

QUARTERLY FINANCIAL REPORT Q1 2021

M VEST ENERGY AS

28/05/2021



M VEST ENERGY

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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 15.4, (0.0 in 2020). The increase is due to the acquisition of a 5% share in the Polarled gas pipeline with completion 30.11.2020. Operating loss for the period was MNOK 5.9 (21.1 MNOK in 2020), where the improvement from 2020 was caused mainly by an increase in revenues. The total operating expenses amounted to MNOK 21.3 (21.1 MNOK in 2020).

Net financial items amounted to MNOK -5.5 (-2.2 MNOK in 2020). The increase is due to the bond issue of November 2020, and a reduction in borrowings under the Exploration Financing Facility.

Profit/loss (-) before income tax was MNOK -11,4 (-23,3 in 2020). Tax income/expense (+) amounted to MNOK -4.3 (-20.5 in 2020), whereof tax refund/payable (+) amounted to MNOK -6.1 (19.5 in 2020). The effective tax rate of 38.1% (88.2% in 2020) deviates from the standard tax rate of 78% mainly due to financial items which are deducted with a lower tax rate, and non-deductible costs.

Net profit/loss (-) was MNOK -7.0 (-2.7 in 2020).

Total assets at period-end amounted to MNOK 331.2 (122.0 in 2020). The main reason for the increase is the acquisition of the 5% interest in Polarled Joint Venture.

M Vest Energy has recognised tax refund of MNOK 46.2 (92.1 in 2020).

The equity was 13.3 MNOK, (4.0%), up from -63.6 MNOK by Q1 2020. The positive change is driven by the conversion of 98 MNOK of debt to equity that took place in October 2020.

The interest-bearing debt was MNOK 310.2 in Q1 2021, compared to 177.1 MNOK in 2020. The net increase in interest-bearing debt is related to a bond issue of MNOK 275, a conversion of debt to equity of MNOK 98, and a reduced need for financing under the exploration financing facility with SEB.

The company's cash flow from operating activities was MNOK 2.4 (-21.1 in 2020). Cash flow from investing activities was negative by NOK 0.8 (0.1 in 2020).

Net cash flow from financing activities was MNOK -6.0 (20.9 in 2020).

Cash and cash equivalents at the beginning of the period was MNOK 26.3 (11.5 in 2020). At balance sheet date, cash and cash equivalents amounted to MNOK 22.0 (11.2 in 2020), giving a net decrease of MNOK 4.3 (0.3 in 2020.)

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 January 2021, the company was awarded participating interests in two licenses on the NCS by the Ministry of Petroleum and Energy under the Award in Pre-defined Areas (APA) for 2020. PL1116 will be operated by OKEA, and PL1130 will be operated by Inpex.

2. FINANCIAL REPORTS

INCOME STATEMENT

	NOK		01.01.-31.03.	01.01.-31.03.	Q1	Q1
		Note	2021	2020	2021	2020
PROFIT/LOSS STATEMENT	Tariff revenues		15 406 409	-	15 406 409	-
	Other income		-	-	-	-
	TOTAL INCOME		15 406 409	-	15 406 409	-
	Production costs		409 774	-	409 774	-
	Exploration expenses		7 878 231	8 745 876	7 878 231	8 745 876
	Depreciations	2	3 217 928	317 555	3 217 928	317 555
	Other operating costs		9 766 632	12 024 881	9 766 632	12 024 881
	Total operating expenses		21 272 566	21 088 312	21 272 566	21 088 312
	Operating profit/loss		(5 866 156)	(21 088 312)	(5 866 156)	(21 088 312)
	Net financial items	4	(5 514 182)	(2 170 216)	(5 514 182)	(2 170 216)
	Profit/loss before taxes		(11 380 338)	(23 258 528)	(11 380 338)	(23 258 528)
	Tax expense (+)/income (-)	5	(4 336 843)	(20 517 444)	(4 336 843)	(20 517 444)
	NET PROFIT/LOSS		(7 043 495)	(2 741 084)	(7 043 495)	(2 741 084)

STATEMENT OF FINANCIAL POSITION

NOK		01.01.-31.03.	01.01.-31.03.	31.12.
	Note	2021	2020	2020
ASSETS				
Intangible assets				
Deferred tax assets	5	14 995 992	13 756 553	16 730 539
Other intangible assets	2	1 805 848	403 395	1 079 184
Tangible fixed assets				
Property, plant and equipment	2	238 504 446	101 849	241 398 485
Right-of-use assets	2,3	2 323 216	3 416 495	2 596 536
Total non-current assets		257 629 503	17 678 291	261 804 744
Receivables				
Trade and other receivables	6	5 383 334	999 502	13 508 825
Tax receivable from exploration refund	5	46 240 561	92 127 288	40 169 171
Cash and cash equivalents				
Cash and cash equivalents		21 991 247	11 222 202	26 313 840
Total current assets		73 615 141	104 348 991	79 991 835
TOTAL ASSETS		331 244 644	122 027 283	341 796 578

