



MIME
PETROLEUM

Interim Financial Statements

(unaudited)

Fourth quarter 2021



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Introduction



GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

The interim financial statements for the three months period ending December 31, 2021, have been prepared in accordance with NGAAP. The same accounting principles and methods of calculation have been applied as in the Annual Financial Statements for 2020. The interim condensed financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the Company's Annual Financial Statements for 2020.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

For further detailed information on accounting principles, please refer to the Financial Statements for 2020.

These interim financial statements have not been subject to review or audit by independent auditors.

Interim Financial Statements – Q4 2021



ACTIVITY UPDATE

- On October 27, the Company completed a private placement of a five-year senior secured of USD 225 million bond with a fixed coupon rate of 10.25%. Net proceeds from the bond issue has been used to refinance the Company's outstanding Reserve Based Lending Facility and the NOK 300 million bond (MIME01 PRO) in full and will be used to cover capital expenditures related to the Balder Future development. The bond issue was executed on November 10, with final settlement on November 24. The bond was listed on the Nordic ABM on December 14 (MIME02 PRO).
- The arbitration proceedings regarding the value of the Jotun FPSO hull took place in October. The final arbitration ruling was released November 5. The ruling is subject to confidentiality and has an immaterial impact on the Company's financials.
- The Company has Brent swap contracts equal to 16 000 bbl/month with an average price of USD 76.59/bbl for 2022. The 2022 contracts represents a hedging ratio of approx. 80% of the after-tax volume.
- The Balder Future project has experienced challenges due to the Covid-19 pandemic as well as increased project scope. Since the PDO submission in December 2019, the capex estimate has increased by NOK 6.8 billion (up by 34%), mainly related to the refurbishment of the Jotun FPSO. Drilling from the West Phoenix rig commenced in August and two wells are completed by year end 2021. The work related to the subsea production system has progressed according to plan during 2021. First oil is scheduled in fourth quarter 2023.
- Since mid-December, the production from Balder/Ringhorne has been reduced by around 15% due to temporary operational issues and shut down of wells. The Operator has established a plan to bring the relevant wells back in production. It is expected that these deferred volumes will be recovered.

Interim Financial Statements – Q4 2021



FINANCIAL REVIEW

Total revenue in the fourth quarter was NOK 58 million (Q4/20: NOK 63.4 million) whereas the revenue for the full year amounts to NOK 363 million (FY2020; NOK 337.5 million). Revenue is related to oil sales from the Balder and Ringhorne Øst fields (162 kboe lifted in the quarter, 765 kbbl for the full year (Q4/20: 166 kboe, 732 kboe YTD). The average preliminary oil price before hedging effects and final adjustments was USD 75.7/bbl in the quarter (Q4/20: USD 41.26/bbl) and USD 65.8/bbl for the full year (YTD2020: USD 35.85/bbl). The Company has a hedging program to reduce the cash flow risk related to oil prices and the effect is reported as Other revenue. In the fourth quarter, a loss of NOK 48.3 million was recorded (Q4/20: gain of NOK 3.6 million) related to hedging contracts on oil price, incl. early termination costs of NOK 33.3 million. YTD a loss of NOK 72 million is recorded related to hedging contracts (YTD2020: gain of NOK 90.9 million, incl. currency hedging).

Total operating expenses amounted to NOK 104.5 million in the fourth quarter and NOK 384.1 million for the full year (Q4/20; NOK 91 million, FY2020; NOK 425 million), mainly driven by field opex and ordinary depreciation. The reported operating loss for the quarter was NOK 46.4 million (Q4/20; loss of NOK 27.4 million). For the full year, an operating loss of NOK 21.4 million is recorded (FY2020; loss of NOK 88 million). Net result before taxes ended at a loss of NOK 100.5 million for the quarter (Q4/20; profit of NOK 39 million, mainly due to interest costs and an unrealized foreign exchange loss in the period). For the full year, the net result before taxes amounts to NOK a loss of 169.9 million (FY2020; loss of NOK 98.7 million).

At the end of the fourth quarter, total assets amounted to NOK 5 333 million (end Q4/20; NOK 3 181 million), of which current assets represented NOK 1 535 million (end Q4/20; NOK 627 million). Investments in fixed assets year to date amounted to NOK 1 310 million, driven by capital expenditure related to the Balder Future project.

