



# INTERIM FINANCIAL STATEMENTS

UNAUDITED

**FOURTH QUARTER 2022**

February 28, 2023

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# INTERIM FINANCIAL STATEMENTS - Q4 2022

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## GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

The interim financial statements for the twelve months period ending December 31, 2022, 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 2021. 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 2021.

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, 2021.

For further detailed information on accounting principles, please refer to the Financial Statements for 2021.

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

## UPDATE ON THE RESTRUCTURING AND THE STRATEGIC REVIEW PROCESS

- Further to the written resolution adopted by the Bondholders on November 3, 2022, the Company, together with its financial advisors, has continued the process of reviewing strategic alternatives for the business. A strategic sales process has been conducted since Q3-2022, with the objective of either selling the shares in Mime Petroleum AS or alternatively introducing an investor to inject equity in the business. As a result of this process, certain offers were received, including a cash offer from a third-party purchaser for the purchase of the entire share capital of the Company. Following careful consideration, both Mime and the majority of the bondholders in the MIME02 bonds expressed willingness to support such a transaction on the terms proposed by the potential purchaser, however, the largest shareholder of Mime Petroleum AS ultimately indicated that they were not prepared to consent to such a transaction on the prevailing terms.
- Mime has identified an immediate capital requirement into March 2023 and negative equity building up over the coming years if no remedies are made. Further, the Company will not be able to repay the MIME02 bonds at maturity in 2026 based on the current best estimates for the Balder and Ringhorne project and forward oil prices, absent a refinancing solution. The Company has for several months conducted a rigorous and comprehensive search for alternative financing, including a financing secured on tax refund claims, all of which have proven to be unviable in the circumstances. Thus, in order to ensure a going concern, the Company has been in discussions with an ad hoc committee ("AHC") representing more than 2/3 of the bondholders in the MIME02 bonds, with the purpose of providing a long-term solution for the immediate capital need. The AHC has provided a proposal for alternative financing through the issuance of Super Senior bonds, which is deemed the only viable source of financing to the Company in the event a transaction does not occur in the short term. Mime and the AHC have agreed to obtain an underwriting from certain bondholders to ensure that the Super Senior bonds are fully subscribed. The Bond Trustee has been informed that bondholders controlling more than 2/3 of the outstanding bonds under MIME02 have undertaken to vote in favor of this proposal.
- The Super Senior Bonds may be issued in an initial amount of 120 MUS\$D, with a maximum limit of 180 MUS\$D. Upon disbursement of the proceeds from the Super Senior Bonds, 45 MUS\$D of the outstanding bonds under MIME02 shall be converted into subordinated hybrid bonds without any enforcement rights. In addition, certain warrants will be issued to the bondholders and the subscribers for the Super Senior Bonds. The maturity date for MIME02 bonds will be extended by one year, to November 2027. Further, the financial covenant related to MIME02 will be waived and suspended for the period from the time at which the proposal is approved by the necessary 2/3 majority of voting bonds and the earlier of the Effective Date for the Super Senior bond agreement and March 31, 2023.
- For further information, reference is made to the summons for a written resolution published at Newsweb.no related to ISIN NO0011142036 Mime Petroleum AS 10.25% USD 300 000 000 senior secured callable bonds 2021/2026.
- Section 3-4 in the Private Limited Liability Companies Act requires that companies at all times must have a sufficiently sound equity and adequate liquidity. Based on the ongoing process with the MIME02 bondholders and issuance of the Super Senior bonds, the Board of Directors concludes that there are sufficient basis for going concern.

