

QUARTERLY FINANCIAL REPORT Q1 2023

M VEST ENERGY AS

31/05/2023



M VEST ENERGY

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1. EXECUTIVE SUMMARY

Highlights M Vest Energy 1st quarter

In the 1st quarter M Vest Energy had revenues of 201 MNOK from its licenses, Polarled (5%), Draugen (7,56%), Brage (4,4424%) and Ivar Aasen (0,8%).

EBITDA for the quarter was 136 MNOK.

Profit before tax was 47 MNOK.

No serious incidents occurred at any of our assets.

About M Vest Energy

M Vest Energy was founded in 2015. In December 2016, the new energy business was approved as a license holder on The Norwegian Continental Shelf (NCS).

In June 2020, the company acquired a 5% working interest in the Polarled gas pipeline, and in March 2022 the acquisition of working interests in Draugen (7,56%), Brage (4,4424%) and Ivar Aasen (0,8%) was completed.

The company's strategy is to optimize and develop the existing portfolio within the frameworks available. Further, the company is actively working to uncover new opportunities as a result of rapid changes in the sector. This includes investment in production and infrastructure opportunities. M Vest Energy aims at always being in the forefront of technology development, particularly the utilization of the digital arena.

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 is central in the day-to-day operations.

Financial review

Total income in the first quarter 2023 amounted to MNOK 201.0, (16.5 in 2022). Operating profit for the period was MNOK 77.2 (0.2 MNOK in 2022), where the improvement from 2022 was due to the contribution from acquired assets. The total operating expenses amounted to MNOK 123.8 (16.3 MNOK in 2022). The increase is due to the acquisition of producing assets.

Net financial items amounted to MNOK -30.7 (-4.1 MNOK in 2022), where costs of 14.7 MNOK are noncash items related to accretion expenses of asset retirement obligations on the acquired assets and unrealized currency losses.

Profit before income tax was MNOK 46.5 (-3.9 in 2022). Tax income/expense (+) amounted to MNOK 36.8 (0.9 in 2022).

Net profit was MNOK 9.7 (-4.8 in 2022).

Total assets at period-end amounted to MNOK 1 193.1 (868.5 in 2022). The main reason for the increase is investments on producing assets.

The total equity was -19.5 MNOK (-11.9 MNOK in 2022).

The interest-bearing debt was MNOK 461.1 in Q1 2023, compared to 477.9 MNOK in 2022.

The company's cash flow from operating activities was MNOK 74.7 (37.7 in 2022). Cash flow from investing activities was NOK -50.7 (-2.1 in 2022).

Net cash flow from financing activities was MNOK -9.1 (171.1 in 2022).

Cash and cash equivalents at the beginning of the period was MNOK 43.0 (23.7 in 2022). At balance sheet date, cash and cash equivalents amounted to MNOK 8.4 (23.7 in 2022), giving a net increase of MNOK 14.9 (decrease of 15.3 in 2022.)

Operational review

Draugen (partner 7.56%)

Net production for the first quarter was 1 254 boed. Production availability was 96%.

Production was stable for Q1 with high production availability/efficiency and strong reservoir performance.

Exploration/Appraisal wells for Springmus and Garn West South was sanctioned in November. The Transocean Endurance drilling rig has been contracted to drill the two wells in the summer of 2023.

The Hasselmus development project is moving forward as planned with startup of gas export in Q4 2023. The Power from Shore project was sanctioned in December and the plan for development and operations (PDO) was submitted to the Authorities.

Brage (partner 4.4424 %)

Net production in the first quarter was 306 boed. Production availability was 91%.

Production was stable in Q1 and increased relative to Q4 as ramp-up following the turnover in September impacted the production in October.

Drilling activities are ongoing on the Brage field with the Talisker East well was completed in the quarter and subsequently put on production in Q2 with promising initial production. Drilling activities continue with the A-37 C well in the Sognefjord formation.

