			
Finance income	7	849 000	485 000
Sum finansinntekter		**849 000**	**485 000**
Finance costs	7	5 000	857 000
Sum finanskostnader		**5 000**	**857 000**
Netto finans		**844 000**	**-372 000**
Ordinært resultat før skattekostnad		**-151 666 000**	**-110 951 000**
Calculated refund tax value of exploration costs	8	-114 161 000	-82 435 000
Change deferred tax	8	-4 616 000	-3 903 000
Ordinært resultat etter skattekostnad		**-32 889 000**	**-24 613 000**
Årsresultat		**-32 889 000**	**-24 613 000**

Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Exploration and evaluation assets	9	429 000	429 000
Utsatt skattefordel	8	28 318 000	23 703 000
Sum immaterielle eiendeler		**28 747 000**	**24 132 000**
Varige driftsmidler			
Property, plant and equipment	10	94 000	164 000
Intangible asset	10	1 674 000	2 904 000
Sum varige driftsmidler		**1 768 000**	**3 068 000**
Sum anleggsmidler		**30 515 000**	**27 200 000**
Omløpsmidler			
Varer			
Fordringer			
Prepayments and other receivables	11	18 558 000	4 605 000
Tax receivable refund tax value exploration expense	8	114 161 000	83 958 000
Konsernfordringer	16	141 054 000	77 073 000
Sum fordringer		**273 773 000**	**165 636 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	12	4 254 000	5 398 000
Sum bankinnskudd, kontanter og lignende		**4 254 000**	**5 398 000**
Sum omløpsmidler		**278 027 000**	**171 034 000**
SUM EIENDELER		**308 542 000**	**198 234 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Balanse

Beløp i: NOK	Note	2018	2017
Share capital	13	55 120 000	55 100 000
Overkurs	20	309 910 000	232 930 000
Sum innskutt egenkapital		**365 030 000**	**288 030 000**
Opptjent egenkapital			
Udekket tap		135 114 000	102 224 000
Sum opptjent egenkapital		**-135 114 000**	**-102 224 000**
Sum egenkapital		**229 916 000**	**185 806 000**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld	14	64 466 000	5 471 000
Kortsiktig konserngjeld	14,16	2 437 000	2 953 000
Other current liabilities	15	11 724 000	4 004 000
Sum kortsiktig gjeld		**78 627 000**	**12 428 000**
Sum gjeld		**78 627 000**	**12 428 000**
SUM EGENKAPITAL OG GJELD		**308 543 000**	**198 234 000**

INPEX NORGE AS

INCOME STATEMENT

(Amounts in NOK thousand)	Note	2018	2017
Operating income		0	0
Exploration expenses	4	-106,046	-80,258
Payroll and related cost	5	-32,436	-19,822
Depreciation and amortisation	10	-78	-220
Other operating expenses	6	-13,950	-10,279
Operating profit (loss)		**-152,511**	**-110,579**
Finance income	7	849	485
Finance costs	7	-5	-857
Net financial items		**844**	**-372**
Profit (loss) before income tax		**-151,667**	**-110,950**
Calculated refund tax value of exploration costs		114,161	82,435
Change deferred tax		4,616	3,903
Net Income tax credit	8	**118,776**	**86,339**
Profit (loss) for the year		**-32,891**	**-24,612**

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK thousand)	Note	2018	2017
Profit (loss) for the year		-32,891	-24,612
Other comprehensive income, net of tax:		0	0
Total other comprehensive income, net of tax		**0**	**0**
Total comprehensive income for the year		**-32,891**	**-24,612**

INPEX NORGE AS

BALANCE SHEET

(Amounts in NOK thousand)	Note	12/31/2018	12/31/2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	9	429	429
Deferred tax asset	8	28,318	23,703
Property, plant and equipment	10	94	164
Intangible asset	10	1,674	2,904
Total non-current assets		**30,516**	**27,200**
Current assets			
Intercompany receivables	16	141,054	77,073
Prepayments and other receivables	11	18,558	4,605
Tax receivable refund tax value exploration expenses	8	114,161	83,958
Cash and cash equivalents	12	4,254	5,398
Total current assets		**278,027**	**171,034**
Total assets		**308,543**	**198,234**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	55,120	55,100
Premium paid-in capital	20	309,910	232,930
Uncovered loss		-135,114	-102,224
Total equity		**229,916**	**185,806**
Liabilities			
Current liabilities			
Liabilities to group companies	14,16	2,437	2,953
Trade creditors	14	64,466	5,471
Other current liabilities	15	11,724	4,004
Total current liabilities		**78,627**	**12,427**
Total liabilities		**78,627**	**12,427**
Total equity and liabilities		**308,543**	**198,234**

