PETRONOR E&P

Interim Financial Report

For the half year and quarter ended

30 June 2020

HIGHLIGHTS

Q2 2020 and subsequent events

- PetroNor successfully refinanced its USD 12.9 million short-term debt facility with a new USD 15.0 million facility due October 2022.
- Despite the challenges the Oil Industry is facing because of the COVID-19, PNGF Sud did not face any reduction or stoppage in the oil production and has produced an average of 23,320 bopd during Q2 2020.
- Infill drilling program in PNGF Sud is delayed due to COVID 19 and is expected to start as soon as travel & other restrictions on logistics are lifted.
- PetroNor has actively pursued multiple business development opportunities, and will continue to invest in business development to increase its production portfolio.
- As a result of restructuring & streamlining the organization, the group has successfully reduced the G&A expenses by 25% in H1 2020 as compared to H1 2019.

Assets

Republic of Congo (Brazzaville)

- 10.5% indirect participation interest in the license group of PNGF Sud (Tchibouela II, Tchendo II and Tchibeli-Litanzi II) through Hemla E&P Congo SA.
- The Group holds a right to negotiate, in good faith, along with the contractor group of PNGF Sud, the terms of the adjacent license of PNGF Bis and a 14.7% indirect participation.

Nigeria

- In 2019 Acquired 13.1% economic interest in Aje Field through two transactions with Panoro and YFP. Started engaging with partners to streamline operations and initiated the DPR approval process for both transactions.
- Engaged with several financial & industrial partners with a target to mature the project towards an FID.

Flare Gas

- PetroNor E&P has developed a concept to capture flaregas with Aragon (www.aragon). PetroNor and Aragon will convert pollution into clean energy. Today the world is flaring more gas that could power all the cars in Europe or supply Africa continent with electricity for a year. Our consortium has been approved in Nigeria and is now in process to qualify for specific projects, PetroNor intend to expand its flaregas division as soon as we have one project developed as reference.

Senegal

- PetroNor reached a mutual agreement with the Government of Senegal on 29th April 2020. The Arbitration, related to Rufisque Offshore Profond and Senegal Offshore Sud Profond license areas, was suspended for a period of 180 days with a view to reaching a satisfactory outcome for all parties.

The Gambia

- Arbitration process is going on with respective governmental bodies.

EBITDA (Q2)
USD **4.2 m**
(2019: USD 20.6 m)

Net Profit (Q2)
USD **0.9 m**
(2019: USD 10.2 m)

EBITDA (H1)
USD **13.6 m**
(2019: USD 30.4 m)

Net Profit (H1)
USD **2.9 m**
(2019: USD 11.3 m)

10.33 MMbbl
2P Reserves
(31 Dec 2019: 10.76MMbbl)

7.31 MMbbl
2C Contingent Resources
(31 Dec 2019: 7.31 MMbbl)

CEO'S STATEMENT

Dear Shareholders

I am pleased to provide the following overview for the first six months of what has been a very challenging period for the industry and global markets as a result of the ongoing pandemic and its impact on the global energy markets.

Fortunately, due to the nature of our portfolio and activities, PetroNor has been considerably less impacted by the pandemic than many of its peers and has delivered a resilient financial and operational performance through the first half of the year. I'd like to take this opportunity to thank the entire team for the exhaustive effort to review and assess growth opportunities, and our operating partners in Congo who maintained steady production, for their professionalism and diligence through this unprecedented period.

The flip-side of the adverse market conditions is that we believe that as commodity pricing continues to stabilise and financial markets begin to re-open, we expect to see an enhanced opportunity pipeline as companies seek to divest of compelling assets that are either non-core or are required to be sold to strengthen vendor balance sheets. In this regard, our team continues to screen multiple opportunities in line with our stated growth target of achieving net production of 30,000 boepd in the next few years. We remain confident in our ability to achieve rapid scale and become a relevant mid-cap player within our stated timeframes, especially given the nature of some of the opportunities that we are progressing which have the potential to be truly transformational. The strength of our network across Africa and the support from large off-takers combined with the support we have from our largest shareholders represent core differentiating factors that serve to insulate us from the challenging headwinds and strengthens our view that PetroNor E&P will ultimately emerge stronger from this current downturn.