## ACTIVITY UPDATE

- The full year 2022 production ended at 677 kbbls net Mime. The 2022-production came in lower than the guiding as the actual production efficiency was 80% versus planned 88%. The 2022-production efficiency was reduced due to the unexpected subsea oil leak at Balder C-site in Q1-2022, the Balder A-site shut-in from December 2021 to November 2022, and subsea operations during Q4-2022 connecting the Balder-Ringhorne gas lift line to the Jotun subsea system. In addition, the operator experienced drilling challenges related to the Ringhorne phase III infill campaign with only one new well coming onstream during 2022 and lower production from the drilled Ringhorne wells.
- From early February 2023, the operator, Vår Energi ASA, temporarily reduced the production from the Balder field. Initial estimates assume a net reduction for Mime of up to 900 bbl/d. This is a precautionary measure following a potential integrity concern associated with a riser identified through the Operator's monitoring systems. Ongoing inspection and analysis will determine when production can be resumed. The riser was scheduled to be changed during 2023. Mime assumes the field to be back at normal production levels in September following installation of a new riser, but acceleration measures are being evaluated. There is no impact on the reserves and the deferred volume is expected to be produced by year end 2026. The base case impact on the 2023 liquidity shortfall is estimated to be a reduction of about USD 10 million.
- The production guidance for full year 2023 stands at 743 kbbls net Mime. The guiding incorporates the temporarily reduced production from the Balder. Furthermore, three new wells from the Ringhorne infill campaign are assumed onstream during 2023 (May, September and December).
- Capex guiding for 2023 is USD 125-130 million. The Balder Future project accounts for 75% of the 2023 capex budget, while the remaining 2023 capex relates to the Ringhorne drilling campaign and general operating investments related to amongst others the Balder FPU high activity period offshore in 2023.
- In September 2022, the operator, Vår Energi ASA, provided an update on the Balder X development which includes the ongoing Balder Future project and Ringhorne phase IV drilling, with estimated total capex at NOK 40.7 billion and first oil from Balder Future during Q3-2024. Mime sees additional risks to complete the project timely following the progress during Q4-2022 and consequently Mime assumes first oil in Q4-2024.
- Mime's unaudited internal 2P reserves estimate is 26 mboe per December 31, 2022. Reserves related to the seven remaining Ringhorne wells are written down by 2.5 mbbbl after revised subsurface assessment. Mime has included Balder phase V as 2P reserves per December 31, 2022.
- On February 20, 2023, Mime sold all its Brent swaps for the period February 2023 to June 2023 amounting to 80 000 barrels in total. The transaction realised a gain of USD 1.2 million due to the positive mark-to-market value for the Brent swaps.
- Mime Petroleum AS only operates on the Norwegian Continental Shelf and market its petroleum products to customers in UK. While not directly exposed to Russia's invasion of Ukraine, there is significant uncertainty regarding the potential impact on safe and reliable energy supply, as well as to the market prices of oil, gas and other commodities which may impact future operations and results.

## FINANCIAL REVIEW

Total revenue in the fourth quarter was NOK 153 million (Q4/21: NOK 58 million), whereas total revenue YTD amount to NOK 629 million (YTD2021: NOK 363 million). Revenue is related to oil sales from the Balder and Ringhorne Øst fields (190 kboe lifted in the quarter (Q4/21: 162 kboe)). The average preliminary oil price before hedging effects and final adjustments was USD 81,1/bbl in the quarter (Q4/21: USD 75.7/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 7 million was recorded (Q4/21: loss of NOK 48.3 million, incl early termination cost of NOK 33.3 million related to interest- and currency swap contracts) related to oil price hedging contracts. YTD a loss of NOK 46 million is recorded related to hedging contracts (YTD2021: loss of NOK 72 million). In addition, an accrual for the expected insurance settlement related to the incident at Balder in Q1/22 (LOPI) has been recorded under Other revenue in Q4.

Total operating expenses amounted to NOK 188 million in the fourth quarter (Q4/21; NOK 104.5 million), mainly driven by field opex and ordinary depreciation. Q4/22 operating expenses were also impacted by changes in inventory and over-/underlift in the quarter. The underlying operating expenses are at similar levels as in 2021. In Q4, the Company has recorded an impairment of NOK 744 million related to the Balder JV asset. Further information can be found in note 1. The reported operating loss for the quarter was NOK 780 million (Q4/21; loss of NOK 46.4 million). Net result before taxes ended at a loss of NOK 653 million for the quarter (Q4/21; loss of NOK 100.5 million), mainly due to the increased depreciation and impairment, unrealized foreign exchange loss on long term debt in the period, in addition to interest costs, amortized loan costs and accretion expenses.

At the end of the fourth quarter, total assets amounted to NOK 5 310 million (end Q4/21; NOK 5 333 million), of which current assets represented NOK 1 288 million (end Q4/21; NOK 1 535 million). Investments in fixed assets year to date amounted to NOK 1 175 million, driven by capital expenditure related to the Balder Future project.

Expensed exploration costs amounted to NOK 0.1 million in the quarter, relating to G&G and other exploration costs. Total cash spend on exploration was NOK 6.4 million in 2022, related to exploration activities in PL027. Costs related to exploration drilling and testing are capitalized as intangible assets pending the evaluation of the potential existence of oil and gas reserves.

Equity amounted to NOK 386 million at the end of the quarter, corresponding to an equity ratio of 7.3% (end Q4/21; NOK 1 274 million / 24%).

As of December 31, 2022, the Company had available cash of NOK 242 million.

At the end of Q4/22, Mime Petroleum had a capital structure made up of injected equity of USD 136 million and a senior secured bond loan of USD 225 million issued in November 2021, listed at Nordic ABM. The Company's interest-bearing debt was NOK 2 144 million at the end of the quarter, down from NOK 2 365 million end Q3/22 due to revaluation effects and amortizations. See further information in note 7 and 10 related to an ongoing refinancing process.

The temporary tax rules with negative tax instalments means that the tax value of losses incurred in 2021 has been refunded in advance of the tax assessment on a running basis through the instalment tax regime. During 2022, Mime Petroleum AS has received refunds of NOK 630 million. According to the revised petroleum tax act effective from fiscal 2022, tax losses incurred in the special tax basis from 2022 onwards, will be refunded on a yearly basis in the year after the fiscal year. By end Q4 2022, the Company has recorded a net tax receivable of NOK 838 million.