Expensed exploration costs amounted to NOK 0.7 million in the quarter (YTD NOK 1.3 million), relating to geological & geophysical costs and other exploration costs. Total cash spend on exploration was NOK 4 million in the quarter (YTD NOK 55.4 million), related to the King/Prince exploration drilling. Exploration drilling costs are capitalized as intangible assets pending the evaluation of the potential existence of oil and gas reserves.

Equity amounted to NOK 1 274 million at the end of the quarter, corresponding to an equity ratio of 24% (end Q4/20; NOK 1 188 million / 37%). As of December 31, 2021, the Company had available cash of NOK 783 million.

Interim Financial Statements – Q4 2021



FINANCIAL REVIEW, cont.

At the end of Q4 2021, Mime Petroleum had a capital structure made up of injected equity of USD 136 million, and senior secured bonds of USD 225 million, listed at Nordic ABM (MIME02 PRO).

The Company's interest-bearing debt was NOK 1 896 million at the end of the quarter, up from NOK 1 118 million end Q3 due to refinancing and the private placement of a USD 225 million senior secured bonds with a fixed coupon rate of 10.25%. See note 7 for further information. Cash deposits amounted to NOK 783 million at the end of the quarter.

The provisional tax changes for the petroleum sector sanctioned by Norway's parliament in June 2020 provide a significant contribution to the financing of Mime Petroleum's development-based portfolio. The arrangement with negative tax instalment means that the refund of the tax value of losses incurred in 2020 and 2021 are refunded in advance of the tax assessment through the instalment tax regime.

In September 2021, the Ministry of Finance (MOF) published a consultation paper regarding permanent changes to the Petroleum Tax Act from fiscal year 2022. The proposal entails immediate expense in the special tax base of capital expenditures incurred for development of production facilities and pipelines, which in the current ordinary tax system are depreciated over 6 years. The uplift on investments is proposed removed. The reduced tax value of fixed assets will reduce the deduction for financial costs in the special tax base. Current depreciation rules are proposed continued in the ordinary tax base. Changes are also proposed to the rules on reimbursement of exploration costs, cessation costs and tax losses carried forward. Further, the MOF proposes that any tax losses in the special tax scheme is refunded on a yearly basis in connection with the ordinary tax assessment. The temporary rules shall continue to apply to investments covered by Section 11 of the Petroleum Tax Act. At December 31, 2021, the consultation process has been closed and the MOF is currently assessing the comments. A White Paper to the Parliament is expected in April 2022.



HEDGING

The Company has focus on securing liquidity and has entered into hedging transactions to reduce the cash flow risk. The Company has recognized a net loss from oil price hedging as Other revenue. In connection with the USD 225 million bond issue, the Company terminated 30% of the remaining Brent hedging contracts for 2021. Furthermore, the Company adjusted the Brent swap contracts for 2022 to 16 000 bbl/month with an average price of USD 76.59/bbl. This represents approx. 80% of the after-tax volume for 2022. The recorded loss amounted to NOK 48 million in the quarter, including early termination costs of NOK 33 million. The fair market value of Brent swap contracts at December 31, 2021, was negative by USD 1 932.

As revenues are denominated in USD, while investments and operating costs generally accrue in NOK, currency rate fluctuations represent both a direct and an indirect financial risk for the Company. However, the Company's net currency exposure is estimated to be approx. neutral following the temporary tax changes as the Company will be receiving NOK denominated tax refunds every second month. As a consequence, the Company did not have any foreign exchange contracts at December 31, 2021.

The interest swap contract for 3M LIBOR related to the RBL facility as well as the cross-currency interest rate swap hedging the NOK 300 million bond has been terminated as part of the refinancing process. Early termination fees of NOK 7.7 million has been paid.

Interim Financial Statements – Q4 2021



OPERATIONAL REVIEW

Key figures	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<i>Production (boe, Mime net)</i>								
Balder Unit	195 728	143 693	219 737	190 871	188 358	153 311	154 212	177 876
Ringhorne East Unit	11 058	5 632	10 143	12 189	14 818	13 221	26 778	26 801
Total Production (Mime net)	206 786	149 325	229 880	203 059	203 176	166 532	180 990	204 677

The Company's net production from the Balder and Ringhorne fields in the fourth quarter was 207 kbbls. The previous quarter was influenced by planned shut-down and maintenance period at Balder FPU and Ringhorne platform in August.