Lysaker, 27th May 2019

K. Ochiai
Koji Ochiai
Chairman of the Board

Yukihiro Machida
Managiing Director
Board Member

INPEX NORGE AS

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK thousand)	**Share capital**	**Premium paid-in capital**	**Uncovered loss**	**Total equity**
Equity at 1st of January 2017	55,080	175,950	-77,612	153,418
Profit (loss) for the year			-24,612	-24,612
Other comprehensive income for the year			0	0
Total comprehensive income for the year			-24,612	-24,612
Shares issued in 2017	20	56,980		57,000
Equity at 31st of December 2017	**55,100**	**232,930**	**-102,224**	**185,806**
Equity at 1st of January 2018	55,100	232,930	-102,224	185,806
Profit (loss) for the year			-32,891	-32,891
Other comprehensive income for the year			0	0
Total comprehensive income for the year			-32,891	-32,891
Shares issued in 2018	20	76,980		77,000
Equity at 31st of December 2018	**55,120**	**309,910**	**-135,114**	**229,916**

INPEX NORGE AS

CASH FLOW STATEMENT

(Amounts in NOK thousand)	Note	2018	2017
Cash flow from operating activities			
Profit (loss) before income tax		-151,667	-110,950
Adjustments:			
Tax refunded	8	83,958	74,786
Depreciation and amortisation	10	1,300	1,839
Changes liabilities to group companies		-516	733
Changes in trade creditors		58,995	-919
Changes in other accruals		-6,232	-184
Net cash flow from operating activities		-14,162	-34,695
Cash flow from investing activities			
Investment in exploration and evaluation assets		0	-1,952
Purchase of property, plant and equipment	10	0	-184
Purchase of intangible asset (software)	10	0	-3,689
Net cash flow from investing activities		0	-5,825
Cash flow from financing activities			
Intercompany receivables (GCMS)	16	-63,981	-15,190
Proceeds from share issues		77,000	57,000
Net cash flow from financing activities		13,019	41,810
Net change in cash and cash equivalents		**-1,143**	**1,290**
Cash and cash equivalents at 1st January		5,398	4,107
Cash and cash equivalents at 31st of December		**4,255**	**5,398**

INPEX NORGE AS

Note 4. Exploration Expenses

(Amounts in NOK thousand)	**2018**	**2017**
Share of exploration expenses from participation in licences	18,254	472
Other direct seismic costs and field evaluation	59,526	50,095
Other operating exploration expenses [1)]	28,266	29,691
Total exploration expenses	**106,046**	**80,258**

1) Fees includes payments to related parties. See note 16 for further information.

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Note 5. Payroll and related cost

(Amounts in NOK thousand)	**2018**	**2017**
Salaries	25,408	16,104
Payroll tax	4,650	3,000
Pension costs	853	448
Other employee related expenses	1,526	270
Total	**32,436**	**19,822**
Number of FTS's	13	7

Remuneration to board of directors and management:

See information in Note 16 "Related parties" regarding remuneration of key management.

Pensions

Inpex Corporation, the parent company of the Company, has a defined benefit pension plan and a defined contribution pension plan based in Japan for its employees. It is applied to Japanese expatriates who are employees of Inpex Corporation and secondees to the Company, and the pension cost incurred in Japan is invoiced to INPEX Norge AS. The pension plan is assumed to satisfy the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

For the Norwegian employees the Company has a defined contribution pension plan which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

INPEX NORGE AS

Note 6. Other operating expenses

Other operating expenses include:

(Amounts in NOK thousand)	**2018**	**2017**
Office rental and other lease expenses	4,484	3,940
Travelling expenses	1,509	578
Consultant's and other fees [1)]	4,056	3,454
Other administrative expenses	3,901	2,307
Total	**13,950**	**10,279**

1) Fees includes payments to related parties. See note 16 for further information.