## OPERATIONAL REVIEW

Key figures	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<i>Production (boe, Mime net)</i>								
Balder Unit	148 716	122 943	177 806	174 383	195 728	143 693	219 737	190 871
Ringhorne East Unit	6 161	10 698	23 766	12 380	11 058	5 632	10 143	12 189
Total Production (Mime net)	154 877	133 641	201 572	186 763	206 786	149 325	229 880	203 059

The full year 2022 production was 677 kbbls. The 2022 production came in lower than the guiding as actual production efficiency was at 80% versus planned 88% and drilling challenges related to the Ringhorne phase III infill campaign with only one new well coming onstream during 2022 and with lower production from the drilled Ringhorne wells.

The Company's net production from the Balder and Ringhorne fields in the fourth quarter was 155 kbbls. The production efficiency in Balder JV was 80% in Q4. The efficiency in Q4 was impacted by subsea operations connecting the Balder - Ringhorne gas lift line to the Jotun subsea system. The Balder A-site wells which were shut in since December 2021, lacking gas lift integrity, resumed production in November. Wells are now supported by the subsea gas lift manifold. Since several sites are connected to the gas lift manifold, additional downtime occurred in Q4. In December, one Ringhorne East producer was shut-in due to integrity issues.

The operator commenced drilling of the FA8 well in May 2022 and has experienced drilling challenges with the well including several failed attempts and side-tracks. Following a planned FA8 drilling break from mid-August to mid-November due to rig repairs and completing two work-overs, further drilling issues occurred with the FA8 well. It has been decided to re-enter the well and perform a shallow sidetrack and anticipated first oil is now May 2023. The start-up for drilling the five sanctioned wells in the Ringhorne phase IV program is thereby delayed from February to May 2023. The remaining Ringhorne wells are scheduled to be completed by 2025.

Mime's unaudited internal 2P reserves estimate is 26 mill boe per 31 December 2022. Reserves related to the seven remaining Ringhorne wells are written down by 2.5 mill bbl after revised subsurface assessment. Mime has included Balder phase V as 2P reserves per 31 December 2022.

From early February 2023, the operator temporarily reduced the production from the Balder field. Initial estimates assume a net reduction for Mime of up to 900 bbl/d. This is a precautionary measure following a potential integrity concern associated with a riser identified through the Operator's monitoring systems. Ongoing inspection and analysis will determine when production can be resumed. The riser was scheduled to be changed during 2023 and acceleration measures are now evaluated. Mime assumes the field to be back at normal production levels in September following installation of new riser. There is no impact on the reserves and the deferred volume is expected to be produced by year end 2026.

The Company is committed to the Offshore Norge targets for CO<sub>2</sub> 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 CO<sub>2</sub> emissions by ~100 000 ton per year from the Balder field. Subsea tie-back of Balder legacy wells in 2030 to Jotun FPSO will reduce CO<sub>2</sub> footprint and emissions from the FPU by another ~100 000 ton per year.

A high activity period offshore is planned during mid-2023 related to maintenance of the Balder FPU.



## OPERATIONAL REVIEW, cont.

The **Balder Future** project involves drilling of fourteen new production wells plus one new water injector on the Balder field in the North Sea and refurbish the Jotun FPSO to become the new Balder area hub. The Operator's goal is to extract 143 million barrels of oil equivalent. The project also accommodates for future expansion capacity to tie-in extra wells to the FPSO after the Balder Future drilling program. The revised Plan for Development and Operations (PDO) for Balder and Ringhorne was approved in June 2020.

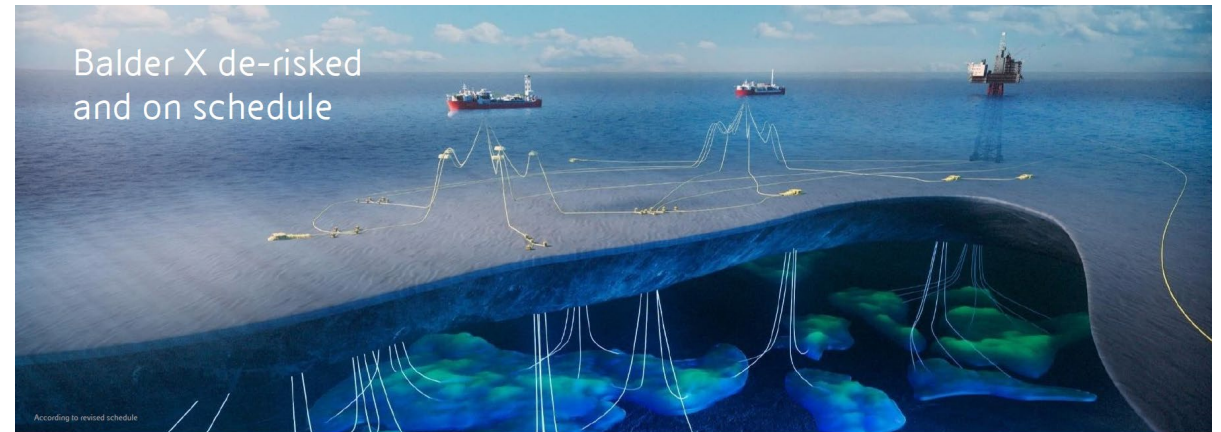
The Jotun FPSO being on critical path for the Balder Future is currently at the Rosenberg Worley yard in Stavanger.