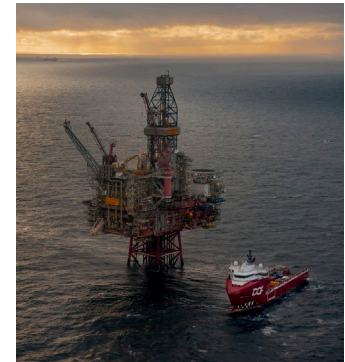
Safe operations on the Balder FPU and the Ringhorne platform have continued throughout 2021. Since mid-December, the production from Balder/Ringhorne has been reduced by around 15% due to temporary operational issues. It is expected that these deferred volumes will be recovered. The Operator has established a plan to bring the relevant wells back in production.

The Ringhorne phase III drilling campaign has progressed according to plan during Q4. The second well came on-stream late November and three more production wells are expected to come onstream during 2022 in addition to a water injector.

Mime has not experienced any disruptive effects of the pandemic to the operations during 2021. The operator has supervised its measures efficiently to minimize impact on its operations.

The Company is committed to the NOROG targets for emission reductions on the NCS. Joint industry studies are ongoing to evaluate concept solutions for electrification of the greater Balder area. Electrification can reduce gross CO₂ emissions by ~100 000 ton per year from the Balder field.

The optimal economic lifetime of Balder FPU is being evaluated. Replacing the FPU with subsea tie-backs of wells to Jotun FPSO may reduce CO₂ emission by another ~100 000 tonnes per year.



Interim Financial Statements – Q4 2021



OPERATIONAL REVIEW, cont.

The **Balder Future** project involves drilling fourteen new production wells and one new water injection well on the Balder field in the North Sea. The aim is to recover 136 million barrels of oil equivalents and includes extending the lifetime of the floating production storage and offloading vessel Jotun FPSO. The revised Plan for Development and Operations (PDO) for Balder and Ringhorne, was submitted in 2019.

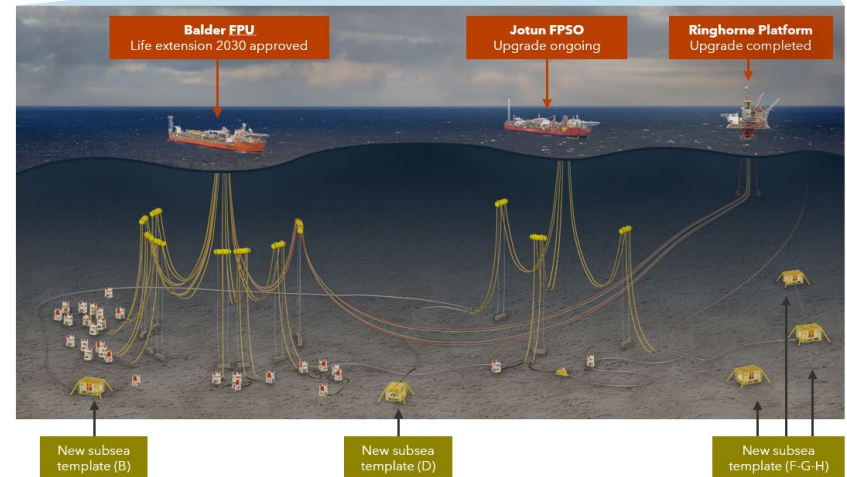
The Jotun FPSO is currently at the yard at Rosenberg in Stavanger and undergoes a refurbishment program. Sail away is planned in May 2023 followed by offshore installation and riser hook up before start-up. Covid-19, increased work scope and engineering deliveries have impacted the project schedule.

Subsea system, including flowlines, umbilical and risers will be installed in campaigns. By year-end 2021, the five templates are installed together with two production and two gas lift riser bases, flowlines, umbilicals and pre installation of mooring lines for the Jotun FPSO. In 2022, the last umbilicals will be installed, together with a tie-in scope and some changes on the subsea system.

The West Phoenix rig has drilled two wells since the drilling start-up in late August.

Main activity in 2023 is hook up, installation and tie-in scope for the FPSO for commencement of first oil in Q4-2023.