Our producing asset in Congo continues to perform well with production remaining steady throughout the half year at 2,392 bopd. The production so far for 2020 has increased with 4% compared to 2019 through well interventions. Further the unit operating cost has been slightly reduced, however, as a result of the reduced oil price we see a significant drop in revenue for 1H-2020. For 2H-2020 we expect the production from the existing wells to remain at the current level. PetroNor, alongside our JV partners, continue to assess the state of the market with a view to initiating a drilling campaign, the objectives of which will be to enhance production and grow the reserves base. The timing of that campaign remains fluid at present as it is subject to travel and logistic restrictions caused by COVID, however we would expect the JV to benefit from reduced rig rates as a result of the depressed environment.

Our in-house team continues to progress the technical aspect of the Aje field re-development while the newly formed JV awaits final ministerial approval to ratify the transaction, which we anticipate being a temporarily delayed formality as a result of the pandemic. The re-development and monetization of the gas of that field remains an important commercial project for the Company, and an integral part of the Company's developing ESG strategy. The Company is increasingly prioritising ESG and is committed to being a good corporate citizen and making a positive socioeconomic impact. In this regard PetroNor has developed a concept to capture flaregas and is part of an approved consortium presently seeking additional opportunities within Nigeria.

A majorly positive development in the period was the temporary suspension in May to the arbitration with regards to our assets in Senegal. It was agreed by both parties that the process be paused for a period of six months to allow a window to seek a mutually beneficial outcome. Not only does the pause reduce the cost of legal fees, it also emphasises a willingness of both parties to find a satisfactory solution outside of the courts. We look forward to progressing those discussions through the current quarter and will update shareholders of any material developments in that process, and the ongoing arbitration with The Gambia. We remain steadfast in our commitment to see the ongoing processes through to a satisfactory conclusion for our Company and shareholders, while also being wholly open to engaging with the necessary authorities to seek out of court settlement that benefits all parties.

The near-term focus remains a strict cost discipline as we seek to ensure the business is appropriately sized and funded for the current environment. The Company has made material progress in reducing its G&A in all areas and will continue to employ this highly disciplined approach to our balance sheet. We also need to ensure we are appropriately funded for both our organic and inorganic activities, and continue to progress various discussions with regards to funding options to support the drilling programme in Congo, M&A activities and general working capital.

In summary, this period has created a very challenging and uncertain backdrop for the industry as a whole, but PetroNor's activities are largely unaffected and the Board ultimately believes the latest industry contraction will benefit the Company's long-term growth ambitions. We remain patient in our approach, focused with our strategy and confident in our ability to deliver a step-change in the profile of this Company in the coming years.

Yours sincerely,

Knut Søvold
CEO

OPERATIONAL UPDATE

REVIEW OF OPERATIONS

CORPORATE

Board appointments

After the AGM on 29th May 2020, Gerhard Ludvigsen and Ingvil Smines Tybring-Gjedde were formally appointed to the Board of Directors. In addition, Knut Søvold relinquished his position on the Board of Directors and continues to serve as CEO of the Company. Following these changes, the Board is comprised of seven Directors, four of whom are considered to be Independent.

COVID-19

Since the end of financial year, the COVID-19 outbreak is a globally significant event impacting the health of individuals, international trade and commerce and, as a result had a severely negative impact on global financial markets. The COVID-19 outbreak combined with the dramatic oil price decline has had a significant impact on the short-term oil prices. Consequently, this has adversely affected the Group's business.

The company has implemented cost reduction measures in the company overhead and general administration cost. Key management salaries were reduced with immediate effect from Mid-March 2020. A full review of the company expenditures has been completed and cost reduction actions are implemented on a continuous basis. It has been important for the management to ensure that the cost savings initiatives have limited impact on the capabilities of the company to continue its growth strategy even under these difficult circumstances and the new venture strategy of the company. The implemented initiatives will reduce the "normal budget" for 12 months forward from USD 14.1 million to USD 10.5 million. This number excludes any ongoing commitments such as redundancy packages and other costs which will be tapered down going forward.