On September 19, 2022, the operator, Vår Energi ASA, provided an update on the Balder X development which includes the ongoing Balder Future project and Ringhorne phase IV drilling, with estimated total capex at NOK 40.7 billion and first oil from Balder Future during Q3-2024. Mime sees additional risks to complete the project timely following the progress during Q4-2022 and consequently Mime assumes first oil in Q4-2024.

The subsea systems including flowlines, umbilical and risers are installed. All templates, multi flow bases, flowlines, buoyancy elements for risers are in place. One umbilical remains for installation in 2023. Subsea connections for Jotun FPSO gas lift to Ringhorne were completed in Q4-2022.

Balder Future drilling performance has improved by conducting batch drilling.

### Operator's schedule and plans for Balder X



**Jotun FPSO >70% complete**

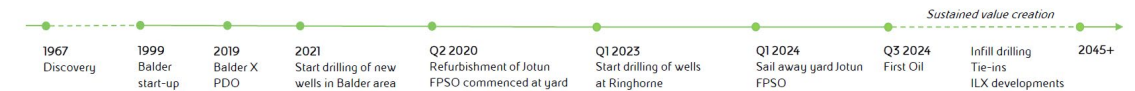
HSE performance improved  
Engineering close to completion  
Construction ramped up

**SPS/SURF >85% complete**

According to plan  
Remaining work well matured

**Drilling >35% complete**

Optimised drilling sequence



Note: The reported progress is per December 31, 2022

## HEDGING

The Company has focus on securing liquidity and has entered into hedging transactions to reduce the cash flow risk. The Company had swap contracts equal to 16 000 bbl/month with an average price of USD 76.59/bbl for 2022. The 2022 contracts represented a hedging ratio of about 100% of the after-tax volume.

The Company has entered into swap contracts for Q1 and Q2 2023 equal to 16 000 bbl/month at an average price of USD 98.11/bbl. The fair market value of the oil swap contracts at December 31, 2022, was positive by USD 1.2 million. On February 20, 2023, Mime sold all its Brent swaps for the period February 2023 to June 2023 amounting to 80 000 barrels in total. The transaction realised a gain of USD 1.2 million due to the positive mark-to-market value for the Brent swaps.

The Company has recognized a net loss from oil price hedging in 2022 as Other revenue. The loss amounted to NOK 7 million in the quarter, accumulated NOK 45 million for the full year.

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. The Company did not have any foreign exchange contracts at December 31, 2022.

# STATEMENTS OF INCOME - DECEMBER 31, 2022

Unaudited				Unaudited		Audited
Q4 2022	Q4 2021	(NOK 1 000)	Note	2022	2021	
161 452	106 281	Sale of petroleum		664 765	432 027	
-8 763	-48 254	Other revenue		-35 799	-69 366	
<b>152 689</b>	<b>58 027</b>	<b>Total operating revenue</b>		<b>628 967</b>	<b>362 661</b>	
-110 843	-64 164	Operating expenses		-372 942	-261 975	
-76 899	-39 612	Ordinary depreciation		-190 391	-120 777	
-744 617	-	Impairment		-744 617	-	
-120	-687	Exploration costs		-939	-1 347	
<b>-932 478</b>	<b>-104 463</b>	<b>Total operating expense</b>		<b>-1 308 888</b>	<b>-384 099</b>	
<b>-779 789</b>	<b>-46 436</b>	<b>Profit / (loss) from operating activities</b>		<b>-679 922</b>	<b>-21 438</b>	
127 221	-54 042	Net financial items	8	-401 018	-148 426	
<b>127 221</b>	<b>-54 042</b>	<b>Net financial items</b>		<b>-401 018</b>	<b>-148 426</b>	
<b>-652 568</b>	<b>-100 478</b>	<b>Profit / (loss) before income tax</b>		<b>-1 080 940</b>	<b>-169 864</b>	
68 142	86 262	Income tax	9	193 105	196 179	
<b>-584 426</b>	<b>-14 216</b>	<b>Net profit / (loss)</b>		<b>-887 835</b>	<b>26 315</b>	
		<b>Allocation of net profit / (loss):</b>				
<b>-584 426</b>	-14 216	Retained earnings		<b>-887 835</b>	<b>26 315</b>	

