

QUARTERLY FINANCIAL REPORT Q4 2020

M VEST ENERGY AS

01/03/2021



MVESTENERGY

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1. EXECUTIVE SUMMARY

About M Vest Energy

M Vest Energy was founded in 2015, and in 2016 the company acquired assets and staff from Atlantic Petroleum Norge AS. In December 2016, the new energy business was approved as a license holder on The Norwegian Continental Shelf (NCS), and in January 2017 M Vest Energy was awarded its first license by the Ministry of petroleum and energy in the licensing round.

In June 2020, the company acquired a 5% working interest in the Polarled gas pipeline. The purchase was approved by the Ministry of Finance in August 2020 and the Ministry of Petroleum and Energy in November 2020. In addition to M Vest Energy (5.000%), the partnership in the Polarled Joint Venture consists of Equinor (37.076%), CapeOmega (28.271%), Sval Energi (13.255%), Petoro (11.946%) and ConocoPhillips (4.452%).

Our strategy is to optimize and develop the existing portfolio within the frameworks available. Further, the company is actively working to uncover the new opportunities that arise as a result of rapid changes in the sector. M Vest Energy aims at always being ahead of technology development, particularly the utilization of digital technology.

The company shall conduct its business in a way that minimizes footprint on the climate and environment, and especially be in the forefront when it comes to reducing emissions to air and water. ESG will be central in the day-to-day operations.

Financial review

Total revenues were MNOK 5.6, (0.1 in Q4 2019). The increase is due to the acquisition of a 5% share in the Polarled gas pipeline. Although the effective date for the transaction was 1.1.2020, only income post completion 30.11.2020 adds to the revenue, totalling 31 days of the year/quarter. Operating loss for the quarter was MNOK 9.7 (21.4 MNOK in Q4 2019), where the improvement from 2019 was caused by an increase in revenues and a reduction in exploration expenses.

The operating expenses amounted to MNOK 15.3 (21.5 MNOK in Q4 2019). Investments in fixed assets amounted to 0.3 MNOK (0.4 MNOK in Q4 2019), and investments in licenses amounted to MNOK 242 (MNOK 0 in Q4 2019).

The equity by year end was 20.8 MNOK, up from -60.9 MNOK by year end 2019.

The interest-bearing debt was MNOK 310.4 compared to 154.4 MNOK in Q4 2019.

Operational review

The company currently holds ownership in five exploration licenses on the NCS. Two of these, PL 972 (Vette) and PL 528 (Ivory), are currently being evaluated for development and operation (PDO), while three are being evaluated for their exploration potential. In addition, the company holds a 5% ownership in the Polarled pipeline that transports gas from Aasta Hansteen and surrounding areas to the Nyhamna gas processing plant. The ownership in Polarled is estimated to cover the company's operational expenses.

In the following year-end report, you will find an annual financial report (complete with a profit and loss statement) that provides insight into M Vest Energy AS's current financial position.

2. FINANCIAL REPORTS

INCOME STATEMENT

	Note	01.01.-31.12.	01.01.-31.12.	Q4	Q4
		2020	2019	2020	2019
Tariff revenues		5 565 834	59 800	5 565 834	59 800
Other income		-	-	-	-
TOTAL INCOME		5 565 834	59 800	5 565 834	59 800
Production costs		202 426	-	202 426	-
Exploration expenses		20 552 165	57 675 830	3 916 513	11 693 913
Depreciations	2	2 260 814	1 232 728	1 304 264	327 423
Other operating costs		36 439 697	36 606 794	9 851 134	9 446 984
Total operating expenses		59 455 103	95 515 352	15 274 337	21 468 320
Operating profit/loss		(53 889 269)	(95 455 552)	(9 708 503)	(21 408 520)
Net financial items	4	(7 438 288)	(6 289 351)	(1 637 528)	(1 621 210)
Profit/loss before taxes		(61 327 557)	(101 744 902)	(11 346 031)	(23 029 730)
Tax expense (+)/income (-)	5	(44 688 694)	(75 075 809)	(9 606 472)	(14 473 475)
NET PROFIT/LOSS		(16 436 437)	(26 669 093)	(1 537 134)	(8 556 255)