OPERATIONAL UPDATES

Republic of Congo – PNGF SUD

PNGF Sud fields are located approximately 25 km off the coast of Pointe-Noire in water depths of 80-100 metres. PNGF Sud comprises 3 operating licenses, Tchibouela II, Tchendo II and Tchibeli-Litanzi II, covering five oil fields: Tchibouela Main, Tchibouela East, Tchendo, Tchibeli and Litanzi.

PetroNor, through Hemla E&P Congo, participated in the 2016 tender process with the Congo Ministry of Hydrocarbon for participation in the PNGF Sud license. As of 1 of January 2017, Hemla E&P Congo was awarded a 20% working interest in the PNGF Sud licenses (net 10.5% to PetroNor).

Initially discovered in 1979, PNGF Sud commenced production in 1987 and produces from 61 wells in five oil fields, Tchibouela, Tchibouela East, Tchendo, Tchibeli and Litanzi.

Following the entry of the new license group in 2017, significant operational improvements have been made, increasing gross production from c.15,000 bopd in January 2017. The average production in 2019 was 21,920 bopd. Through further workovers, surface and process improvements and infill drilling, gross production from PNGF Sud is expected to continue to grow in the coming years.

The PNGF Sud fields are developed with seven wellhead platforms and currently produce from more than 60 active production wells, with oil exported via the onshore Djeno terminal. With its long production history, substantial well count and extensive infrastructure, PNGF Sud offers well diversified and low risk production and reserves with low break-even cost.

In October 2019, AGR Petroleum prepared a Competent Person's Report and the reserves below are calculated by subtraction of the production between the cut-off date of the CPR report and period end.

PetroNor´s Reserves per 30.6.2020

- 1P reserves of 6.59 MMbbls
- 2P reserves of 10.33MMbbls
- 3P reserves of 13.60 MMbbls

PetroNor's Contingent Resource base includes discoveries of varying degrees of maturity towards development decisions. By end of 2019, PetroNor's assets contain a total 2C volume of approximately 7.31 MMbbls. This is unchanged for the quarter.

During Q2, 2020, the gross production was 2.122 MMbbls of oil, resulting in a net to PetroNor production of 2,449 bopd. The average net to PetroNor production on PNGF Sud for H1, 2020 was 2,392 bopd.

Republic of Congo – PNGF BIS

PNGF Bis is located to the North-West of PNGF Sud and comprises 2 discoveries: Loussima SW and Loussima.

Through an umbrella agreement, the license partners of PNGF Sud have the right to negotiate, in good faith, the license terms to enter into a PSC for PNGF Bis. Subject to successful completion of negotiations, PetroNor will hold a 14.7% indirect interest.

Three exploration wells have been drilled on the license area. A discovery in pre-salt Vandji Fm was made in well LUSM-1 on Loussima in 1985. Loussima SW was discovered by well LUSOM-1 in 1987 with oil in Vandji Fm.

A second well, SUEM-2, was drilled on Loussima SW in 1991 to appraise the Vandji discovery. Hydrocarbon shows were detected in one of the wells in the Albian post-salt Sendji Fm,

OPERATIONAL UPDATE

(analogue to Tchibeli / Litanzi reservoirs in PNGF Sud). The Sendji interval was not production tested. The depth to the Vandji reservoir is 3,250 mTVDSS, to Sendji around 1,940 mVDSS and the water depth in the area is 110 m. Tests on the Loussima SW LUSOM-1 well produced 4,700 bopd and the SUEM-2 well yielded 1,150 bopd.

The CPR report prepared by AGR estimates that PNGF Bis holds gross 2C resources of 28.9 MMbbl.

Senegal – ROP & SOSP

The Company's subsidiary African Petroleum Senegal Limited registered a request for arbitration proceedings with the International Centre for Settlement of Investment Disputes (ICSID) on 11 July 2018 (case ARB/18/24) to protect its interests in the Senegal Offshore Sud Profond and Rufisque Offshore Profond blocks in Senegal.

On 4 May 2020, the arbitration proceedings for the Group's interests in Senegal were suspended until 2 November 2020, following an agreement between the parties.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Senegal Licences and estimates the net unrisked mean prospective oil resources at 1,779 MMStb.