STATEMENT OF FINANCIAL POSITION

NOK		01.01.-31.03.	01.01.-31.03.	01.12.
	Note	2021	2020	2020
EQUITY AND LIABILITIES				
Equity				
Share capital	10	75 750	30 000	75 750
Share premium		98 137 410	-	98 137 410
Other equity		(84 917 208)	(63 671 813)	(77 873 713)
Total equity		13 295 952	(63 641 813)	20 339 447
Non-current liabilities				
Long term bonds	8	275 000 000	-	275 000 000
Exploration financing facility	9	32 734 643	82 800 000	32 734 643
Other borrowings		-	90 809 410	-
Long-term lease debt	3	1 310 113	2 396 549	1 585 139
Total non-current liabilities		309 044 756	176 005 959	309 319 782
Current liabilities				
Trade, other payables and provisions	7	7 781 376	8 540 577	11 014 789
Short-term lease debt	3	1 122 560	1 122 560	1 122 560
Total current liabilities		8 903 936	9 663 137	12 137 349
Total liabilities		317 948 692	185 669 095	321 457 131
TOTAL EQUITY AND LIABILITIES		331 244 644	122 027 283	341 796 578

STATEMENT OF CASH FLOW

Statement of cash flow (NOK)		01.01.-31.03.	01.01.-31.03.	Q1	Q1
	Note	2021	2020	2021	2020
Profit/loss before taxes		(11 380 338)	(23 258 527)	(11 380 338)	(23 258 527)
Depreciation	2	3 217 928	317 555	3 217 928	317 555
Tax refund	5	-	-	-	-
Interest expenses	4	5 709 107	1 787 992	5 709 107	1 787 992
Changes in inventories, accounts payable and receivables		4 892 078	34 546	4 892 078	34 546
Net cash flow from operating activities		2 438 775	(21 118 434)	2 438 775	(21 118 434)
Disbursements on investments in fixed assets	2	(769 077)	(78 249)	(769 077)	(78 249)
Disbursements on investments in licenses	2	(8 158)	-	(8 158)	-
Net cash flow from investment activities		(777 235)	(78 249)	(777 235)	(78 249)
Net drawdown/repayment of exploration facility		-	16 888 000	-	16 888 000
Net proceeds from bond issue	8	-	-	-	-
Net proceeds from other debt		-	5 000 000	-	5 000 000
Interest paid		(5 688 843)	(681 470)	(5 688 843)	(681 470)
Payments on lease debt	3	(295 290)	(295 290)	(295 290)	(295 290)
Net cash flow from financing activities		(5 984 133)	20 911 240	(5 984 133)	20 911 240
Net change in cash and cash equivalents		(4 322 593)	(285 443)	(4 322 593)	(285 443)
Cash and cash equivalents at start of period		26 313 840	11 507 645	26 313 840	11 507 645
Cash and cash equivalents at end of period		21 991 247	11 222 202	21 991 247	11 222 202

CASH FLOW STATEMENT

Statement of changes in equity

Equity (NOK)	Share capital	Share premium	Retained earnings	Total equity
Shareholders' equity at 1 January 2021	75 750	98 137 410	(77 873 713)	20 339 447
Net income for the period	-	-	(7 043 495)	(7 043 495)
Share capital increase	-	-	-	-
Shareholders' equity at 31 March 2021	75 750	98 137 410	(84 917 208)	13 295 952)
Shareholders' equity at 1 January 2020	30 000	-	(60 930 729)	(60 900 729)
Net income for the period	-	-	(2 741 084)	(2 741 084)
Share capital increase	-	-	-	-
Shareholders' equity at 31 March 2020	30 000	-	(63 671 813)	(63 641 813)

3. NOTES TO THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements ("interim financial statements") have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS") IAS34 "Interim Financial Reporting", thus the interim statements do not include all information required by IFRS and should be read in conjunction with the 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. These interim financial statements have not been subject to review or audit by independent auditors.

These interim financial statements were authorized for issue by the company's Board of Directors on 27 April 2021.

Note 1 Accounting principles

The accounting principles used for this interim report are consistent with the principles used in the company's 2020 annual financial statements.

