

OKEA AS

Statement of Comprehensive Income

Amounts in NOK `000	Q1 2018 (unaudited)	Q1 2017 (unaudited)	Year 2017 (audited)
Revenues from crude oil and gas sales	2 314	872	38 429
Other operating income	14 022	7 225	5 007
Total operating income	16 336	8 096	43 435
Production expenses	-2 390	-1 632	-7 654
Exploration expenses	-11 211	-3 498	-28 710
Depreciation, depletion and amortization	-5 883	-3 738	-18 025
Employee benefits expenses	-11 033	-6 674	-11 707
Other operating expenses	-4 317	-6 083	-33 128
Total operating expenses	-34 833	-21 624	-99 223
Profit / loss (-) from operating activities	-18 498	-13 527	-55 788
Finance income	29 101	157	2 392
Finance costs	-23 905	-1 417	-27 098
Net financial items	5 197	-1 260	-24 706
Profit / loss (-) before income tax	-13 301	-14 788	-80 494
Income taxes	12 815	12 078	68 780
Net profit / loss (-)	-486	-2 709	-11 714
Other comprehensive income:			
Total other comprehensive income	-	-	-
Total comprehensive income / loss (-)	-486	-2 709	-11 714

OKEA AS

Balance Sheet at 31 December

Amounts in NOK `000	31.03.2018 (unaudited)	31.03.2017 (unaudited)	31.12.2017 (audited)
ASSETS			
Non-current assets			
Deferred tax assets	89 456	45 012	85 091
Goodwill	8 057	8 057	8 057
Exploration and evaluation assets	5 752	4 752	5 752
Oil and gas properties	716 864	567 674	676 378
Furniture, fixtures and office equipment	216	222	217
Other financial non-current assets	8 875	4 097	-
Total non-current assets	829 219	629 815	775 495
Current assets			
Trade and other receivables	132 084	109 217	120 207
Restricted cash	859 633	-	907 799
Cash and cash equivalents	121 230	17 418	29 609
Total current assets	1 112 946	126 634	1 057 615
TOTAL ASSETS	1 942 165	756 449	1 833 110
EQUITY AND LIABILITIES			
Equity			
Share capital	3 715	18 685	24 738
Share premium	595 991	355 745	470 755
Other paid in capital	157	-	-
Accumulated loss	-22 153	-12 662	-21 667
Total equity	577 711	361 767	473 827
Non-current liabilities			
Provisions	321 168	203 966	319 668
Interest-bearing loans and borrowings	918 091	-	963 312
Total non-current liabilities	1 239 259	203 966	1 282 979
Current liabilities			
Trade and other payables	116 145	47 044	66 013
Intercompany loan	1 141	73 545	1 141
Public dues payable	2 374	2 146	3 596
Provisions, current	5 535	67 981	5 554
Total current liabilities	125 195	190 716	76 304
Total liabilities	1 364 454	394 682	1 359 283
TOTAL EQUITY AND LIABILITIES	1 942 165	756 449	1 833 110

Statement of Changes in Equity

Amounts in NOK `000	Share capital	Share premium	Other paid in capital	Unregistered share capital	Accumulated loss	Total equity
Equity at 1 January 2017	11 337	216 125	-	146 968	-9 953	364 477
Net profit / loss (-) for the year					-11 714	-11 714
Registration of share issues in Company Registry	7 348	139 620		-146 968		
Share issues, cash	3 275	62 225				65 500
Share issues, conversion of debt	2 778	52 786				55 564
Equity at 31 December 2017	24 738	470 755	-	-	-21 667	473 827
Equity at 1 January 2018	24 738	470 755	-	-	-21 667	473 827
Net profit / loss (-) for the year					-486	-486
Effect of equity restructuring	-21 613	21 613				0
Share issues	590	103 622				104 212
Share based payment			157			157
Equity at 31 March 2018	3 715	595 991	157	-	-22 153	577 711

Statement of Cash Flows

Amounts in NOK `000	Q1 2018 (unaudited)	Q1 2017 (unaudited)	Year 2017 (audited)
Cash flow from operating activities			
Profit / loss (-) before income tax	-13 301	-14 788	-80 494
Income tax paid/received	-	-	3 740
Depreciation, depletion and amortization	5 883	3 738	18 025
Accretion ARO	1 500	1 500	6 001
Change in trade and other receivables	-11 876	-3 656	-6 420
Change in trade and other payables	49 049	6 007	17 485
Change in other non-current items	-45 221	-	4 385
Net cash flow from / used in (-) operating activities	-13 966	-7 199	-37 278
Cash flow from investing activities			
Investment in exploration and evaluation assets	-	-	-999
Investment in oil and gas properties	-46 366	-66 580	-123 099
Investment in furniture, fixtures and office machines	-	-	-
Investment in (-)/release of restricted cash	48 166	-	-907 799
Net cash flow from / used in (-) investing activities	1 800	-66 580	-1 031 897
Cash flow from financing activities			
Proceeds from intercompany borrowings	-	53 308	92 280
Repayment of intercompany borrowings	-	-	-58 300
Net proceeds from borrowings, bond loan	-	-	961 415
Net proceeds from share issues	103 787	-	65 500
Net cash flow from / used in (-) financing activities	103 787	53 308	1 060 895
Net increase/ decrease (-) in cash and cash equivalents	91 621	-20 471	-8 280
Cash and cash equivalents at the beginning of the period	29 609	37 889	37 889
Cash and cash equivalents at the end of the period	121 230	17 418	29 609
Restricted cash at the end of the period	859 633	-	907 799
Restricted and unrestricted cash at the end of the period	980 862	17 418	937 408