Ivar Aasen (partner 0.8 %)

Net production in the first quarter was 278 boed. Production availability was 79%.

In Q1, the Ivar Aasen license completed a preventive subsea change out of pipeline clamps that could be susceptible to Hydrogen Induced Stress Cracking (HISC). The subsea campaign was successful but impacted the production availability and net production negative in the quarter, the impact was partially offset by full quarter production from the IOR 2022 wells.

Risks and uncertainty

As an oil and gas company operating on the Norwegian Continental Shelf, exploration results, reserve and resource estimates and estimates for capital and operating expenditures are associated with uncertainty. The production performance of oil and gas fields may be variable over time, and this also effects the tariff income from infrastructure assets. Oil and gas prices are volatile, currently at high levels, but there is risk of reduced prices in the future.

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the company's annual report and accounts.

The COVID-19 pandemic has caused significant business disruption globally and may impact the longer-term demand for oil and gas. This represents a risk to the company's future price realisations, results from operations, cash flows, financial condition, and access to capital.

2. FINANCIAL REPORTS

INCOME STATEMENT

	Amounts in NOK '000		01.01.-31.03.	01.01.-31.03.
		Note	2023	2022
PROFIT/LOSS STATEMENT	Revenues from crude oil and gas sales		182 823	-
	Tariff revenues		18 143	16 464
	Other income		50	-
	TOTAL INCOME		201 016	16 464
	Production expenses		46 105	521
	Changes in over/under lift positions		24 592	-
	Exploration expenses		3 372	2 818
	Depreciations	2	34 353	3 282
	Other operating expenses		15 366	9 674
	Total operating expenses		123 787	16 294
	Operating profit/loss		77 229	170
	Net financial items	4	(30 686)	(4 097)
	Profit/loss before taxes		46 543	(3 927)
	Tax expense (+)/income (-)	5	36 835	863
	NET PROFIT/LOSS		9 708	(4 790)

STATEMENT OF FINANCIAL POSITION

	Amounts in NOK '000		01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
		Note	2023	2022	2022
BALANCE SHEET - ASSETS	ASSETS				
	Intangible assets				
	Deferred tax assets	5		23 341	-
	Other intangible assets	2	1 681	1 516	1 796
	Tangible fixed assets				
	Property, plant and equipment	2	981 876	766 515	965 468
	Right-of-use assets	2,3	5 624	1 230	5 903
	Financial investments		5 010	-	5 010
	Total non-current assets		994 192	792 601	978 178
	Receivables				
	Trade and other receivables	6	88 709	49 722	79 007
	Tax receivable from exploration refund	5	-	17 762	-
	Stock from joint operations		52 287	-	81 532
	Cash and cash equivalents				
	Cash and cash equivalents	11	57 867	8 383	42 989
	Total current assets		198 863	75 867	203 528
	TOTAL ASSETS		1 193 055	868 468	1 181 706

STATEMENT OF FINANCIAL POSITION

Amounts in NOK '000			01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	Note		2023	2022	2022
EQUITY AND LIABILITIES					
Equity					
Share capital	10		76	76	76
Share premium			98 137	98 137	98 137
Other equity			(117 669)	(110 073)	(127 377)
Total equity			(19 455)	(11 860)	(29 163)
Non-current liabilities					
Deferred tax	5		54 451	-	52 053
Asset retirement obligations	12		581 489	367 085	574 402
Long term bonds	8		380 215	275 000	378 382
Other borrowings	9		75 258	177 124	69 196
Long-term lease debt	3		4 346	187	4 667
Total non-current liabilities			1 095 758	819 396	1 078 699
Current liabilities					
Trade, other payables and provisions	7		50 049	23 328	90 506
Income tax payable	5		65 416	18 982	40 261
Exploration financing facility	9		-	17 500	-
Financial instruments			-	-	115
Short-term lease debt	3		1 287	1 123	1 287
Total current liabilities			116 752	60 933	132 170
Total liabilities			1 212 511	880 328	1 210 869
TOTAL EQUITY AND LIABILITIES			1 193 055	868 468	1 181 706