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 the reporting period 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
2021			
Cost at 1 January 2021	242 235 177	468 230	4 783 093
Additions	8 158	-	-
Disposals	-	-	-
Cost at 31 March 2021	242 243 335	468 230	4 783 093
Accumulated depreciation and impairment at 1 January 2021	957 451	347 470	2 186 557
Depreciation for the period	2 886 248	15 948	273 320
Disposals	-	-	-
Accumulated depreciation and impairment at 31 March 2021	3 843 700	363 419	2 459 877
Carrying amount at 31 March 2021	238 399 635	104 812	2 323 216
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 period	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

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. Polarled is depreciated over the remaining useful life, which is considered to be the same as the license period that expires in 2041.

The interest in Polarled JV is pledged as security for the bond issue.

There is no impairment loss recognised on infrastructure assets in 2020 or 2021.

Note 2 Tangible fixed assets and intangible assets cont.

Intangible assets - amounts in NOK	Software
2020	
Cost at 1 January 2021	1 258 950
Additions	769 077
Disposals	-
Cost at 31 March 2021	2 028 028
Accumulated depreciation and impairment at 1 January 2021	179 767
Depreciation for the period	42 413
Disposals	-
Accumulated depreciation and impairment at 31 March 2021	222 179
Carrying amount at 31 March 2021	1 805 848
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

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

Note 3 Leasing

The company has entered into leases for office premises and parking spaces. This is the only significant lease agreement identified by the company. The current office lease agreement terminates 14.05.2023, and the annual lease cost is NOK 1,181,162.

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

Leasing liabilities (NOK)	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2021	2020	2020
Lease debt at beginning of period	2 707 699	3 785 085	3 785 085
New lease debt recognized in the period	-	-	-
Payments of lease debt	(295 290)	(295 290)	(1 181 162)
Interest expense on lease debt	20 264	29 314	103 776
Total lease debt	2 432 673	3 519 109	2 707 699
Short-term lease debt	1 122 560	1 122 560	1 122 560
Long-term lease debt	1 310 113	2 396 549	1 585 139
Total lease debt	2 432 673	3 519 109	2 707 699
Lease debt maturity breakdown (NOK)	2021	2020	2020
Within one year	1 122 560	1 122 560	1 122 560
Two to five years	1 310 113	2 396 549	1 585 139
After five years	-	-	-
Total	2 432 673	3 519 109	2 707 699

Extension options are included in the lease liability when, based on management's judgement, it is reasonably certain that an extension will be exercised. No such extension options are recognised as at 31 March 2021.

Note 4 Financial items

Financial items (NOK)	01.01.-31.03.	01.01.-31.03.	Q1	Q1
	2021	2020	2021	2020
Interest income	-	-	-	-
Currency gains	25 644	-	25 644	-
Total financial income	25 644	-	25 644	-
Interest expenses	5 688 843	1 758 678	5 688 843	1 758 678
Interest on lease debt	20 264	29 314	20 264	29 314
Currency loss	14 176	299 484	14 176	299 484
Financial items from billing	(183 456)	82 740	(183 456)	82 740
Total financial expenses	5 539 827	2 170 216	5 539 827	2 170 216
Net financial items	(5 514 182)	(2 170 216)	(5 514 182)	(2 170 216)

Interest paid in 2021

Paid interests (NOK)	01.01.-31.03.	01.01.-31.03.
	2021	2020
Exploration Financing Facility	188 843	681 470
Long term bonds	5 500 000	-
Total paid interests	5 688 843	681 470

Note 5 Tax

Tax for the period (NOK)	01.01.-31.03.	01.01.-31.03.	Q1	Q1
	2021	2020	2021	2020
Current year tax payable/receivable	(6 071 390)	(19 478 453)	(6 071 390)	(19 478 453)
Change in current year deferred tax	1 734 547	(1 038 991)	1 734 547	(1 038 991)
Tax expense (+)/income (-)	(4 336 843)	(20 517 444)	(4 336 843)	(20 517 444)

Calculated tax payable (-)/tax receivable (+) (NOK)	01.01.-31.03.	01.01.-31.03.	Q1	Q1
	2021	2020	2021	2020
Tax payable/receivable at beginning of period	40 169 171	72 648 835	40 169 171	72 648 835
Current year tax payable/receivable	6 071 390	19 478 453	6 071 390	19 478 453
Net tax payment/refund	-	-	-	-
Net tax payable (-)/receivable (+)	46 240 561	92 127 288	46 240 561	92 127 288
Tax receivable included as current assets (+)	46 240 561	92 127 288	46 240 561	92 127 288

Specification of deferred tax asset (NOK)	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2021	2020	2020
Deferred tax liability/asset at beginning of period	16 730 539	12 717 562	12 717 562
Change in current year deferred tax	(1 734 547)	1 038 991	4 012 977
Net deferred tax liability (-)/asset (+)	14 995 993	13 756 553	16 730 539

Companies operating on the NCS 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 recognised in full.