STATEMENT OF FINANCIAL POSITION

NOK		01.01.-31.12.	01.01.-31.12.	01.01.
	Note	2020	2019	2019
ASSETS				
Intangible assets				
Deferred tax assets	5	16 765 433	12 717 562	10 290 588
Other intangible assets	2	1 079 184	377 778	-
Tangible fixed assets				
Property, plant and equipment	2	241 398 485	93 453	120 134
Right-of-use assets	2,3	2 596 536	3 689 814	4 783 093
Total non-current assets		261 839 638	16 878 607	15 193 814
Receivables				
Trade and other receivables	6	13 508 825	3 336 875	7 189 097
Tax receivable from exploration refund	5	40 640 824	72 648 835	54 514 456
Cash and cash equivalents				
Cash and cash equivalents		26 313 840	11 507 645	5 288 732
Total current assets		80 463 488	87 493 354	66 992 286
TOTAL ASSETS		342 303 125	104 371 961	82 186 100

STATEMENT OF FINANCIAL POSITION

NOK		01.01.-31.12.	01.01.-31.12.	01.01.
	Note	2020	2019	2019
EQUITY AND LIABILITIES				
Equity				
Share capital	10	75 750	30 000	30 000
Share premium		98 137 410	-	-
Other equity		(77 367 166)	(60 930 729)	(34 261 635)
Total equity		20 845 994	(60 900 729)	(34 231 635)
Non-current liabilities				
Deferred tax		-	-	-
Long term bonds	8	275 000 000	-	-
Exploration financing facility	9	32 734 643	65 912 000	48 000 000
Other borrowings		-	84 732 202	59 588 194
Long-term lease debt	3	1 585 139	2 662 525	3 660 533
Total non-current liabilities		309 319 782	153 306 727	111 248 727
Current liabilities				
Trade, other payables and provisions	7	11 014 789	10 843 403	4 046 449
Borrowings		-	-	-
Short-term lease debt	3	1 122 560	1 122 560	1 122 560
Total current liabilities		12 137 349	11 965 963	5 169 009
Total liabilities		321 457 131	165 272 690	116 417 735
TOTAL EQUITY AND LIABILITIES		342 303 125	104 371 961	82 186 100

STATEMENT OF CASH FLOW

Statement of cash flow (NOK)		01.01.-31.12.	01.01.-31.12.	Q4	Q4
	Note	2020	2019	2020	2019
Profit/loss before taxes		(61 125 131)	(101 744 902)	(11 143 606)	(23 029 729)
Depreciation	2	2 260 814	1 232 728	1 304 264	327 423
Tax refund	5	72 648 835	54 514 456	72 648 835	54 514 456
Interest expenses	4	8 144 587	6 704 135	2 614 324	1 995 905
Interest paid		(2 600 812)	(2 921 239)	(602 728)	(906 820)
Changes in inventories, accounts payable and receivables		(11 989 605)	10 649 176	(9 054 359)	1 725 771
Net cash flow from operating activities		7 338 688	(31 565 645)	55 766 730	34 627 006
Disbursements on investments in fixed assets		(938 797)	(490 547)	(250 000)	(415 990)
Disbursements on investments in licenses	2	(242 235 177)	-	(242 235 177)	-
Net cash flow from investment activities		(243 173 974)	(490 547)	(242 485 177)	(415 990)
Net drawdown/repayment of exploration facility		(33 177 357)	17 912 000	(68 629 357)	(30 636 000)
Net proceeds from bond issue	8	275 000 000	-	275 000 000	-
Net proceeds from other debt		10 000 000	21 500 000	-	-
Net proceeds from capital raise		98 183 160	-	98 183 160	-
Conversion of loan to equity		(98 183 160)	-	(98 183 160)	-
Payments on lease debt	3	(1 181 162)	(1 136 896)	(295 290)	(289 984)
Net cash flow from financing activities		250 641 481	38 275 104	206 075 353	(30 925 984)
Net change in cash and cash equivalents		14 806 195	6 218 912	19 356 906	3 285 032
Cash and cash equivalents at start of period		11 507 645	5 288 732	6 956 934	8 222 612
Cash and cash equivalents at end of period		26 313 840	11 507 645	26 313 840	11 507 645

CASH FLOW STATEMENT

Statement of changes in equity

Equity (NOK)	Share capital	Share premium	Retained earnings	Total equity
Shareholders' equity at 1 January 2020	30 000	-	(60 930 729)	(60 900 729)
Net income for the period	-	-	(16 436 437)	(16 436 437)
Share capital increase	45 750	98 137 410	-	98 183 160
Shareholders' equity at 31 December 2020	75 750	98 137 410	(77 367 166)	20 845 994
Shareholders' equity at 1 January 2019	30 000	-	(34 261 635)	(34 231 635)
Net income for the period	-	-	(26 669 093)	(26 669 093)
Share capital increase	-	-	-	-
Shareholders' equity at 31 December 2019	30 000	-	(60 930 729)	(60 900 729)

Notes to the interim financial statement

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS"). These interim financial statements are the first prepared by the company in accordance with IFRS. Compared to historical accounts prepared according to NGAAP, no other items than lease items (IFRS 16) constitute a difference between the methods of accounting. Comparable balance sheets as of 01.01.2019 and 31.12.2019 are prepared with the implementation of IFRS 16 effective from 01.01.2019. 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. These interim financial statements have not been subject to review or audit by independent auditors.