The Gambia – A1 & A4

The Company's subsidiary African Petroleum Gambia Limited registered arbitration proceedings with ICSID on 17 October 2017 to protect its interests in the A1 and A4 licences in The Gambia (Case ARB/17/38).

The Company remains open to engaging in constructive dialogue with the Gambian authorities, with a view to establishing a satisfactory solution that is in the interests of all parties.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Gambian Licences and estimates the net unrisked mean prospective oil resources at 3,079 MMStb.

Nigeria – OML-113 / The AJE field

PetroNor entered into an agreement in 2019 with Panoro Energy and Yinka Folawiyo Petroleum ("YFP") to acquire Panoro's interest in the OML-113 and the Aje field in Nigeria in October 2019. PetroNor and YFP has formed a joint company, Aje Petroleum, to focus on the revitalisation and further development of OML 113. The ownership of Aje Petroleum is to be shared between YFP and PetroNor on the basis of a 55% and 45% shareholding respectively.

Following completion, Aje Petroleum will hold a 75.5% participating interest and an average economic interest in the order of 38.7% in OML 113, with an initial 29% economic interest at the onset of the transaction.

The completion of the two agreements is subject to authorisation of the Nigerian Department of Petroleum Resources and consent of the Minister of Petroleum Resources for both transactions.

Aje field produced an average of 1,970 bopd during the quarter. Production from the Aje field continued from the Aje-4 and Aje-5 wells, with the Aje-4 well producing from the Cenomanian oil reservoir and the Aje-5 well producing from the oil rim of the Turonian reservoir. A crude lifting is planned in October 2020 and will be the first lifting since March 2020. Proceeds from crude sales are being applied by the JV towards operating expenses and the reduction of historical payables. PetroNor is updating the Field Development plan to expedite the gas development and will share with partners in Q4 after receiving DPR approval to complete the acquisition of the asset share.

FINANCIAL PERFORMANCE AND ACTIVITIES

The Group reported an EBITDA of USD 4.2 million for the period ended 30 June 2020, compared to USD 20.6 million in the same period in 2019. Net loss attributable to the equity holders of the parent was USD 0.6 million for Q2 2020, compared to a profit of USD 4.8 million in the same period in 2019.

Oil & gas revenue for the period was (net of royalties & taxes) USD 6.5 million arising from sale of 0.2 million barrels of crude oil at an average price of USD 33 per barrel. In the same period last year the group generated a revenue of USD 19.6 million from the sale of 0.28 million barrels of crude oil at an average price of USD 71 per barrel.

The EBITDA margin of Q2 2020 was 40% compared to 60% in Q2-2019 due to:

- Lower crude oil price, reduced crude oil lifting & increased lifting cost due to COVID 19;
- Increase in G&A expenses mainly attributable to the additional expenses of the former APCL group which was not part of the Group in the same period last year. See below a comparison of the G&A expenses including former APCL group for the same period last year.

OPERATIONAL UPDATE

USD'000	*Six months ended 30 June*	
	2020	2019
Employee benefit expenses	**2,514**	2,885
Termination benefits	**795**	-
Travelling expenses	**224**	592
Legal and professional	**1,566**	3,570
Office rent	**126**	249
Other expenses	**722**	664
	5,947	7,960

As evident from the above comparison the group has done well to cut costs despite increased business development activities and cost related to refinancing of the loan.

During Q1 2020, NOK weakened against USD by approximately 16%, and this required a USD 1.5 million foreign currency translation reserve movement to be recognised for the translation of subsidiary companies results into the presentational currency for the Group. During Q2 2020, NOK strengthened itself back and resulted in the reduction this translation reserve and other comprehensive income of USD 1.7 million.

In May 2020, the short-term debt facility of USD 12.9 million from Rasmala (London and Dubai based investor group) was replaced with a USD 15 Million facility with 12 months grace period and final maturity date in October 2022.

The Group had USD 11.1 million in cash and bank balances as of 30 June 2020 (31 December 2019: USD 27.9 million).

During the quarter no dividend was paid or recommended.