# STATEMENTS OF FINANCIAL POSITION

## DECEMBER 31, 2022

		Unaudited	Audited
(NOK 1 000)	Note	31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible fixed assets</b>			
Capitalized exploration wells		66 237	59 782
Other intangible assets		5 352	8 393
<b>Total intangible fixed assets</b>	<b>2</b>	<b>71 589</b>	<b>68 174</b>
<b>Tangible fixed assets</b>			
Production facilities		3 935 743	3 717 623
Other property, plant and equipment		374	336
<b>Total tangible fixed assets</b>	<b>1</b>	<b>3 936 117</b>	<b>3 717 959</b>
<b>Financial fixed assets</b>			
Other financial assets		14 477	11 795
<b>Total financial fixed assets</b>		<b>14 477</b>	<b>11 795</b>
<b>TOTAL FIXED ASSETS</b>		<b>4 022 183</b>	<b>3 797 929</b>
<b>Current assets</b>			
Inventory and underlift		12 868	26 145
Trade and other receivables	<b>3</b>	91 543	43 716
Tax receivable		837 996	596 557
Other current assets		103 835	85 321
Cash and cash equivalents		241 981	783 220
<b>TOTAL CURRENT ASSETS</b>		<b>1 288 223</b>	<b>1 534 959</b>
<b>TOTAL ASSETS</b>		<b>5 310 405</b>	<b>5 332 888</b>

		Unaudited	Audited
(NOK 1 000)		31.12.2022	31.12.2021
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Paid-in capital</b>			
Share capital		11 917	11 917
Share premium		1 179 748	1 179 748
<b>Total paid-in capital</b>		<b>1 191 665</b>	<b>1 191 665</b>
<b>Retained earnings/(uncovered loss)</b>		<b>-805 762</b>	<b>82 074</b>
<b>TOTAL EQUITY</b>	<b>5</b>	<b>385 903</b>	<b>1 273 739</b>
<b>Non-current liabilities</b>			
Deferred tax liability		1 969 166	1 326 446
Interest bearing loans and borrowings	<b>7</b>	2 143 786	1 895 710
Other long term liabilities		4 172	3 536
Asset retirement obligation	<b>6</b>	573 408	569 741
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>4 690 533</b>	<b>3 795 434</b>
<b>Current liabilities</b>			
Trade payables	<b>4</b>	59 728	49 639
Public duties payable		6 408	7 635
Tax payable		-	1 330
Other current liabilities and overlift	<b>4</b>	167 833	205 110
<b>TOTAL CURRENT LIABILITIES</b>		<b>233 969</b>	<b>263 715</b>
<b>TOTAL LIABILITIES</b>		<b>4 924 502</b>	<b>4 059 148</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 310 405</b>	<b>5 332 888</b>

# STATEMENTS OF CASH FLOWS - DECEMBER 31, 2022

	Unaudited	Audited
(NOK 1 000)	31.12.2022	2021
<b>Cash flows from operating activities</b>		
Profit / loss (-) before income tax	-1 080 940	-169 864
<u>Adjustments:</u>		
Income tax received	593 055	675 238
Depreciation, depletion and amortization	190 391	120 777
Impairment	744 617	-
Interest and fees on borrowings	229 752	89 335
Accretion expense	43 035	43 354
Change in trade and other receivables	-72 763	19 504
Change in trade and other payables	-7 798	55 356
<b>Net cash flows from / used in (-) operating activities</b>	<b>639 349</b>	<b>833 701</b>
<b>Cash flows from investing activities</b>		
Investment in oil and gas assets	-1 174 688	-1 310 180
Investment in exploration and evaluation assets	-6 456	-55 389
Other investments	-1 174	-1 340
<b>Net cash flows from / used in (-) investing activities</b>	<b>-1 182 318</b>	<b>-1 366 909</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	1 203 619
Interest and fees on borrowings	-229 878	-184 955
Loans to shareholder	-1 368	-1 298
Proceeds from share issues	-	59 602
Unrealized FX effects long term debt	232 976	25 993
<b>Net cash flows from / used in (-) financing activities</b>	<b>1 730</b>	<b>1 102 961</b>
<b>Net increase/ decrease (-) in cash and cash equivalents</b>	<b>-541 239</b>	<b>569 752</b>
Cash and cash equivalents at the beginning of period	783 221	213 467
<b>Cash and cash equivalents at the end of the period</b>	<b>241 981</b>	<b>783 220</b>

# 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
<b>2022</b>			
Cost at January 1, 2022	4 013 635	949	4 014 585
Additions	1 174 688	257	1 174 945
Disposals			
Asset removal obligation - change in estimate	-24 820	-	-24 820
Adjustment of acquisition cost	-	-	-
<b>Cost at December 31, 2022</b>	<b>5 163 503</b>	<b>1 205</b>	<b>5 164 709</b>
Accumulated depreciation and impairment at January 1, 2022	-296 012	-613	-296 624
Depreciation for the year	-187 132	-219	-187 351
Impairment loss	-744 617	-	-744 617
Disposals	-	-	-
<b>Accumulated depreciation and impairment at December 31, 2022</b>	<b>-1 227 760</b>	<b>-832</b>	<b>-1 228 592</b>
<b>Carrying amount at December 31, 2022</b>	<b>3 935 744</b>	<b>374</b>	<b>3 936 117</b>
<b>2021</b>			
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
<b>Cost at December 31, 2021</b>	<b>4 013 635</b>	<b>949</b>	<b>4 014 585</b>
Accumulated depreciation and impairment at January 1, 2021	-178 526	-362	-178 887
Depreciation for the year	-117 486	-251	-117 737
Impairment loss	-	-	-
<b>Accumulated depreciation and impairment at December 31, 2021</b>	<b>-296 012</b>	<b>-613</b>	<b>-296 624</b>
<b>Carrying amount at December 31, 2021</b>	<b>3 717 623</b>	<b>336</b>	<b>3 717 959</b>