Remuneration to auditor is allocated as specified below:

(Amounts in NOK thousand)	**2018**	**2017**
Audit	119	121
Attestations	23	22
Other assistance	37	0
Total, excl. VAT	179	142

INPEX NORGE AS

Note 7. Finance income and costs

Finance income:

(Amounts in NOK thousand)	**2018**	**2017**
Interest income	658	485
Net foreign exchange effects	191	0
Other finance income	0	0
Total finance income	**849**	**485**

Finance costs:

(Amounts in NOK thousand)	**2018**	**2017**
Interest expenses other loans	0	0
Net foreign exchange effects	0	840
Other finance costs	5	16
Total finance costs	**5**	**857**

INPEX NORGE AS

Note 8. Tax

Specification of income tax:

(Amounts in NOK thousand)	**2018**	**2017**
Calculated refund tax value of exploration costs this year	114,161	83,958
Of this refund not recognised in income statement (acquisition of licenses recognised net of tax)	0	-1,523
Correction refund previous years	0	0
Change deferred tax	4,616	3,903
Total income tax credit	**118,776**	**86,339**

Oil-exploration companies operating on the Norwegian Continental Shelf may claim a 78 % refund of their exploration costs limited to taxable losses of the year. The refund is paid out in November the following year.

Specification of tax effects on temporary differences, tax losses carried forward and deferred tax:

(Amounts in NOK thousand)	**2018**	**2017**
Property, plant and equipment	603	439
Tax losses carried forward, offshore 22 % basis (23 % in 2017)	9,395	2,474
Tax losses carried forward, offshore both 22% and 56% basis (23% and 55% in 2017)	18,320	20,789
Deferred tax liability (-) / tax asset (+)	28,318	23,703
Not capitalised deferred tax asset (valuation allowance)	0	0
Deferred tax liability (-) / tax asset (+) in balance	**28,318**	**23,703**

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 22% from 2019 (reduced from 23% in 2018), to which is added a special tax for oil and gas companies at the rate of 56% from 2019 (increased from 55% in 2018), giving a total tax rate of 78%.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

Reconciliation of effective tax rate:

(Amounts in NOK thousand)	**2018**	**2017**
Profit (loss) before tax	-151,667	-110,950
Expected income tax credit 78%	118,300	86,541
Adjusted for tax effects (23%-78%) (24%-78% in 2017) of the following items:		
Permanent differences	-51	-20
Correction previous years	0	0
Effect of new tax rates on deferred tax	-100	-108
Interest on tax losses carried forward offshore	163	157
Finance items	464	-232
Change in valuation allowance for deferred tax assets and other items		
Total income tax credit	**118,776**	**86,339**

INPEX NORGE AS

Note 9. Exploration and evaluation assets

(Amounts in TNOK)	**2018**	**2017**
Cost:		
At 1 January	-	-
Additions	429	429
Disposals	-	-
Cost at 31 December	429	429
Amortisation and impairment losses		
At 1 January	-	-
Amortisation this year	-	-
Impairment this year	-	-
Disposals	-	-
Accumulated amortisation and impairment at 31 December	0	0
Carrying amount at 31 December	**429**	**429**

License portfolio	**12/31/2018**	**12/31/2017**
	Inpex Norge's share	
PL 767	40.0 %	40.0 %
PL 950	30.0 %	

INPEX NORGE AS

Note 10. Property, plant and equipment

(Amounts in NOK thousand)

	Furniture, fixtures and data equipment	Intangible asset (software)
2018		
Cost:		
At 1 January 2018	953	6,688
Additions	0	0
Disposals	0	0
Cost at 31 December 2018	**953**	**6,688**
Depreciation, amortisation and impairment:		
At 1 January 2018	-789	-3,784
Depreciation this year	-70	-1,230
Impairment this year	0	0
Disposals	0	0
Accumulated depreciation, amortisation and impairment at 31 December 2018	-860	-5,013
Carrying amount at 31 December 2018	**94**	**1,674**
2017		
Cost:		
At 1 January 2017	769	2,999
Additions	184	3,689
Disposals	0	0
Cost at 31 December 2017	**953**	**6,688**
Depreciation, amortisation and impairment:		
At 1 January 2017	-574	-2,160
Depreciation this year	-215	-1,624
Impairment this year	0	0
Disposals	0	0
Accumulated depreciation, amortisation and impairment at 31 December 2017	-789	-3,784
Carrying amount at 31 December 2017	**164**	**2,904**
Economic life	3 years	3 years
Depreciation method	linear	linear

