
Petrogas Denmark ApS

Harbour House, Sundkrogsgade 21, DK-2100
København Ø

Annual Report for 1 January - 31 December 2020

CVR No 31 08 00 37

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
10/05 2021

Usama Al Barwani
Chairman of the General
Meeting

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Petrogas Denmark ApS for the financial year 1 January - 31 December 2020.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 10 May 2021

Executive Board

Nick Dancer

Board of Directors

Usama Al Barwani
Chairman

Nick Dancer

Kingsuk Sen

Independent Auditor's Report

To the Shareholder of Petrogas Denmark ApS

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Petrogas Denmark ApS for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 10 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ole Tjørnelund Thomsen

statsautoriseret revisor

mne10637

Søren Alexander

statsautoriseret revisor

mne42824

Company Information

The Company

Petrogas Denmark ApS
Harbour House
Sundkrogsgade 21
DK-2100 København Ø

CVR No: 31 08 00 37

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Usama Al Barwani, Chairman
Nick Dancer
Kingsuk Sen

Executive Board

Nick Dancer

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Key activities

Petrogas Denmark ApS ("The Company") is a wholly owned subsidiary of Petrogas International E & P Coöperatief U.A. ("Petrogas"). Its primary activity is the exploration and exploitation of oil & gas resources in the Danish sector of the North Sea.

The company participates in License 12/06 with an interest of 5.44%, which includes the two hydrocarbon discoveries; Broder Tuck '(BT)' and Lille John '(LJ)'.

Development in the year

The income statement of the Company for 2020 shows a loss of DKK 930,252, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 8,330,648.

In January 2016, Dana submitted a declaration of commerciality to the Danish Energy Authority. This commenced the early stage pathway to field development. On the 20th May 2016, the Danish Energy Authority awarded a 30-year extension to the Danish Licence 12/06 for the purpose of production, with a number of milestone dates.

An extension to the milestone date for submission and completion of the Field Development plan was agreed by the operator, Dana and its partners, with the authorities, delaying submission deadline until 1st August 2022. This extension allowed to continue the evaluation activities and ensured parties would be able to come to the field investment decision taking account of the challenges with the field development. In 2019 a successful 3D seismic campaign was executed and in 2020 it was decided not to drill an appraisal well in Lille John. The activities for the appraisal well in Broder Tuck continued with the acquisition of the long lead drilling equipment and rig contracting for drilling in June 2020.

The preparations for this well were on a steady path to spud the well timely. However due to the outbreak of COVID-19 early 2020, the operator together with its partners decided to initially delay and later cancel the drilling campaign of the appraisal well in Broder Tuck in 2020. This all took place in close consultation with the authorities, who have approved the delay of the well.

For 2021, the operator and its partners developed plans with a focus on establishing the appropriate export route and third party host of the hydrocarbons coming from LJ and BT. The partnership would like to establish this route before investing in significant appraisal expenditures and optimize the development plan and expenditures upon the selection of the export route and host. These plans take into account the uncertainties of the COVID-19 outbreak that has influenced the health, safety and economic activities around the world.

Management is continuing to monitor the COVID-19 developments and adverse effects closely and together with the support of the Petrogas Group responding to unexpected increased health, safety and liquidity risks for the current operations, including the deferral of non-essential activities, where possible. The Company will also work with its contractors to include more flexibility with respect to its commitments and work program, where possible.

Management's Review

The company has been confronted with the discontinuation of Spyker Energy (8% partner) in the Broder Tuck area since March 2020. The Company will together with the other partners share the costs due by Spyker with the operator. Whilst the operator will pursue the payment of the financial obligations due by Spyker, Petrogas Denmark ApS is now carrying an additional 0.44% equity in the 12/6 licence, giving a total equity of 5.44%.

Capital resources

Historically, the Company has been wholly dependent upon its parent Petrogas for support to meet its expenses and license obligations.

To fulfill the conditions of being a licensee in the Danish offshore sector, the Company's current parent satisfactorily executed a parent company guarantee with the Danish Energy Authority (DEA).

In assessing the capital requirements of the company, the Company secured commitment of its parent to support the planned activities and expenditures that would be charged by the operator for 2021.

In 2020, the expenditure was largely covered by the available funds and additional funds from the parent.

The 2021 expenditures are anticipated to be paid by the Company with the assistance of its parent where required including the costs for minor own administrative expenses and other expenditure not covered by the current cash balance.

Considering these facts, the directors have prepared these accounts on a going concern basis.

Operating risks

Developing licenses with the objective of producing gas and oil is subject to considerable uncertainties. Main uncertainties include finding economically robust technical solutions, the field's capacity associated to reservoir and geological conditions, and the development of oil and gas prices and foreign exchange rates.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Gross profit/loss		0	0
Administrative expenses		-920.137	-436.531
Operating profit/loss		-920.137	-436.531
Profit/(loss) before financial income and expenses		-920.137	-436.531
Financial income	4	19.740	0
Financial expenses	5	-29.855	-50.098
Profit/(loss) before tax		-930.252	-486.629
Tax on profit/loss for the year		0	0
Net profit/loss for the year		-930.252	-486.629

Distribution of profit

	2020 DKK	2019 DKK
Proposed distribution of profit		
Retained earnings	-930.252	-486.629
	-930.252	-486.629

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Oil and gas assets		13.270.689	7.770.904
Intangible assets	6	13.270.689	7.770.904
Fixed assets		13.270.689	7.770.904
Cash at bank and in hand		376.641	2.233.188
Currents assets		376.641	2.233.188
Assets		13.647.330	10.004.092