Balder and Ringhorne fields' layout following redevelopment



The estimated development cost for Balder Future is at NOK 26.8 billion (real 2021). This represents an increase of NOK 6.8 billion (100%) compared to the PDO estimate at NOK 20 billion.

Balder Future remains a highly profitable project. The oil and gas discovery in King-Prince of 60 to 135 million barrels recoverable oil equivalents in the Balder licence may be developed via the Jotun FPSO subsea system. This will further enhance the profitability of Balder Future.

Interim Financial Statements – Q4 2021



OTHER ACTIVITIES

The Company continues to be an active and responsible partner in driving value in high quality assets on the Norwegian Continental Shelf. As part of this, the Company actively searches for and evaluates opportunities to make value-accretive investments (e.g. through acquisitions, farm-ins, swaps or other).

The Company pursues field acquisition and M&A opportunities offered in the market in structured processes as well as unsolicited bilateral approaches to companies with attractive fields and portfolios.

The Company expects more activity in the acquisition and M&A markets the coming months following an expected consolidation given the current oil and gas price environment. The Company is well positioned to benefit from such increased activity with a highly skilled multi-discipline team and investment capital available.

Statements of Income

December 31, 2021



Unaudited QUARTERLY				Unaudited FULL YEAR	Audited FULL YEAR
Q4 2021	Q4 2020	(NOK 1 000)	Note	2021	2020
106 281	59 767	Sale of petroleum		432 027	246 274
-48 254	3 604	Other revenue		-69 366	91 191
58 026	63 371	Total operating revenue		362 661	337 464
-64 164	-29 025	Operating expenses		-261 975	-291 332
-39 612	-35 194	Ordinary depreciation		-120 777	-106 336
-	-26 286	Impairment		-	-26 286
-687	-307	Exploration costs		-1 346,750	-1 240
-104 463	-90 811	Total operating expense		-384 099	-425 193
-46 436	-27 440	Profit / (loss) from operating activities		-21 438	-87 729
-54 042	66 574	Net financial items	8	-148 426	-11 001
-54 042	66 574	Net financial items		-148 426	-11 001
-100 479	39 134	Profit / (loss) before income tax		-169 864	-98 731
86 262	-30 759	Income tax	9	196 180	151 819
-14 217	8 375	Net profit / (loss)		26 316	53 088
		Allocation of net profit / (loss):			
-14 217	8 375	Retained earnings		26 316	53 088

Statements of Financial Position

December 31, 2021



		Unaudited	Audited
(NOK 1 000)	Note	31.12.2021	31.12.2020
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Capitalized exploration wells		59 782	4 392
Other intangible assets		8 393	11 433
Total intangible fixed assets	2	68 174	15 825
Tangible fixed assets			
Production facilities		3 717 623	2 531 263
Other property, plant and equipment		336	587
Total tangible fixed assets	1	3 717 959	2 531 851
Financial fixed assets			
Other financial assets		11 795	6 621
Total financial fixed assets		11 795	6 621
TOTAL FIXED ASSETS		3 797 929	2 554 297
Current assets			
Inventory and underlift		26 145	20 955
Trade and other receivables	3	43 716	48 949
Tax receivable	9	596 557	282 806
Other current assets		85 321	60 436
Cash and cash equivalents		783 220	213 467
TOTAL CURRENT ASSETS		1 534 959	626 613
TOTAL ASSETS		5 332 888	3 180 910

		Unaudited	Audited
(NOK 1 000)		31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		11 917	11 321
Share premium		1 179 748	1 120 743
Total paid-in capital		1 191 665	1 132 063
Retained earnings/(uncovered loss)		82 074	55 758
TOTAL EQUITY		1 273 739	1 187 822
Non-current liabilities			
Deferred tax liability	9	1 326 446	525 239
Interest bearing loans and borrowings	7	1 895 710	733 729
Other long term liabilities		3 536	1 904
Asset retirement obligation	6	569 741	560 516
TOTAL NON CURRENT LIABILITIES		3 795 434	1 821 388
Current liabilities			
Trade payables	4	49 639	21 726
Public duties payable		7 635	2 468
Tax payable		1 330	9 729
Other current liabilities and overlift	4	205 110	137 778
TOTAL CURRENT LIABILITIES		263 715	171 701
TOTAL LIABILITIES		4 059 148	1 993 088
TOTAL EQUITY AND LIABILITIES		5 332 888	3 180 910