Note 1 Accounting principles

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 expense. Actual results may differ from these estimates.

The Covid-19 pandemic has had a negative impact on demand for oil and gas, and on the prices achieved for these products. M Vest Energy currently have no producing fields in its portfolio, and the infrastructure asset is not significantly affected by the pandemic. No impairments are recognized in 2020 as a result of Covid-19.

Note 2 Tangible fixed assets and intangible assets

Tangible fixed assets - amounts in NOK	Gas transportation facilities	Office machinery, furniture and fixtures	Right-of-use assets
2020			
Cost at 1 January 2020	-	388 383	4 783 093
Additions	242 235 177	79 847	-
Disposals	-	-	-
Cost at 31 December 2020	242 235 177	468 230	4 783 093
Accumulated depreciation and impairment at 1 January 2020	-	(294 930)	(1 093 278)
Depreciation for the year	(957 451)	(52 540)	(1 093 278)
Disposals	-	-	-
Accumulated depreciation and impairment at 31 December 2020	(957 451)	(347 470)	(2 186 557)
Carrying amount at 31 December 2020	241 277 725	120 760	2 596 536
2019			
Cost at 1 January 2019	-	297 836	4 783 093
Additions	-	90 547	-
Disposals	-	-	-
Cost at 31 December 2019	-	388 383	4 783 093
Accumulated depreciation and impairment at 1 January 2019	-	(177 702)	-
Depreciation for the year	-	(117 228)	(1 093 278)
Disposals	-	-	-
Accumulated depreciation and impairment at 31 December 2019	-	(294 930)	(1 093 278)
Carrying amount at 31 December 2019	-	93 453	3 689 814

Gas transportation facilities are depreciated over the license period using the straight-line method. Office machinery etc. are depreciated over their useful life, 3-5 years. Right-of-use assets are depreciated over the contractual obligation period. The acquisition of a 5% share of Polarled JV is considered an asset acquisition, and the consideration for the interest is allocated to individual assets and liabilities acquired.

Note 2 Tangible fixed assets and intangible assets cont.

Intangible assets - amounts in NOK	Software
2020	
Cost at 1 January 2020	400 000
Additions	858 950
Disposals	-
Cost at 31 December 2020	1 258 950
Accumulated depreciation and impairment at 1 January 2020	(22 222)
Depreciation for the year	(157 545)
Disposals	-
Accumulated depreciation and impairment at 31 December 2020	(179 767)
Carrying amount at 31 December 2020	1 079 184
2019	
Cost at 1 January 2019	-
Additions	400 000
Disposals	-
Cost at 31 December 2019	400 000
Accumulated depreciation and impairment at 1 January 2019	-
Depreciation for the year	(22 222)
Disposals	-
Accumulated depreciation and impairment at 31 December 2019	(22 222)
Carrying amount at 31 December 2019	377 778

Software is depreciated over its useful life, 3 years, using the straight-line method.

Note 3 Leasing

Leasing liabilities (NOK)	01.01.-31.12.	01.01.-31.12.
	2020	2019
Lease debt at beginning of period	3 785 085	4 783 093
New lease debt recognized in the period	-	-
Payments of lease debt	(1 181 162)	(1 136 896)
Interest expense on lease debt	103 776	138 888
Total lease debt	2 707 699	3 785 085

The incremental borrowing rate applied in discounting the lease debt is 3,36%

Note 4 Financial items

Financial items (NOK)	01.01.-31.12.	01.01.-31.12.	Q4	Q4
	2020	2019	2020	2019
Interest income	987 055	375 145	987 055	375 139
Currency gains	46 619	171 752	8 244	6 101
Total financial income	1 033 675	546 898	995 299	381 241
Interest expenses	8 040 811	6 565 247	2 591 769	1 964 375
Interest on lease debt	103 776	138 888	22 555	31 530
Currency loss	327 375	132 113	18 503	6 545
Total financial expenses	8 471 963	6 836 248	2 632 827	2 002 450
Net financial items	(7 438 288)	(6 289 351)	(1 637 528)	(1 621 210)