INPEX NORGE AS

Note 11. Prepayments and other receivables

Prepayments and other receivables include:

(Amounts in NOK thousand)	**2018**	**2017**
Prepaid expenses	1,643	2,954
VAT receivables	12,969	1,526
Working capital and overcall, joint venture	3,947	125
Other short term receivables	0	0
Total	**18,558**	**4,605**

Note 12. Cash and cash equivalents

(Amounts in NOK thousand)	**2018**	**2017**
Bank deposits	4,254	5,398
Total cash and cash equivalents	**4,254**	**5,398**
Of this:		
Restricted cash for deposits for rent of apartments to employees	304	231
Restricted cash for deposits for office rent	1,436	0
Restricted cash for withheld taxes from employees salaries	2,500	1,600

INPEX NORGE AS

Note 13. Share capital and shareholder information

Movements in share capital

(Amounts in NOK thousand)	**Number of shares**	**Share capital**
Issued at 1 January 2017	550,800	55,080
Capital increase in 2017	200	20
End balance at 31 December 2017	**551,000**	**55,100**
Capital increase in 2018	200	20
End balance at 31 December 2018	**551,200**	**55,120**

The share capital is denominated in NOK, and the nominal value per share as of 31 December 2018 was NOK 100. All issued shares are of equal rights. No potential shares, such as share options, were issued as of 31 December 2018.

Shareholders as of 31 December 2017	**Shares**	**Ownership**
Inpex Corporation, Japan	551,200	100%
Total number of shares	551,200	100%

CEO Hitoshi Okamura owns indirectly less than one thousandth of INPEX Norge AS.

INPEX NORGE AS

Note 14. Financial instruments

Financial instruments by category
(Amounts in NOK thousand)

At 31 December 2018

Financial assets	**Loans and receivables**	**Total carrying amount**
Other financial assets, deposits	0	0
Intercompany receivables	141,054	141,054
Other receivables [1]	0	0
Cash and cash equivalents	4,254	4,254
Total	**145,308**	**145,308**

[1] Prepayments and VAT receivables are not included.

Financial liabilities	**Amortized cost**	**Total carrying amount**
Liabilities to group companies	2,437	2,437
Trade creditors	64,466	64,466
Other current liabilities [1]	1,268	1,268
Total	**68,171**	**68,171**

[1] Public duties payable and accruals are not included.

At 31 December 2017

Financial assets	**Loans and receivables**	**Total carrying amount**
Other financial assets, deposits	0	0
Intercompany receivables	77,073	77,073
Other receivables [1]	0	0
Cash and cash equivalents	5,398	5,398
Total	**82,470**	**82,470**

[1] Prepayments and VAT receivables are not included.

Financial liabilities	**Amortized cost**	**Total carrying amount**
Liabilities to group companies	2,953	2,953
Trade creditors	5,471	5,471
Other current liabilities [1]	495	495
Total	**8,919**	**8,919**

[1] Public duties payable and accruals are not included.

INPEX NORGE AS

Financial risk management

Overview

The Company has some exposure to risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

Market risk from financial instruments

Foreign currency risk

The Company has an exposure to currency risk only through trade creditors in USD. As at 31 December 2018 the debt in USD was 7 250 000 (at 31 December 2017 the debt in USD was 221 903). As at 31 December 2018 the Company has a receivable of nominal value USD 0 (at 31 December 2017 the receivable in USD was 0).

An increase in the exchange rate of USD of 10 % would have resulted in a finance loss pre tax of MNOK 6.2 (MNOK 0.2 in 2017).

Credit risk

The carrying amounts of financial assets represents the Company's maximum credit exposure. The counterparty to the cash and cash equivalents and other financial assets are large banks with solid credit ratings. The Company monitors the credit ratings of its main counterparties on a regular basis.

Liquidity risk

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

The following table details the contractual maturities for the Company's financial liabilities. The tables includes amounts for both principal and interest payments. The contractual amounts were estimated based on closing exchange rate at balance sheet date.