Statements of Cash Flows

December 31, 2021



	Unaudited	Audited
(NOK 1 000)	YTD 31.12.21	2020
Cash flows from operating activities		
Profit / loss (-) before income tax	-169 864	-98 731
<u>Adjustments:</u>		
Income tax received	675 238	299 496
Depreciation, depletion and amortization	120 777	106 336
Impairment	-	26 286
Interest and fees on borrowings	89 335	46 598
Accretion expense	43 354	22 730
Change in trade and other receivables	19 212	4 971
Change in trade and other payables	55 649	64 765
Net cash flows from / used in (-) operating activities	833 701	472 451
Cash flows from investing activities		
Investment in oil and gas assets	-1 310 180	-571 634
Investment in exploration and evaluation assets	-55 389	-4 100
Other investments	-1 340	-2 164
Investment in furniture, fixtures and office machines	-	-76
Net cash flows from / used in (-) investing activities	-1 366 909	-577 974
Cash flows from financing activities		
Proceeds from borrowings	1 203 619	337 650
Interest and fees on borrowings	-184 955	-59 103
Loans to shareholder	-1 298	-3 117
Proceeds from share issues	59 602	26 600
FX effects	25 993	-34 673
Net cash flows from / used in (-) financing activities	1 102 961	267 357
Net increase/ decrease (-) in cash and cash equivalents	569 752	161 835
Cash and cash equivalents at the beginning of period	213 467	51 633
Cash and cash equivalents at the end of the period	783 220	213 467

Notes to the interim financial statements



Note 1 – Property, Plant and Equipment

(NOK 1 000)	Oil and gas assets	Furniture, fixtures and office machines	Total
2021			
Cost at January 1, 2021	2 709 789	949	2 710 739
Additions	1 310 180	-	1 310 180
Asset removal obligation - change in estimate	-6 334	-	-6 334
Cost at December 31, 2021	4 013 635	949	4 014 585
Accumulated depreciation and impairment at January 1, 2021	-178 526	-362	-178 887
Depreciation for the year	-117 486	-251	-117 737
Impairment loss	-	-	-
Accumulated depreciation and impairment at December 31, 2021	-296 012	-613	-296 624
Carrying amount at December 31, 2021	3 717 623	336	3 717 959
2020			
Cost at January 1, 2020	2 240 533	873	2 241 406
Additions	571 695	76	571 771
Asset removal obligation - change in estimate	-102 378	-	-102 378
Cost at December 31, 2020	2 709 789	949	2 710 739
Accumulated depreciation and impairment at January 1, 2020	-49 179	-127	-49 307
Depreciation for the year	-103 060	-235	-103 295
Impairment loss	-26 286	-	-26 286
Accumulated depreciation and impairment at December 31, 2020	-178 526	-362	-178 887
Carrying amount at December 31, 2020	2 531 263	588	2 531 851

Capitalized costs mainly relate to the Balder Future project.

Oil and gas assets are depreciated according to unit of production method (UoP).

Impairment tests of the individual cash-generating units are performed when impairment triggers are identified. In Q4 2021, an impairment test of oil and gas assets have been performed. In the assessment of whether an impairment is required at December 31, 2021, the Company has used a combination of Brent forward curve from the beginning of 2022 to the end of 2024, and thereafter a long-term oil price of USD 65/bbl_(real 2021) from 2025 onwards, a future cost inflation rate of 2% per annum and a discount rate of 7.7% derived from WACC to calculate the net present value of future post tax cash flows.

The Company has not recognized any impairment in 2021.