The Board of Directors (the "Board") confirms that the interim financial statements have been prepared pursuant to the going concern assumption. The continuing impact that Covid-19 will have on the Groups operations and the global markets, plus the uncertainty on the Groups ability to renegotiate outstanding payables to significant shareholders, indicate material uncertainties on the status of going concern. The going concern assumption is based upon the financial position of the Group and the development plans currently in place.

PRINCIPAL RISKS

The Group is subject to a number of risk factors inherent in the oil and gas industry which are further detailed in the annual report. These include technical risks, reserve and resource estimates, and risks of operating in a foreign country (in particularly economic, political, social and environmental risks).

The principal risks have not materially changed from those disclosed in the annual report. However, the volatility and decline in global oil prices since the start of the year, highlights the difficulty to accurately predict future oil and gas price movements.

Plus, the longer-term impact of Covid-19 on daily operations, and any associated effect on the availability of sources of finance is uncertain at this stage.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The Group's objective for health, environment, safety and quality (HSEQ) is zero accidents and zero unwanted incidents in all activities. PetroNor experienced no accidents, injuries, incidents or any environmental claims during the quarter.

The Group's operations have been conducted by the operators on behalf of the licensees, at acceptable HSE standards and the Operator of PNGF Sud is reporting regularly on all key HSE indicators. No accidents that resulted in loss of human lives or serious damage to people or property have been reported during the quarter. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

OUTLOOK

The company expects to be able to receive the governmental approval of the Aje transaction during H2 2020 subject to travel & other restrictions because of COVID 19.

The company has all its focus on business development and has participated in several bids during the year and will continue doing the same in H2 2020 as well. Main focus of these business development activities is to increase the production portfolio of the company.

Infill drilling program on the Litanzi and Tchendo fields has been pushed forward because of the travel restrictions and depressed oil prices because of COVID 19. But the same is expected to restart in the second half of the year and assumed to complete by H1 2021.

The Company is considering various financing alternatives to fund organic growth initiatives and other near-term business development opportunities including but not limited to a potential equity raise. National Holding, as a key strategic shareholder, has expressed its intention to support any such transaction. A potential equity raise would also seek to increase the Company's free float, which remains a key objective for the Company in order to enhance the capital market interest for the Company and attract a stronger and more diversified shareholder base.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

USD' 000	**Three months ended 30 June**		**Six months ended 30 June**	
(Unaudited)	**2020**	2019	**2020**	2019
Revenue	**10,544**	33,871	**30,263**	48,114
Cost of sales	**(4,790)**	(12,653)	**(12,673)**	(14,992)
Gross profit	**5,754**	21,218	**17,590**	33,122
Other operating income	**5**	-	**5**	9
Administrative expenses	**(2,444)**	(1,391)	**(5,947)**	(4,129)
Profit from operations	**3,315**	19,827	**11,648**	29,002
Finance expense	**(580)**	(392)	**(1,158)**	(897)
Finance income	**-**	-	**-**	-
Foreign exchange gain / (loss)	**465**	532	**524**	270
Share based payment	**-**	-	**-**	-
Profit before tax	**3,200**	19,967	**11,014**	28,375
Tax expense	**(2,354)**	(9,803)	**(8,083)**	(17,099)
Profit for the period	**846**	10,164	**2,931**	11,276
Other Comprehensive income:				
Exchange gains / (losses) arising on translation of foreign operations	**1,660**	-	**(502)**	-
Total comprehensive income	**2,506**	10,164	**2,429**	11,276
(Loss) / Profit for the period attributable to:				
Owners of the parent	**(590)**	4,775	**(439)**	4,974
Non-controlling interest	**1,436**	5,389	**3,370**	6,302
	846	10,164	**2,931**	11,276
Total comprehensive (loss) / income attributable to:				
Owners of the parent	**623**	4,775	**(755)**	4,974
Non-controlling interest	**1,883**	5,389	**3,184**	6,302
	2,506	10,164	**2,429**	11,276
Earnings per share attributable to members:	**USD cents**	USD cents	**USD cents**	USD cents
Basic (loss) /profit per share	**(0.06) Cents**	0.59 Cents	**(0.05) Cents**	0.61 Cents
Diluted (loss) / profit per share	**(0.06) Cents**	0.59 Cents	**(0.05) Cents**	0.61 Cents