Per 31 December 2018

(Amounts in NOK thousand)	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Borrowings, long term	0	0	0	0
Trade creditors and other short term liabilities	68,171	0	0	68,171
Total liabilities	**68,171**	**0**	**0**	**68,171**

Per 31 December 2017

(Amounts in NOK thousand)	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Trade creditors and other short term liabilities	8,919	0	0	8,919
Total liabilities	**8,919**	**0**	**0**	**8,919**

Capital management

INPEX NORGE AS

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Company's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or obtain new loans.

INPEX NORGE AS

Note 15. Other current liabilities

(Amounts in NOK thousand)	**2018**	**2017**
Public duties payable	3,262	2,019
Salary and vacation payable	1,268	495
Working capital and undercall, joint venture	6,949	471
Other accruals for incurred costs	245	1,018
Total	**11,724**	**4,004**

INPEX NORGE AS

Note 16. Related party disclosure

(Amounts in NOK thousand)

a) Purchases from related parties

Purchase of services from	Description of services	2018	2017
Inpex Corporation	Technical Service fee and Outsourcing fee	2,202	6,439
Inpex Corporation	Cost sharing agreement	85	165

The amount of invoiced fee includes a 10 % mark-up on some of the costs included.

b) Balances with related parties (trade payables)

Related party	2018	2017
Inpex Corporation	2,437	2,953

c) Balances with related parties (receivables)

Related party	2018	2017
Inpex Corporation	141,054	77,073

The amount pertains to a Global Cash Management System (GCMS).

d) Compensation to key management

NOK thousands	2017			2018		
Position	**Salary/ Board fee**	**Other benefits**	**Total 2017**	**Salary/ Board fee**	**Other benefits**	**Total 2018**
Hitoshi Okamura, (CEO)	2,749	198	2,948	2,792	218	3,010
Board of Directors	0	0	0	0	0	0

The Chairman of the Board has not received any compensation from INPEX Norge AS.

As at 31 December 2017 there is no agreement of bonus or any other future compensation to the key management.

Loans and guarantees related to key management
INPEX Norge AS has as at 31 December 2018 not issued any loans or guarantees in favour of any employees, members of the Board or the shareholder.

INPEX NORGE AS

Note 17. Operating leases

The company has no finance leases.

The company has entered into operating leases for office premises, parking, apartment and IT equipment/software.

The lease costs consist of ordinary lease payments and include:

(Amounts in NOK thousand)	**2018**	**2017**
Lease office premises, parking and apartment	4,243	3,673
Lease machinery and office furniture	241	267
Total lease costs	**4,484**	**3,940**

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

(Amounts in NOK thousand)	**2018**	**2017**
Within 1 year	1,677	2,763
1 to 5 years	9,591	440
After 5 years	192	0
Total	**11,461**	**3,203**

As at 31 December 2018, the Company had no lease agreements covered by the adoption of IFRS 16 Leases. New lease contracts from 1 February 2019 will be covered by IFRS 16.

INPEX NORGE AS

Note 18. Contingent liabilities

The company has not been involved in any legal or financial disputes in 2019 where adversely outcome is considered more likely than remote.

Note 19. Shares in licenses and obligations

The company`s obligations for 2019 related to the license portfolio, c.f. note 9, as at year end are estimated to a total of NOK 142 million. This forecast is based on the approved license budgets.

Note 20. Events after the balance sheet date

The company acquired a participation interest of 20% as PL1027 and a participation interest of 40% as PL1016 in 2019 January 15th. Since the license budgets is yet to be approved between the partners, the company`s obligations for 2019 related to the license portfolio of PL1027 and PL1016 is not able to be estimated.

Note 1. General information

The Financial statements of INPEX Norge AS for 2018 were approved by the board of directors at 27th May 2019.

INPEX Norge AS is a private limited company incorporated and domiciled in Norway, with its main office in Oslo. The company was incorporated 7 January 2014.

The company's only business segment is exploration for oil and gas on the Norwegian continental shelf.

Note 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis for preparation

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

The financial statements have been prepared on a historical cost basis.

Foreign currency

Functional currency and presentation currency
The company's functional and presentation currency is Norwegian kroner (NOK).

Transactions in foreign currency
Foreign currency transactions are translated into NOK using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciations are calculated on a straight line basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually and where they differ from previous estimates, depreciation periods are changed accordingly.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

Intangible assets

Exploration costs for oil and gas properties

The Company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Costs related to drilling of exploration wells are temporarily capitalised pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licenses are capitalised as intangible assets.