Note 5 Tax

Tax for the period (NOK)	01.01.-31.12.	01.01.-31.12.	Q4	Q4
	2020	2019	2020	2019
Current year tax payable/receivable	(40 640 823)	(72 648 835)	(6 875 813)	(16 405 698)
Change in current year deferred tax	(4 047 871)	(2 426 974)	(2 730 659)	1 932 223
Tax expense (+)/income (-)	(44 688 694)	(75 075 809)	(9 606 472)	(14 473 475)

Calculated tax payable (-)/tax receivable (+) (NOK)	01.01.-31.12.	01.01.-31.12.	Q4	Q4
	2020	2019	2020	2019
Tax payable/receivable at beginning of period	72 648 835	54 514 456	106 413 845	110 757 593
Current year tax payable/receivable	40 640 823	72 648 835	6 875 813	16 405 698
Net tax payment/refund	(72 648 835)	(54 514 456)	(72 648 834)	(54 514 457)
Net tax payable (-)/receivable (+)	40 640 824	72 648 835	40 640 824	72 648 835
Tax receivable included as current assets (+)	40 640 824	72 648 835	40 640 824	72 648 835

Deferred tax liability (-)/asset (+) (NOK)	01.01.-31.12.	01.01.-31.12.	Q4	Q4
	2020	2019	2020	2019
Deferred tax liability/asset at beginning of period	12 717 562	10 290 588	14 034 774	14 649 785
Change in current year deferred tax	4 047 871	2 426 974	2 730 659	(1 932 223)
Net deferred tax liability (-)/asset (+)	16 765 434	12 717 562	16 765 433	12 717 562

Reconciliation of tax expense (NOK)	01.01.-31.12.	01.01.-31.12.
	2020	2019
78% tax rate on profit/loss before tax	(47 677 602)	(79 361 024)
Other non-deductible costs	3 493 227	3 004 425
Tax effect of uplift	(1 452 963)	
Effect of temporary tax changes	(183 900)	
Tax effect of financial and other 22% items	2 328 751	1 365 396
Net financials deductible 56%	(361 754)	
Interest on losses carried forward	(157 361)	
Tax value of losses to be refunded	(677 403)	
Prior period adjustment	311	(3)
Other permanent differences (§10)	-	(84 604)
Tax expense (+)/income (-)	(44 688 694)	(75 075 809)

Note 6 Trade and other receivables

Trade and other receivables (NOK)	01.01.-31.12.	01.01.-31.12.
	2020	2019
Accounts receivables	5 580 296	74 750
Receivables related to license acquisitions	4 787 221	-
Prepayments	1 900 267	42 664
Other receivables, including balances with license partners	1 241 040	3 219 461
Totals	13 508 825	3 336 875

Note 7 Trade, other payables and provisions

Trade, other payables and provisions (NOK)	01.01.-31.12.	01.01.-31.12.
	2020	2019
Accounts payable	3 486 975	989 805
Accrued public charges and indirect taxes	1 038 941	805 042
Payroll liabilities	4 030 270	3 241 700
Accrued interest	1 989 041	-
Other accruals	-	3 602 693
Share of other current liabilities in licenses	469 562	2 204 164
Totals	11 014 789	10 843 403

Note 8 Bonds

Bonds (NOK)	Maturity	31.12.2020	31.12.2019
Senior secured bond 8.000% (20/30)	Nov 2030	275 000 000	-

Interest is paid on a quarterly basis. The bond does not have financial covenants.

Note 9 Other Interest bearing debt

Other interest-bearing debt (NOK)	31.12.2020	31.12.2019
Exploration Financing Facility	32 734 643	65 912 000
Loan from M Vest AS	-	84 732 202
Long-term lease debt	1 585 139	2 662 525
Short-term lease debt	1 122 560	1 122 560
Total	35 442 342	154 429 287

The Exploration Financing Facility agreement for 150 MNOK with Svenska Enskilda Banken (SEB) was originally entered into 18.01.2017, and has been amended in 2018, 2019 and 2020. After the amendment in 2020 the limit is reduced to 130 MNOK. The facility period ended 31.12.2020, with termination date 31.12.2021, or when M Vest Energy receive the exploration tax refunds. The interest consists of Nibor + margin (2.00%).

Note 10 Equity and shareholders

Shareholders	A-shares	B-shares	Total shares
M Vest AS	14 850	45 750	60 600
Jonny Hesthammer AS	6 000	-	6 000
Alpha Sigma AS	4 575	-	4 575
Buena Nieta AS	4 575	-	4 575
Total	30 000	45 750	75 750

Equity changes are found in the Statement of Changes in Equity.