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Assets		
Current assets		
Inventories	**3,852**	3,233
Trade and other receivables	**30,088**	24,772
Cash and cash equivalents	**11,113**	27,891
	45,053	55,896
Non-current assets		
Property, plant and equipment	**23,085**	22,587
Intangible assets	**4,326**	4,691
	27,411	27,278
Total assets	**72,464**	83,174
Liabilities		
Current liabilities		
Trade and other payables	**24,087**	34,602
Loans and borrowings	**-**	12,941
	24,087	47,543
Non-current liabilities		
Loans and borrowings	**15,000**	-
Provisions	**14,840**	14,373
	29,840	14,373
Total liabilities	**53,927**	61,916
NET ASSETS	**18,537**	21,258
Issued capital and reserves attributable to owners of the parent		
Share capital	**17,735**	17,735
Foreign currency translation reserve	**(316)**	-
Retained earnings	**(11,665)**	(11,226)
	5,754	6,509
Non-controlling interests	**12,783**	14,749
TOTAL EQUITY	**18,537**	21,258

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD' 000 *(Unaudited)*	**Issued capital**	**Retained earnings**	**Foreign currency translation reserve**	**Non-controlling interest**	**Total**
BALANCE AT 1 JANUARY 2020	**17,735**	**(11,226)**	**-**	**14,749**	**21,258**
(Loss) / Profit for the period	-	**(439)**	-	**3,370**	**2,931**
Other comprehensive loss	-	-	(316)	(186)	(502)
Total comprehensive income / (loss) for the period	-	(439)	(316)	3,184	2,429
Dividend paid	-	-	-	(5,150)	(5,150)
BALANCE AT 30 JUNE 2020	**17,735**	**(11,665)**	**(316)**	**12,783**	**18,537**
For the period ended 30 June 2019					
BALANCE AT 1 JANUARY 2019	120	13,688	-	12,811	26,619
Profit for the period	-	4,974	-	6,302	11,276
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	120	4,974	-	6,302	11,276
Dividend paid	-	-	-	-	-
BALANCE AT 30 JUNE 2019	120	18,662	-	19,113	37,895

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

USD' 000 *(Unaudited)*	**For the period ended 30 June 2020**	For the period ended 30 June 2019
Cash flows from operating activities		
Total comprehensive (loss) / income for the period	**2,429**	11,276
Adjustments for:		
Income tax expense	**8,083**	17,099
Depreciation and amortisation	**1,946**	1,447
Unwinding of discount on decommissioning liability	**467**	439
	12,925	30,261
Decrease / (increase) in trade and other receivables	**(2,547)**	331
Increase in advance against decommissioning cost	**(3,039)**	(390)
Increase in inventories	**(619)**	(3,890)
Increase / (decrease) in trade and other payables	**(10,246)**	3,489
Cash generated from operations	**(3,526)**	29,801
Income taxes paid	**(8,083)**	(17,099)
Net cash flows from operating activities	**(11,609)**	12,702
Investing activities		
Purchases of property, plant and equipment	**(2,079)**	(2,408)
Net cash flows from investing activities	**(2,079)**	(2,408)
Financing activities		
Proceeds from loans and borrowings	**15,000**	2,917
Repayment of loans and borrowings	**(12,941)**	(3,529)
Dividends paid	**(5,150)**	-
Net cash (used in)/ from financing activities	**(3,091)**	(612)
Net increase / (decrease) in cash and cash equivalents	**(16,779)**	9,682
Cash and cash equivalents at beginning of period	**27,891**	7,926
Cash and cash equivalents at end of period	**11,112**	17,608

The accompanying notes form part of these financial statements

NOTES TO THE INTERIM FINANCIAL REPORT

Corporate information

The condensed financial report of the Company and its subsidiaries (together the "Group") for the period ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 31 August 2020.

PetroNor E&P Limited is a 'for profit entity' and is a company limited by shares incorporated in Australia. Its shares are publicly traded on the Oslo Axess (code: PNOR), a regulated marketplace of the Oslo Stock Exchange, Norway. The principal activities of the Group are the exploration and production of crude oil.