STATEMENT OF CASH FLOW

CASH FLOW STATEMENT

Amounts in NOK '000		01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	Note	2023	2022	2022
Profit/loss before taxes		46 543	(3 926)	111 077
Depreciation	2	34 353	3 282	134 841
Tax refund	5	-	-	(17 871)
Income tax paid	5	(9 282)	-	-
Interest expenses	4	22 293	5 685	55 636
Changes in inventories, accounts payable and receivables		(21 029)	(24 835)	(68 359)
Net cash flow from operating activities		74 709	(19 795)	215 324
Disbursements on investments in fixed assets	2	(200)	(280)	(98 772)
Disbursements on investments in licenses	2	(50 166)	(166 391)	(129 801)
Cash used on (-)/received from financial investments		-	-	(5 010)
Payment for removal and decommissioning of oil fields		(366)	-	(18 998)
Net cash flow from investment activities		(50 733)	(166 671)	(252 581)
Net drawdown/repayment of exploration facility			-	(17 500)
Bond issue inflow	9		-	378 382
Bond issue outflow	9		-	(275 000)
Net proceeds from other debt	9		120 000	120 000
Repayment of shareholder loans				(120 000)
Interest paid	4	(14 836)	(5 674)	(28 903)
Seller's credit		6 062	-	-
Payments on lease debt	3	(324)	(302)	(434)
Net cash flow from financing activities		(9 098)	171 148	56 545
Net change in cash and cash equivalents		14 878	(15 318)	19 288
Cash and cash equivalents at start of period		42 989	23 701	23 701
Cash and cash equivalents at end of period	11	57 867	8 383	42 989

Statement of changes in equity

Amounts in NOK '000	Share capital	Share premium	Retained earnings	Total equity
Shareholders' equity at 1 January 2023	76	98 137	(127 377)	(29 164)
Net income for the period	-	-	9 708	9 708
Shareholders' equity at 31 March 2023	76	98 137	(117 669)	(19 455)
Shareholders' equity at 1 January 2022	76	98 137	(105 284)	(7 071)
Net income for the period	-	-	(22 093)	(22 093)
Shareholders' equity at 31 December 2022	76	98 137	(127 377)	(29 164)

3. NOTES TO THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements ("interim financial statements") have been prepared in accordance with Simplified International Financial Reporting Standards, 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 2022. 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 31 May 2023.

Note 1 Accounting principles

The accounting principles used for this interim report are consistent with the principles used in the company's 2022 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.

Note 2 Tangible fixed assets and intangible assets

Tangible fixed assets - amounts in NOK '000	Gas transportation facilities	Production facilities	Office machinery, furniture, and fixtures	Right-of-use assets
2023				
Cost at 1 January 2023	244 382	867 398	669	9 531
Additions	124	50 042	-	-
Disposals	-	-	-	-
Cost at 31 March 2023	244 507	917 440	669	9 531
Accumulated depreciation and impairment at 1 January 2023	(73 226)	(73 261)	(494)	(3 628)
Depreciation for the period	(2 947)	(30 776)	(36)	(279)
Disposals	-	-	-	-
Accumulated depreciation and impairment at 31 March 2023	(76 172)	(104 037)	(531)	(3 907)
Carrying amount at 31 March 2023	168 335	813 403	138	5 624

Gas transportation facilities are depreciated over the license period using the straight-line method. Capitalised costs for oil and gas fields in production are depreciated individually using the unit-of-production method. Office machinery etc. are depreciated over their useful life, 3-5 years. Right-of-use assets are depreciated over the contractual obligation period. Polarled is depreciated over the remaining useful life, which is considered to be the same as the license period that expires in 2041.

The interests in infrastructure and production licenses are pledged as security for the bond issue.