Capitalized costs mainly relate to the Balder Future project.

The Company has performed an impairment test based on the underlying conditions that existed December 31, 2022. Several external and internal indicators have impacted the value in use of the assets. At the end of Q4-2022 there has been significant changes to the future costs, the estimated production forecast and the reserves compared to the YE2021 evaluation.

In September 2022, the operator, Vår Energi ASA, provided an update on the Balder X development, which includes the ongoing Balder Future project and Ringhorne phase IV drilling: *“A baseline project review has identified additional gross investment requirements of USD 1.2 billion (NOK 11.5 billion), bringing the total estimated gross project cost to USD 4.3 billion (NOK 40.7 billion). First oil from Balder X is now expected in the third quarter of 2024, compared to previously late in 2023.”* (all figures 100%)

Mime sees additional risks to complete the project timely following the progress during Q4-2022 and consequently Mime assumes first oil in Q4-2024.

Further, the Balder FPU lifetime is extended from 2026 to 2030 in order to ensure sufficient gas capacity at the field. This results in increased opex and capex compared to the impairment assessment done at YE2021.

Reserves from Ringhorne phase III and IV are reduced by net 3.5 mmbob versus the YE2021 evaluation and production is at the same time delayed due to continued drilling challenges with the Ringhorne wells.

There are uncertainties concerning the volumes, costs and schedule related to the development and production of the 2C resource base versus the YE2021 evaluation. Maturation of 2C volumes is ongoing as part of a wider Balder Area development with a DG2 timeline in 2025.

## Note 1 – Property, plant and equipment, cont.

The impairment testing has been performed based on a value in use assessment and the discounted future after tax cash flows. The expected future cash flow is discounted to the net present value by applying a discount rate after tax that reflects the current market valuation of the time value of money, and the specific risk related to the asset. The discount rate reflects the weighted average cost of capital (WACC). Cash flows are projected for the estimated lifetime of the fields.

The future income and cash flow are based on several assumptions;

- › The long-term cost and price inflation rate is set to 2% p.a., in line with Norges Bank's inflation target.
- › Forecasted commodity prices are based on management's estimates and available market data. Information about near term market prices are derived from the Brent forward contract market that existed December 31, 2022, as basis for 2023-2025 at respectively USD 84.2/bbl, USD 79.0/bbl and USD 75.0/bbl. The forward curve prices are less reliable on a long-term basis as transaction volumes are lower out in time. A long-term oil price of USD 65/bbl expressed in real 2023 terms is assumed from 2027 and onwards. For 2027, this corresponds to a nominal value of USD 70.4/bbl. The applied oil price in 2026 is set to the average of 2025 and 2027, equal to USD 72.7/bbl.
- › The company's long-term assumption for the USDNOK is 8.5 and is assumed from 2027. A gradual decline from the level observed at December 31, 2022, down to 8.5 is assumed for the impairment evaluation.
- › The discount rate after tax reflects the time value of money and the specific asset risk. The post-tax nominal discount rate is estimated to 8%. The assumption is based on what a market participant would expect from the asset.
- › The cost and production estimates reflect a representative view of the future per December 31, 2022, considering the operator's forecast for 2023 and management's assumptions. Exploration costs are excluded as no potential profits are considered.
- › The estimated NPVs of the assets are based on a post-tax calculation and calculated according to the current Petroleum Tax Act and the Company Tax Act.

The impairment test shows that the post tax NPV8 for Balder JV does not exceed the book value. As a result, an impairment charge of NOK 744.6 million related to Balder JV has been recognized as of December 31, 2022. No impairment is required for Ringhorne Øst Unit.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 2 – Intangible assets