Notes to the interim financial statements



Note 2 – Intangible assets

(NOK 1 000)	Capitalized exploration costs	Licensing of seismic	Software	Total
2021				
Cost at January 1, 2021	4 392	14 651	1 102	20 145
Additions	55 496	-	-	55 496
Disposals	-107	-	-	-107
Cost at December 31, 2021	59 781	14 651	1 102	75 534
Accumulated depreciation and impairment at January 1, 2021	-	-4 151	-169	-4 320
Depreciation for the year	-	-2 930	-110	-3 040
Impairment loss	-	-	-	-
Accumulated depreciation and impairment at December 31, 2021	-	-7 081	-279	-7 360
Carrying amount at December 31, 2021	59 781	7 570	823	68 175
2020				
Cost at January 1, 2010	293	14 651	1 102	16 046
Additions	4 099	-	-	4 099
Cost at December 31, 2020	4 392	14 651	1 102	20 145
Accumulated depreciation and impairment at January 1, 2020	-	-1 221	-59	-1 280
Depreciation for the year	-	-2 930	-110	-3 040
Impairment loss	-	-	-	-
Accumulated depreciation and impairment at December 31, 2020	-	-4 151	-169	-4 320
Carrying amount at December 31, 2020	4 392	10 500	933	15 826

Capitalized exploration costs relate to drilling of the King-Prince prospects in the western part of Balder Unit.

The exploration well was spudded mid April. The combined King and Prince exploration wells proved successful with the preliminary estimates showing volumes between 60-135 million barrels of recoverable oil equivalents.

Expensed exploration expenditure in 2021 relates to PL001-M12.

Notes to the interim financial statements



Note 3 – Trade and other receivables

(NOK 1 000)	YTD Q4-2021	2020
Trade receivables	30 318	26 927
Working capital, receivables, joint venture	1 754	2 367
Working capital, prepayments, joint venture	110	6 915
Prepayments	9 512	8 880
Other short term receivables	2 023	3 860
Total trade and other receivables	43 716	48 949
Tax receivable	596 557	282 806

The trade receivables consist of receivables from companies with embedded low credit risk. No allowances for doubtful debts have been made, and no loss has been recognized during the year.

Trade receivables are non-interest bearing.

The tax receivable represents the tax value of the estimated tax loss to date less already refunded through the negative tax mechanism.

Notes to the interim financial statements



Note 4 – Trade and other payables

(NOK 1 000)	YTD Q4-2021	2020
Trade creditors	2 725	8 878
Working capital, trade creditors, joint venture	46 914	12 848
Trade payables	49 639	21 726
Working capital, accruals, joint venture	110 099	94 736
Undercall, joint ventures	51 439	5 043
Overlift	8 491	30 703
Other accrued expenses	35 082	7 296
Other current liabilities	205 110	137 779

Trade payables are non-interest bearing and normally settled within 30 days. All other payments are scheduled to be settled as they fall due.

Other accrued expenses at December 31, 2021, are mainly related to accruals for interest costs in the quarter and other operating costs.

Notes to the interim financial statements



Note 5 – Equity, share capital and shareholder information

	No. A shares	No. B shares	Total no. shares	Share capital
Shares/share capital at January 1, 2021	26 062 028	1 106 008 925	1 132 070 953	11 320 710
Capital increase	0	59 601 500	59 601 500	596 015
Shares/share capital at December 31, 2021	26 062 028	1 165 610 425	1 191 672 453	11 916 725

Shareholders as of December 31, 2021

Mime Petroleum S.á r.l	26 062 028	1 165 610 425	1 191 672 453	11 916 725
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All shares have a nominal value of NOK 0.01/share. On February 19, 2021, a capital increase of NOK 59.6 million was approved. The capital increase was registered with the Companies Register (Brønnøysundregistrene) on March 1, 2021.

The Company does not own any treasury shares. Each Class A-share gives one vote in the Company's general meeting, whereas Class B-shares do not have voting rights. Class B-shares give the holder the right to 8% p.a. preference dividend on any form of distribution from the Company. There are no rights which may result in the issuing of new shares.

Notes to the interim financial statements



Note 6 – Asset Retirement Obligations

(NOK 1 000)	YTD Q4-2021	2020
Total obligation at January 1	560 516	642 854
Effect of changes in estimates	17 085	-79 222
Accretion expense	15 559	20 039
Actual decommissioning expenditure	-23 419	-23 156
Total obligation at December 31	569 741	560 515
Non-current portion at December 31	540 341	523 106
Current portion at December 31	29 400	37 500

An inflation rate of 2% and a nominal discount rate of 5% are applied when calculating the net present value of the abandonment retirement obligations. The current abandonment obligation (next twelve months) mainly relates to plugging and abandonment of wells in the ongoing Ringhorne phase III project.