Note 2 Tangible fixed assets and intangible assets cont.

Intangible assets - amounts in NOK '000	Software
2023	
Cost at 1 January 2023	2 028
Additions	200
Disposals	-
Cost at 31 March 2023	3 028
Accumulated depreciation and impairment at 1 January 2023	(1 032)
Depreciation for the period	(315)
Disposals	-
Accumulated depreciation and impairment at 31 March 2023	(1 347)
Carrying amount at 31 March 2023	1 681
2022	
Cost at 1 January 2022	2 028
Additions	800
Disposals	-
Cost at 31 December 2022	2 828
Accumulated depreciation and impairment at 1 January 2022	(606)
Depreciation for the year	(426)
Disposals	-
Accumulated depreciation and impairment at 31 December 2022	(1 032)
Carrying amount at 31 December 2022	1 796

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 14.05.2028, and the annual lease cost is NOK 1 208 984.

The incremental borrowing rate applied in discounting the lease debt is 6,19%.

Leasing liabilities – amounts in NOK '000	01.01.-31.03.	01.01.-31.03.
	2023	2022
Lease debt at beginning of period	5 954	1 601
New lease debt recognized in the period	-	5 524
Payments of lease debt	(324)	(1 209)
Interest expense on lease debt	4	39
Total lease debt	5 633	5 954
Short-term lease debt	1 287	1 287
Long-term lease debt	4 346	4 667
Total lease debt	5 633	5 954
Lease debt maturity breakdown (NOK)	2023	2022
Within one year	1 287	1 287
Two to five years	4 346	4 667
After five years	-	-
Total	5 633	5 954

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 of 31 March 2022.

Note 4 Financial items

Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.
	2023	2022
Interest income	129	5
Currency gains	2 310	1 593
Gains from investments	-	-
Total financial income	2 439	1 599
Interest expenses	22 289	5 674
Interest on lease debt	4	11
Accretion expense on asset retirement obligation	-	-
Exchange rate losses	8 609	-
Financial items from billing	(111)	10
Other financial items	2 334	-
Total financial expenses	33 124	5 695
Net financial items	(30 686)	(4 097)

Note 5 Tax

Tax for the period – Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.
	2023	2022
Current year tax payable/receivable	38 538	74 830
Change in previous year tax payable/receivable	(4 101)	1 065
Change in current year deferred tax	2 398	61 503
Capitalized costs	-	(4 228)
Tax expense (+)/income (-)	36 835	133 170

Calculated tax payable (-)/tax receivable (+) – Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.
	2023	2022
Tax payable/receivable at beginning of period	(74 830)	17 762
Current year tax payable/receivable	(38 538)	-74 830
Tax paid	43 851	34 569
Change in previous year tax	4 101	-
Net tax payment/refund	-	(17 762)
Net tax payable (-)/receivable (+)	(65 416)	(40 261)
Tax receivable included as current assets (+)	-	-
Tax payable included as current liability (-)	(65 416)	(40 261)

Specification of deferred tax liability (-)/asset (+) – Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.
	2023	2022
Deferred tax liability (-)/asset (+) at beginning of period	(52 053)	9 451
Change in current year deferred tax	(2 398)	(61 503)
Net deferred tax liability (-)/asset (+)	(54 451)	(52 053)

Note 6 Trade and other receivables

Specification of trade and other receivables

Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2023	2022	2022
Accounts receivables	71 036	5 434	21 884
Accrued revenue	-	-	-
Prepayments	9 458	1 836	4 107
Other receivables, including balances with license partners	8 215	11 283	53 015
Totals	88 709	18 553	79 007

The receivables all mature within one year.

Note 7 Trade, other payables and provisions

Specification of trade, other payables and provisions

Amounts in NOK '000	01.01.-31.03.	01.01.-31.03.	01.01.-31.12.
	2023	2022	2022
Accounts payable	2 978	3 991	3 272
Accrued public charges and indirect taxes	498	546	8 639
Payroll liabilities	4 347	2 976	2 935
Accrued interest	3 001	1 989	2 858
Share of other current liabilities in licenses	33 810	3 945	65 588
Other provisions	5 415	9 881	7 214
Totals	50 049	23 328	90 506

The payables all mature within one year.