Notes to the interim financial statements first quarter 2018

Note 1 - General and corporate information

These financial statements are the unaudited interim condensed financial statements of OKEA AS for the first quarter of 2018. OKEA AS is a private limited liability company incorporated and domiciled in Norway, with its main office located in Trondheim.

Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the annual accounts for 2017. The annual accounts for 2017 were prepared in accordance with the EU's approved IFRS.

Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2017. In addition the Company has adopted the IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018. The implementation of these standards did not have any effect on the financial statements.

Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2017.

Note 5 - Business segments

The Company's only business segment is development and production of oil and gas on the Norwegian Continental Shelf.

Note 6 Taxes

Income taxes recognised in the income statement

Amounts in NOK `000	Q1 2018	Q1 2017	Year 2017
Change in deferred taxes	3 940	7 982	48 061
Tax refund current year	8 875	4 097	20 719
Total income taxes recognised in the income statement	12 815	12 078	68 780

Reconciliation of income taxes

Amounts in NOK `000	Q1 2018	Q1 2017	Year 2017
Profit / loss (-) before income taxes	-13 301	-14 788	-80 494
Expected income tax at nominal tax rate, 25% (2017: 24%)	3 192	3 549	19 319
Expected petroleum tax, 55% (2017: 54%)	7 183	7 985	43 467
Permanent differences	-215	-36	-208
Effect of uplift	2 740	451	10 181
Financial items	-85	129	-8 766
Effect of new tax rates	-	-	337
Adjustments previous year and other	-	-	4 450
Total income taxes recognised in the income statement	12 815	12 078	68 780
Effective income tax rate	96 %	82 %	85 %

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

Amounts in NOK `000	31.03.2018	31.03.2017	31.12.2017
Tangible and intangible non-current assets	-345 543	-241 618	-335 377
Provisions	247 028	212 119	245 873
Interest-bearing loans and borrowings	-20 462	-	-5 069
Current items	-12 124	-	-2 526
Tax losses carried forward, offshore 23%	68 516	18 821	51 824
Tax losses carried forward, offshore 55%	119 455	40 180	100 520
Uplift carried forward, offshore 55%	32 587	15 512	29 847
Total deferred tax assets / liabilities (-) recognised	89 456	45 012	85 091

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 23%, to which is added a special tax for oil and gas companies at the rate of 55%, giving a total tax rate of 78%.

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

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

Note 7 Tangible assets

Amounts in NOK `000	Oil and gas properties in production	Oil and gas properties under development	Furniture, fixtures and office machines	Total
Cost at 1 January 2018	141 524	553 044	233	694 800
Additions	646	45 720	-	46 366
Cost at 31 March 2018	142 170	598 764	233	741 167
Accumulated depreciation and impairment at 1 January 2018	-18 189	-	-15	-18 205
Depreciation year to date	-5 881	-	-2	-5 883
Accumulated depreciation and impairment at 31 March 2018	-24 070	-	-17	-24 087
Carrying amount at 31 March 2018	118 100	598 764	216	717 079

Note 8 Share capital

Number of shares	Ordinary shares	Preference shares	Total shares
Outstanding shares at 1.1.2018	1 438 400	23 299 700	24 738 100
Capital decrease, redemption of preference shares		-23 299 700	-23 299 700
New shares issued during 2018	2 276 744	-	2 276 744
Number of outstanding shares at 31 March	3 715 144	-	3 715 144
Nominal value NOK per share at 31 March 2018			1
Share capital NOK at 31 March 2018			3 715 144

Note 9 Provisions

Amounts in NOK `000	Total non-current
Provision at 1 January 2018	319 668
Additions and adjustments	-
Changes in Operator's estimate	-
Unwinding of discount	1 500
Total provisions at 31 March 2018	321 168

Asset retirement obligations

Provisions for asset retirement obligations represent the future expected costs for close-down and removal of oil equipment and production facilities. The provision is based on the Operator's best estimate. The net present value of the estimated obligation is calculated using a discount rate. The assumptions are based on the economic environment around the balance sheet date. Actual asset retirement costs will ultimately depend upon future market prices for the necessary works which will reflect market conditions at the relevant time. Furthermore, the timing of the close-down is likely to depend on when the field ceases to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Note 10 Changes in Interest-bearing loans and borrowings

Amounts in NOK `000	
Interest bearing loans and borrowings 1 January 2018	963 312
Non-cash changes:	
Amortization of transaction costs, bond loan	1 718
Foreign exchange movement, bond loan	-46 938
Interest bearing loans and borrowings 31 March 2018	918 091

Note 11 - Events after the balance sheet date

No material events have occurred after the balance sheet date.