Notes to the interim financial statements



Note 7 – Interest bearing debt and borrowings

(NOK 1 000)	YTD Q4-2021	2020
Long term interest bearing debt (RBL)	-	477 826
Unsecured senior bond	-	300 000
Secured senior bond	1 984 365	-
Effect of currency swap bond	-	-23 267
Capitalized loan fees	-88 655	-20 829
Total long-term interest bearing debt	1 895 710	733 729

As of December 31, 2021, the Company had USD 225 million of five-year senior secured bonds with a coupon rate of 10.25%.

On November 10, the Company exercised the call option for the MIME01 PRO bonds. The outstanding NOK bonds (MIME01 PRO) was redeemed on November 24, 2021, at a make whole price of 108.22620% of the Nominal Amount plus accrued interest on the redeemed Bonds. The Reserve Based Lending Facility was also repaid in full on November 24. The make-whole amount as well as the remaining capitalized loan fees related to the Reserve Based Lending Facility and the NOK bonds have been expensed in Q4.

The financial covenants related to the USD 225 million bonds are a minimum cash requirement equal to total interest costs for the next 6 months, and a Net Leverage Ratio (Total net debt to adjusted EBITDA not to exceed 2.0x from the date that the Balder Ringhorne licences have achieved 90 days of production of oil with an average oil production of 75 000 bbl/d).

The USD 225 million bonds were listed on Nordic ABM on December 14, 2021 (MIME02 PRO).

Notes to the interim financial statements



Note 8 – Financial items

(NOK 1 000)	YTD Q4-2021	2020
Interest income	275	506
Other financial income	-	-
Total financial income	275	506
Interest expenses	-70 994	-31 692
Amortised loan costs	-27 795	-2 691
Accretion expenses	-15 559	-20 039
Net other financial income / (expenses)	-5 566	-3 783
Total financial expense	-119 914	-58 205
Realised foreign exchange gain/(loss)	3 150	-10 875
Net unrealised exchange gain /(loss)	-31 937	57 572
Net financial items	-148 426	-11 001

For accounting purposes, interest cost of NOK 38.7 million has been capitalized as part of the development cost for Balder Future in 2021.

Notes to the interim financial statements



Note 9 – Tax

Temporary tax measures for companies subject to the Petroleum Tax Act were sanctioned by the Parliament in June 2020.

Under the temporary tax measures investments incurred in 2020 and 2021 are immediately tax deductible in the tax base for special tax (56% tax rate) and the uplift has been changed to 24% in the investment year (from 20.8% distributed evenly across four years (5.2% per year)). Investments made in 2022 and until the scheduled production start may also be immediately deducted in the tax base for special tax/increased uplift if these are made pursuant to inter alia a Plan for Development and Operation (PDO) filed before January 1, 2023 and approved by the Government after May 12, 2020 but before January 1, 2024. Thus, this will apply to the Balder Future project.

The tax value of losses incurred in 2020 and 2021 (in both the ordinary tax base and in the special tax base, including the uplift of 24%) are refunded by the state through negative instalments of tax. The tax effect for 2020 and 2021 of the temporary changes contributes to an increase in deferred tax liabilities and a short-term tax receivable.

Proposed changes to the petroleum tax act (from fiscal 2022):

On September 3, 2021, a consultation paper concerning material changes to the Norwegian Petroleum Tax system was published, introducing a cash tax for the special tax – i.e. depreciation and uplift deductions are replaced by immediate deduction of total investments.

It is proposed that calculated ordinary corporation tax will be deductible in the basis for special tax. The total marginal tax rate remains at 78 %, but because ordinary corporation tax will be deducted in the special tax basis, the special tax rate is technically increased to 71.8 %.

The tax value of any losses in the special tax base will according to the proposal be refunded in the following year, whereas any losses in the ordinary corporation tax base (22%) must be carried forward without interest. The changes will not apply to the temporary rules introduced in 2020. These will be phased out in line with the Parliament's decision.

The proposed new tax rules significantly increase near term cash flow due to accelerated capex depreciation and annual refund of special tax losses. The first such refund is expected due in Q4 2023 (for the tax year 2022).

It is expected that the Ministry of Finance will issue a White Paper regarding the proposed changes to the petroleum tax system in April 2022.



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