(NOK 1 000)	Capitalized exploration costs	Licensing of seismic	Software	Total
<b>2022</b>				
Cost at January 1, 2022	59 781	14 651	1 102	75 534
Additions	6 456	-	-	6 456
Disposals	-	-	-	-
<b>Cost at December 31, 2022</b>	<b>66 237</b>	<b>14 651</b>	<b>1 102</b>	<b>81 990</b>
Accumulated depreciation and impairment at January 1, 2022	-	-7 081	-279	-7 360
Depreciation for the year	-	-2 930	-110	-3 040
Impairment loss	-	-	-	-
<b>Accumulated depreciation and impairment at December 31, 2022</b>	<b>-</b>	<b>-10 011</b>	<b>-389</b>	<b>-10 400</b>
<b>Carrying amount at December 31, 2022</b>	<b>66 237</b>	<b>4 640</b>	<b>713</b>	<b>71 589</b>
<b>2021</b>				
Cost at January 1, 2021	4 392	14 651	1 102	20 145
Additions	55 496	-	-	55 496
Expensed	-107	-	-	-107
<b>Cost at December 31, 2021</b>	<b>59 781</b>	<b>14 651</b>	<b>1 102</b>	<b>75 534</b>
Accumulated depreciation and impairment at January 1, 2021	-	-4 151	-169	-4 320
Depreciation for the year	-	-2 930	-110	-3 040
Disposals	-	-	-	-
<b>Accumulated depreciation and impairment at December 31, 2021</b>	<b>-</b>	<b>-7 081</b>	<b>-279</b>	<b>-7 360</b>
<b>Carrying amount at December 31, 2021</b>	<b>59 781</b>	<b>7 570</b>	<b>823</b>	<b>68 175</b>

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



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 3 – Trade and other receivables

<b>(NOK 1 000)</b>	<b>YTD Q4-2022</b>	<b>2021</b>
Trade receivables	37 173	30 318
Working capital, receivables, joint venture	1 404	1 754
Working capital, prepayments, joint venture	15 563	110
Overcall, joint ventures	-	-
Prepayments	12 688	9 512
Other short term receivables	24 715	2 023
<b>Total trade and other receivables</b>	<b>91 543</b>	<b>43 716</b>
<b>Tax receivable</b>	<b>837 996</b>	<b>596 534</b>

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 special tax loss for 2022 at NOK 832 million and accumulated special tax losses incurred before 01.01.2020.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 4 – Trade and other payables

<b>(NOK 1 000)</b>	<b>YTD Q4-2022</b>	<b>2021</b>
Trade creditors	3 466	2 725
Working capital, trade creditors, joint venture	56 262	46 914
<b>Trade payables</b>	<b>59 728</b>	<b>49 639</b>
Working capital, accruals, joint venture	112 547	110 099
Undercall, joint ventures	31 458	51 439
Overlift	14 634	8 491
Other accrued expenses	9 194	35 082
<b>Other current liabilities</b>	<b>167 833</b>	<b>205 110</b>

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, 2022, are mainly related to accruals for operating costs and interest costs in the quarter.

# 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, 2022	26 062 028	1 165 610 425	1 191 672 453	11 916 725
Capital increase	0	0	0	0
Shares/share capital capital at December 31, 2022	26 062 028	1 165 610 425	1 191 672 453	11 916 725
<b>Shareholders as of December 31, 2022</b>				
Mime Petroleum S.á r.l	26 062 028	1 165 610 425	1 191 672 453	11 916 725

All shares have a nominal value of NOK 0.01/share.

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

<b>(NOK 1 000)</b>	<b>YTD Q4-2022</b>	<b>2021</b>
Total obligation at January 1	569 740	560 515
Effect of changes in estimates	-60 238	17 085
Accretion expense	28 487	15 559
Actual decommissioning expendi	35 418	-23 419
<b>Total obligation at December 31/ YE 2021</b>	<b>573 407</b>	<b>569 740</b>
Non-current portion at December 31	523 007	540 340
Current portion at December 31	50 400	29 400

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 in the Ringhorne phase III and IV project.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 7 – Interest bearing debt and borrowings

<b>(NOK 1 000)</b>	<b>YTD Q4-2022</b>	<b>2021</b>
Long term interest bearing debt	2 217 893	1 984 365
Capitalized loan fees	-74 106	-88 655
<b>Total long-term interest bearing debt</b>	<b>2 143 786</b>	<b>1 895 710</b>

As of December 31, 2022, the long-term interest-bearing debt consists of USD 225 million of five-year senior secured bonds with a coupon rate of 10.25% (MIME02 bonds).

According to the relevant financial covenants in the bond agreement, the Company shall maintain a minimum liquidity of an amount equal to the total interest costs for the next 6 months, i.e approximately USD 11 million.

See also note 10.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 8 – Financial items

<b>(NOK 1 000)</b>	<b>YTD Q4-2022</b>	<b>2021</b>
Interest income	7 248	275
Other financial income	-	-
<b>Total financial income</b>	<b>7 248</b>	<b>275</b>
Interest expenses	-233 330	-70 994
Amortised loan costs	-14 548	-27 795
Accretion expenses	-28 487	-15 559
Net other financial income / (expenses)	-1 381	-5 566
<b>Total financial expense</b>	<b>-277 746</b>	<b>-119 914</b>
Realised foreign exchange gain/(loss)	6 660	3 150
Net unrealised exchange gain /(loss)	-137 180	-31 937
<b>Net financial items</b>	<b>-401 018</b>	<b>-148 427</b>

The unrealized exchange loss mainly relate to revaluation of the long term debt in USD, partly offset by unrealized exchange gain on cash deposits in other currencies than NOK.