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		500.000	500.000
Retained earnings		7.830.648	8.760.900
Equity		8.330.648	9.260.900
Payables to group enterprises		2.377.464	0
Long-term debt	7	2.377.464	0
Trade payables		0	127.500
Payables to group enterprises	7	430.889	615.692
Other payables		2.508.329	0
Short-term debt		2.939.218	743.192
Debt		5.316.682	743.192
Liabilities and equity		13.647.330	10.004.092
Going concern	1		
Uncertainties regarding recognition and measurement	2		
Subsequent events	3		
Contingent assets, liabilities and other financial obligations	8		
Related parties	9		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	8.760.900	9.260.900
Net profit/loss for the year	0	-930.252	-930.252
Equity at 31 December	500.000	7.830.648	8.330.648

Notes to the Financial Statements

1 Going concern

The equity of Petrogas Denmark ApS amounts to DKK 8,330,648 as at 31 December 2020. The Company has a working capital deficiency at the balance sheet date of DKK -2,562,577, predominantly relating to the liabilities for the upcoming operator cash calls as part of the business plan supported by the parent company. The going concern of the Company depends to a significant extent on the support of the Petrogas group.

As a result of the stage the 12/06 project is in historically, the Company is financed in full by the parent company. The parent company has undertaken to provide financial support until 31 December 2022. Furthermore, Petrogas E&P LLC, Oman has issued a parent company guarantee to the DEA.

Based on the anticipated near-term expenditures and commitments to be borne by the Company, and the undertaking of support provided by the parent company, the financial statements have been prepared on a going concern basis.

2 Uncertainties regarding recognition and measurement

The significant asset within the Company is the 5.44% working interest in licence 12/06. The terms of the 12/06 licence allow for an extension of 30 years (from 22nd May 2016) for the purpose of development and production. The Field Development Plan (FDP) submission deadline was extended to 1 August 2022. The deferral of the FDP submission deadline was conditional on certain licence activities being met (milestones).

Different milestones were met with the successful seismic campaign, the decision not to drill an appraisal well for Lille John based on the HR 3D seismic data and the preparations for the appraisal well in Broder Tuck.

Due to the COVID-19 pandemic, it was not possible to drill the Broder Tuck appraisal well by 1 July 2020 in line with the previous milestone condition. Following updates provided on the activities and agreements made with the Danish Energy Agency (DEA) in 2020 and 2021 the milestones were paused with an amended timeline, allowing the operator and partnership to meet the Gate 1 milestone for Lille John by 1 October 2021 and complete project evaluations and update the project plan before 31 December 2021.

It is the current expectation of the company that the operator and partnership will agree on an amended timeline and path towards FDP with the Danish Energy Authority to continue the project, based on its past experience in the Danish sector of the North Sea.

3 Subsequent events

No subsequent events.

Notes to the Financial Statements

	2020 DKK	2019 DKK
4 Financial income		
Exchange gains	19.740	0
	19.740	0
5 Financial expenses		
Interest paid to group enterprises	28.803	21.255
Other financial expenses	1.052	0
Exchange loss	0	28.843
	29.855	50.098
6 Intangible assets		
		Oil and gas assets DKK
Cost at 1 January		16.621.243
Additions for the year		5.499.786
Cost at 31 December		22.121.029
Impairment losses and amortisation at 1 January		8.850.340
Impairment losses and amortisation at 31 December		8.850.340
Carrying amount at 31 December		13.270.689

The Company's intangible asset relate to exploration of oil and gas in the Danish North Sea.

Notes to the Financial Statements

7 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020 DKK	2019 DKK
Payables to group enterprises		
Between 1 and 5 years	2.377.464	0
Long-term part	2.377.464	0
Other short-term debt to group enterprises	430.889	615.692
	2.808.353	615.692

8 Contingent assets, liabilities and other financial obligations

Contingent assets

The Company has a tax loss carry-forward, which has not been recognised.

Contingent liabilities

Petrogas Denmark ApS is jointly and severally liable with Dana Petroleum Denmark B.V., Petrogas E&P UK Ltd., Danoil Exploration A/S and Nordsøfonden for the consortium's activities in the North Sea in relation to licence 12/06.

The Company is jointly and severally liable for tax on the jointly taxed income with the Danish branch of Petrogas E&P UK Ltd. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments to corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

9 Related parties

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Petrogas International E&P Coöperatief U.A.
Laan van Zuid Hoorn 14
2289 DE Rijswijk
The Netherlands

Consolidated Financial Statements

The company forms part of the consolidated accounts in the 2020 Annual Report of the Parent Company Petrogas E&P LLC of Muscat, Oman.

The Group Annual Report of Petrogas E&P LLC of which Petrogas Denmark ApS for 2020 forms part may be obtained at the following address:

Petrogas E&P LLC
PO Box 353
112 Ruwi
Sultanate of Oman

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of Petrogas Denmark ApS for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

10 Accounting Policies (continued)

Income Statement

Cost of sales

Cost of sales encompass amortisation and impairment losses relating to the oil and gas assets.

Administrative expenses

Administrative expenses are recognised in the income statement at the amounts relating to the financial year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

The Company follows the full-cost method of accounting for oil and gas assets under which all exploration expenditure is capitalised in a depreciable cost pool. Currently, the Company has a single pool for its Danish assets.

Oil and gas assets are measured at cost less accumulated amortisation. Where the cost less amortisation exceeds the net realisable value, write-down is made to this lower value.

Impairment of fixed assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

10 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.