Drilling cost for exploration wells are temporarily capitalised pending the evaluation of potential discoveries of oil and gas reserves. If no reserves are discovered, or if recovery of the reserves is not considered technically or commercially viable, expenses relating to the drilling of exploration wells are charged to income statement. Such costs can remain capitalised for more than one year. The main criteria are that there must be definite plans for future drilling in the licence or that a development decision is expected in the near future.

Leases (as lessee)

Financial leases
Leases where the company assumes most of the risk and rewards of ownership, is classified as financial leases. The company does not have any such leases.

Operating leases
Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Receivables

Receivables are initially recognised at fair value plus any transaction costs. The receivables are subsequently carried at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Taxes

Income taxes for the period comprise tax payable, refundable tax from refund tax value of exploration expenses and changes in deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Segment reporting

The company's only business segment is exploration for oil and gas on the Norwegian continental shelf. Based on this no segment note is presented and this is in accordance with management's reporting.

Cost of equity transactions

Transaction costs directly linked to an equity transaction are recognised directly in equity, net after deducting tax.

Cash flow statement

The cash flow statement is prepared by using the indirect method.

Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

Changes in accounting policies and disclosures

New and amended standards and interpretations adopted by the Company

None of the new standards, amendments or interpretations to existing standards effective for the accounting periods starting 1 January 2018 had any material impact on the Company's financial statements.

New and amended standards and interpretations issued but not adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. The most significant standards are set out below.

IFRS 16 Leases:
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Effective date is 1 January 2019.

The Company adopted the standard on 1 January 2019 using the modified retrospective approach. The implementation had no impact on net equity, and resulted in an increase of approximately NOK 12 million in property, plant and equipment with a corresponding increase in liabilities.

Note 3. Financial risk management

Financial risks

Exploration for oil and gas involves a high degree of risk, and the company is subject to the general risk factors pertaining to this business, such as (i) volatility of oil and gas prices, (ii) uncertainty pertaining to estimated oil and gas reserves, (iii) operational risk related to oil and gas exploration and (iv) volatility in exchange rates. Furthermore, only few prospects that are explored are ultimately developed into production.

Furthermore, the company is exposed to certain types of financial risks. Management involves receivables, loans, accounts payable and drawing rights to financial institutions. The business activities of the company involve exposure to credit risk, interest rate risk, liquidity risk and currency risk.

Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimates and assumptions which represent a considerable risk for material changes in carrying amounts of assets and liabilities during the next fiscal year, are presented below.

- *Tax receivable from refund tax value exploration expenses:*
  The Norwegian taxation authorities may have a different understanding than the Company regarding the definition of exploration expenses according to the Norwegian Petroleum Tax Act. See note 8.

Critical judgements in applying the company's accounting policies

Management has made judgements also in the process of applying the company's accounting policies. Such judgements with the most significant effect on the amounts recognised in the financial statements are presented in the following:

- *Accounting policy for exploration expenses:*
  The Company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred.

DIRECTORS' REPORT 2018
INPEX NORGE AS

About Inpex Norge AS
The Company's main business is to explore, develop and produce oil and natural gas on the Norwegian Continental Shelf.

The Company is located in Oslo, Norway, and is a 100% owned subsidiary of Inpex Corporation, Japan. The Company was established 7 January 2014.

Going Concern
The Board of Directors confirms that the conditions for continued operations as a going concern are present for the Company and that the annual financial statements for 2018 have been prepared under this presumption.

The financial statements
The Company is not exposed to particular risk factors other than those that are common for oil companies in the exploration phase.

The Company had in 2018 total operating expenses of TNOK 152,511, and net financial items (profit) of TNOK 844. Loss before income taxes was TNOK 151,667. After a tax income of TNOK 118,776, the Company had an annual loss of TNOK 32,891.

The Company made no investments in 2018.

The Company had a tax refund receivable of TNOK 113,965 at year end 2018.

The Company has an equity ratio of 74.5 % as at 31 December 2018. The operations of the Company are primarily financed through equity from the parent company.

Health, safety and environment/equal opportunity
As of 31 December 2018 the Company had 5 employees on secondment from the parent company, all males, and 10 Norwegian employees, 8 males and 2 females. No actions have been implemented or are planned related to work environment or to equal opportunity, but the Company work actively to increase the numbers of female employees. At present there are no female members of the Board of Directors.