Note 8 Bonds

Amounts in NOK '000	Maturity	31.03.2023	31.03.2022	31.12.2022
Senior secured bond 8.000% (20/30)	Nov 2030	-	275 000	-

The bond of MNOK 275 issued in 2020 was repaid in December 2022.

Amounts in NOK '000	Maturity	31.03.2023	31.03.2022	31.12.2022
Senior secured bond (22/25)	Dec 2025	380 215	-	378 382

Interest is paid on a quarterly basis. The working interests in infrastructure and production assets are pledged as security for the bond issue. Book value of pledged assets is MNOK 982.

The financial covenants comprise of:

- (i) Minimum liquidity of 5% of outstanding Financial Indebtedness
- (ii) Net leverage ratio of maximum 2.5

Note 9 Other Interest-bearing debt

Amounts in NOK '000	31.03.2023	31.03.2022	31.12.2022
Exploration Financing Facility	-	17 500	-
Loan from M Vest AS	-	120 000	-
Long-term lease debt	4 346	187	4 667
Short-term lease debt	1 287	1 123	1 287
Deferred payment of asset acquisitions ¹	75 258	64 122	69 196
Total	80 891	202 932	19 101

¹The acquisition of assets from Neptune Energy was partly financed by deferred payments, recognised as long-term liabilities. The amount matures 1/1-2024.

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 Vida 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

Amounts in NOK '000	31.03.2023	31.03.2022	31.12.2022
Bank deposits, unrestricted	57 056	7 764	37 346
Bank deposit, employee taxes, restricted	811	619	5 643
Total cash and cash equivalents	57 867	8 383	42 989

Note 12 Asset retirement obligations

Amounts in NOK '000	
Provision at 1 January 2023	574 402
Additions	-
Incurred removal cost	(366)
Accretion expenses	7 453
Asset retirement obligations at 31 March 2023	581 489

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 company's best estimate. The net present value of the estimated obligation is calculated using a discount rate of 5.19%. Future annual inflation of 2% is assumed. The assumptions are based on the economic environment at 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 13 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 9 708 041 (NOK -4 789 605 in 2022) by the period's weighted average number of outstanding ordinary shares, which was 75,750 (75,750 in 2022). There are no option schemes or convertible bonds in the company, meaning there is no difference between the ordinary and diluted earnings per share.

Amounts in NOK	31.03.2023	31.03.2022
Profit for the period attributable to ordinary equity holders	9 708 041	(4 789 605)
The period's average number of ordinary shares	75 750	75 750
Earnings per share in NOK	128	(63)

Note 14 Related party transactions

Expenses to related parties

Related party	Relation	Q1
Molasset AS	MVE's chair of board is chair of board and owner of Nord Advisors AS	1 237 500

The remuneration is related to purchase of consulting services consisting of strategic support, opportunity analyses, financial advice, risk management and IR-services that is not covered by the permanent employees.

Note 15 Subsequent events

No material subsequent events have been identified.

Alternative performance measures

M Vest Energy may disclose alternative performance measures as part of its financial reporting as a supplement to the interim financial statements prepared in accordance with simplified IFRS and believes that the alternative performance measures provide useful supplemental information to stakeholders.

Adjusted EBITDA	Earnings before interest, tax, depreciation, amortization and impairment, adjusted for certain lifting delays, first oil effects and M&A-effects.
EBITDA	Is defined as earnings before interest and other financial items, taxes, depreciation, depletion, amortisation, and impairments.
Net leverage ratio	Is the ratio of Total net debt to adjusted EBITDA.
Total net debt	Total interest-bearing financial indebtedness less liquidity.