## Note 9 – Tax

Changes to the Petroleum Tax Act were enacted in June 2022 with effect from January 1, 2022.

The combined tax rate of 78% is maintained, but the special petroleum tax (56%) is converted into a cash-based tax. Depreciation and uplift deductions are replaced by immediate deduction of total investments. A calculated ordinary corporation tax will be deductible in the basis for special tax. In order to maintain the overall tax rate of 78%, the special tax rate is increased to 71.8% [ $56\% / (1-22\%)$ ]. The temporary 2020-rules are upheld for qualified future investments with immediate deductions plus 17.69% uplift for special tax. Thus, this applies to the Balder Future project.

The tax value of any losses in the special tax base will be refunded in the following year, whereas any losses in the ordinary corporation tax base (22%) must be carried forward without interest.

The new tax rules increase near term cash flow due to accelerated capex depreciation and annual refund of special tax losses. Over time the gap is gradually closed.

The refund for the tax year 2022, estimated to NOK 832 million, is due in Q4 2023. In addition, the tax value of losses in the special tax basis incurred before 01.01.2020 will be refunded.

## Note 10 – Subsequent events (i)

### The restructuring and the strategic review process

- Further to the written resolution adopted by the Bondholders on November 3, 2022, the Company, together with its financial advisors, has continued the process of reviewing strategic alternatives for the business. A strategic sales process has been conducted since Q3-2022, with the objective of either selling the shares in Mime Petroleum AS or alternatively introducing an investor to inject equity in the business. As a result of this process, certain offers were received, including a cash offer from a third-party purchaser for the purchase of the entire share capital of the Company. Following careful consideration, both Mime and the majority of the bondholders in the MIME02 bonds expressed willingness to support such a transaction on the terms proposed by the potential purchaser, however, the largest shareholder of Mime Petroleum AS ultimately indicated that they were not prepared to consent to such a transaction on the prevailing terms.
- Mime has identified an immediate capital requirement into March 2023 and negative equity building up over the coming years if no remedies are made. Further, the Company will not be able to repay the MIME02 bonds at maturity in 2026 based on the current best estimates for the Balder and Ringhorne project and forward oil prices, absent a refinancing solution. The Company has for several months conducted a rigorous and comprehensive search for alternative financing, including a financing secured on tax refund claims, all of which have proven to be unviable in the circumstances. Thus, in order to ensure a going concern, the Company has been in discussions with an ad hoc committee (“AHC”) representing more than 2/3 of the bondholders in the MIME02 bonds, with the purpose of providing a long-term solution for the immediate capital need. The AHC has provided a proposal for alternative financing through the issuance of Super Senior bonds, which is deemed the only viable source of financing to the Company in the event a transaction does not occur in the short term. Mime and the AHC have agreed to obtain an underwriting from certain bondholders to ensure that the Super Senior bonds are fully subscribed. The Bond Trustee has been informed that bondholders controlling more than 2/3 of the outstanding bonds under MIME02 have undertaken to vote in favour of this proposal.
- The Super Senior Bonds may be issued in an initial amount of 120 MUSD, with a maximum limit of 180 MUSD. Upon disbursement of the proceeds from the Super Senior Bonds, 45 MUSD of the outstanding bonds under MIME02 shall be converted into subordinated hybrid bonds without any enforcement rights. In addition, certain warrants will be issued to the bondholders and the subscribers for the Super Senior Bonds. The maturity date for MIME02 bonds will be extended by one year, to November 2027. Further, the financial covenant related to MIME02 will be waived and suspended for the period from the time at which the proposal is approved by the necessary 2/3 majority of voting bonds and the earlier of the Effective Date for the Super Senior bond agreement and March 31, 2023.
- For further information, reference is made to the summons for a written resolution published at Newsweb.no related to ISIN NO0011142036 Mime Petroleum AS 10.25% USD 300,000,000 senior secured callable bonds 2021/2026.



## Note 10 – Subsequent events (ii)

### Temporary reduced production at Ringhorne and Balder Fields

From early February 2023, the operator temporarily reduced the production from the Balder field. Initial estimates assume a net reduction for Mime of up to 900 bbl/d. This is a precautionary measure following a potential integrity concern associated with a riser identified through the Operator's monitoring systems. Ongoing inspection and analysis will determine when production can be resumed. The riser was scheduled to be changed during 2023. Mime assumes the field to be back at normal production levels in September following installation of a new riser, but acceleration measures are being evaluated. There is no impact on the reserves and the deferred volume is expected to be produced by year end 2026. The base case impact on the 2023 liquidity shortfall is estimated to be a reduction of about USD 10 million.

### Brent hedging positions exited

On February 20, 2023, Mime sold all its Brent swaps for the period February 2023 to June 2023 amounting to 80 000 barrels in total. The transaction realised a gain of USD 1.2 million due to the positive mark-to-market value for the Brent swaps.



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