Reconciliation of tax expense (NOK)	01.01.-31.03.	01.01.-31.03.
	2021	2020
78% tax rate on profit/loss before tax	(8 876 664)	(18 141 652)
Other non-deductible costs	1 982 491	-
Tax effect of uplift	(381 490)	-
Effect of temporary tax changes	(3 807)	-
Interest on lease liabilities	(11 348)	-
Tax effect of financial and other 22% items	3 087 942	599 846
Net financials deductible 56%	(60 395)	(62 720)
Interest on losses carried forward	(73 572)	(94 641)
Tax value of losses to be refunded	-	-
Prior period adjustment	-	-
Other differences	-	(2 818 277)
Tax expense (+)/income (-)	(4 336 843)	(20 517 444)

Note 6 Trade and other receivables

Specification of trade and other receivables

Trade and other receivables (NOK)	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2021	2020	2020
Accounts receivables	4 980 338	-	5 580 296
Receivables related to license acquisitions	1 950	-	4 787 221
Prepayments	1 260 049	27 604	1 900 267
Other receivables, including balances with license partners	(859 003)	971 898	1 241 040
Totals	5 383 334	999 502	13 508 825

The receivables all mature within one year.

Note 7 Trade, other payables and provisions

Specification of trade, other payables and provisions

Trade, other payables and provisions (NOK)	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2021	2020	2020
Accounts payable	1 295 446	2 367 383	3 486 975
Accrued public charges and indirect taxes	623 269	626 933	1 038 941
Payroll liabilities	3 404 058	3 342 097	4 030 270
Accrued interest	1 989 041	-	1 989 041
Other accruals	-	-	-
Share of other current liabilities in licenses	469 562	2 204 164	469 562
Totals	7 781 376	8 540 577	11 014 789

Note 8 Bonds

Bonds (NOK)	Maturity	31.03.2021	31.03.2020	31.12.2020
Senior secured bond 8.000% (20/30)	Nov 2030	275 000 000	-	275 000 000

The bond is carried at nominal value. Interest is paid on a quarterly basis. The bond does not have financial covenants. The 5% working interest in Polarled JV is pledged as security for the bond issue. Book value of pledged assets is MNOK 238.4.

Note 9 Other Interest bearing debt

Other interest-bearing debt (NOK)	31.03.2021	31.03.2020	31.12.2020
Exploration Financing Facility	32 734 643	82 800 000	32 734 643
Loan from M Vest AS	-	90 809 410	-
Long-term lease debt	1 310 113	2 396 549	1 585 139
Short-term lease debt	1 122 560	1 122 560	1 122 560
Total	35 167 316	177 128 519	35 442 342

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 was 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%). The Financing Facility is limited to 95% of the tax value of relevant exploration costs. As of 31 March 2021, the company have outstanding loan that correspond to 72% of exploration tax refund. The tax refund is pledged as security under the Exploration Financing Facility.

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

The company has 30,000 A shares and 45,750 B shares, each with a nominal value of NOK 1.

The A shares carry full economic rights and full voting rights.

The B shares do not have voting rights in the General Assembly but have otherwise equal rights to the A shares.

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

Note 11 Cash and cash equivalents

(NOK)	31.03.2021	31.03.2020	31.12.2020
Bank deposits, unrestricted	21 329 337	10 460 159	24 518 651
Bank deposit, employee taxes, restricted	661 910	762 043	1 795 189
Total cash and cash equivalents	21 991 247	11 222 202	26 313 840

Note 12 Earnings per share

Earnings per share is calculated by dividing the period's profit attributable to ordinary equity holders of the company, which was NOK -7,043,495 (NOK -2,741,084 in 2020) by the period's weighted average number of outstanding ordinary shares, which was 75,750 (30,000 in 2020). There are no option schemes or convertible bonds in the company, meaning there is no difference between the ordinary and diluted earnings per share.

Earnings per share (NOK)	31.03.2021	31.03.2020
Loss for the period attributable to ordinary equity holders	(7 043 495)	(2 741 084)
The period's average number of ordinary shares	75 750	30 000
Earnings per share in NOK	(93)	(91)

Note 13 Subsequent events

The company has not identified any events with significant accounting impacts that have occurred between the end of the reporting period and the date of this report.