External environment
The operations of the Company could potentially pollute the external environment. The Company together with its parent company and future Joint Venture partners will work actively on measures that can reduce any negative impact on the environment.

Lysaker, 27th May 2019

K. Ochiai
Koji Ochiai
Chairman of the Board

町田幸弘
Yukihiro Machida
Managing Director
Board Member

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of INPEX Norge AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of INPEX Norge AS, which comprise the balance sheet as at 31 December 2018, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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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. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

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

Oslo, 27 May 2019
ERNST & YOUNG AS

Erik Søreng
State Authorised Public Accountant (Norway)

Norwegian Directorate of Taxes

Inquiries to	Your date	Our date
Geir Johannessen	04.02.2015	12.02.2015
Telephone	Your reference	Our reference
22 07 73 25/2266 11 14	Arne Dale	2015/94109

TMF NORWAY AS
P.O. Box 2334
3003 DRAMMEN

Permission to prepare the annual account and directors' report in English language for INPEX Norge AS, org.nr. 913 120 981

With reference to your letter of 4 Febryary 2015, you apply for permission to keep annual accounts and directors' report in English language for INPEX Norge AS, beginning from 2014.

Conclusion
Based on a total evaluation, the view of The Directorate of Taxes is that INPEX Norge AS may make the directors' report and annual accounts in English language from 2014 according to the Norwegian Accounting Act § 3-4 third paragraph. The exemption requires that the information that the decision is based on, does not change significantly.

A copy of this letter must be sent to the Register of Company Accounts in Brønnøysund together with the financial statements. It is incumbent on the company to document by this letter that the permit is granted.

Background
INPEX Norge AS is a wholly owned subsidiary of the Japanese oil company INPEX Corporation. INPEX Norge AS is a Norwegian oil company carrying out exploration activities for hydrocarbons on the Norwegian Continental Shelf. The common working language for INPEX employees in Norway is English. All contact with the Company's vendors and other creditors is in English. The members of the Board of Directors are not Norwegian citizens and do not have any knowledge of the Norwegian language. The annual financial statements and the directors' report therefore have to be prepared and reviewed by the Board of Directors in English. All the users and potential users of the annual financial statements and the director's report are proficient in English. In our opinion it would be in the interest of the users of the financial statements if the official version could be prepared in English.

Permission to make the annual accounts and the directors' report in Norway in English language
According to the Norwegian Accounting Act § 3-4, third paragraph shall *"the directors' report and annual accounts ... be in Norwegian. The Ministry can in an individual decision decide that the directors' report and/or annual accounts may be in another language".*

Postal address	Visiting address:	Telephone
P.O. Box 9200 Grønland	See www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefax
	E-mail: skatteetaten.no/sendepost	22 17 08 60

Ot. prp. nr. 42 (1997-1998) About Act about annual accounts etc., says the following about the purpose of the Accounting Act, refer section 1.1:

> *"The aim of the Government with respect to the Accounting Act is that it shall contribute towards providing informative accounts for different users of accounts. The users of accounts include investors and creditors which provide capital for the companies. Other groups include those who have an interest in knowing how the companies are operated, for example employees and the local community. The information to the capital market is an important basis for the correct pricing of financial instruments. The correct pricing of stocks is an important factor in securing the best possible allocation of resources in the economy. High quality accounts will also make it more difficult for market participants to obtain speculative gains as a result of non-publicly available information."*

Hence, one of the main aims of the Accounting Act is to contribute to "informative accounts for different users of accounts". The users of the accounts will include investors, creditors, employees and the local community.

Hence, it is the view of the Ministry that it is crucial that the question of dispensation from the general rule that the annual accounts and/or directors' report should be prepared in Norwegian, not in any significant way deviate from the consideration of users of the accounts.

As mentioned above it is particularly the consideration of the users of the account information which has to be taken into consideration when considering the application for permission. In this assessment, the Directorate of Taxes has emphasized that the company is 100 % owned by a Japanese company. The working language is English. Further, the company operates internationally, and English is the preferred language for all significant users.

Please state "our reference" (see above) in all written communication with The Norwegian Tax Authorities.

Best regards

Tostein Kinden Helleland
Senior Adviser
Rettsavdelingen, foretaksskatt
Norwegian Directorate of Taxes

Geir Johannessen

This document has been electronically approved and contains therefore no handwritten signatures