Basis of preparation

This general purpose condensed interim financial report for the quarter ended 30 June 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting and the supplement requirements of the Norwegian Securities Trading Act (Verdipapirhandelloven).

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 31 December 2019 and considered together with any public announcements made by the Company during the period ended 30 June 2020 in accordance with the continuous disclosure obligations of Oslo Axess. A copy of the annual report is available on the Company's website www.petronorep.com.

The interim financial report is presented in United States Dollars being the functional currency of the Company.

Going Concern

The COVID-19 outbreak is a globally significant event impacting the health of individuals, international trade and commerce and, as a result had a negative impact on global financial markets. Consequently, this has adversely affected the Group's business and its ability to operate efficiently. During March 2020, Governments of all the countries in which the Group operates closed borders to international travellers and introduced social distancing measures.

Additionally, since the end of 2019, global oil prices have collapsed with the price of Brent crude falling from a level of USD 60 to 70 per barrel to a current level around USD 40 per barrel and the oil prices may be depressed throughout 2020. However, for 2021, market forecasters are predicting a significant recovery in oil price which is reflected in a contango on forward oil prices today, however as at the date of this report, it is uncertain what the effect will be on the Group moving forward.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. This financial report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As detailed in the annual report the Group has already implemented multiple cost saving measures, including streamlining of the organisation, initiating a simplification of the group structure and salary reductions and will continue to manage its activities with the objective of ensuring that it has sufficient cash reserves to meet its revised budgeted expenditures for the next twelve months from the date of this report.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Accounting policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2019.

Significant accounting judgements, estimates and assumptions

The preparation of the interim financial report 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 2019.

NOTES TO THE INTERIM FINANCIAL REPORT

Revenue from contracts with customers

USD'000 *(Unaudited)*	*Three months ended 30 June*		*Six months ended 30 June*	
	2020	2019	**2020**	2019
Revenue from sales of petroleum products	**6,473**	19,571	**17,443**	23,011
Assignment of tax oil	**2,354**	9,803	**8,083**	17,099
Assignment of royalties	**1,717**	4,497	**4,737**	8,004
	10,544	33,871	**30,263**	48,114
Quantity of oil lifted (Barrels)	**197,221**	275,662	**467,003**	332,073
Average selling price (USD per barrel)	**32.82**	71.00	**37.35**	69.29
Quantity of net oil produced after royalty, cost oil and tax oil (Barrels)	**284,680**	213,529	**520,611**	398,338

Cost of sales

USD'000 *(Unaudited)*	*Three months ended 30 June*		*Six months ended 30 June*	
	2020	2019	**2020**	2019
Operating expenses	**3,606**	5,386	**6,509**	9,162
Royalty	**1,717**	4,497	**4,737**	8,004
Depreciation and amortisation of oil and gas properties	**870**	796	**1,934**	1,447
Movement in oil inventory	**(1,403)**	1,975	**(508)**	(3,621)
	4,790	12,653	**12,673**	14,992

Administrative expenses

USD'000 *(Unaudited)*	*Three months ended 30 June*		*Six months ended 30 June*	
	2020	2019	**2020**	2019
Employee benefit expenses	**1,278**	887	**2,514**	1,994
Termination benefits	**-**	-	**795**	-
Travelling expenses	**20**	368	**224**	534
Legal and professional	**699**	117	**1,566**	971
Office rent	**42**	57	**126**	114
Other expenses	**392**	(38)	**722**	516
	2,431	1,391	**5,947**	4,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Finance cost

USD'000 *(Unaudited)*	*Three months ended 30 June* **2020**	2019	*Six months ended 30 June* **2020**	2019
Unwinding of discount on decommissioning liability	**234**	219	**467**	458
Interest on loan	**346**	173	**691**	439
	580	392	**1,158**	897

Earnings per share

USD'000 *(Unaudited)*	**Three months ended 30 June** **2020**	2019	**Six months ended 30 June** **2020**	2019
(Loss) / profit from continuing operations attributable to the equity holders used in calculation	**(590)**	4,775	**(439)**	4,974
	Number of shares			
Weighted average number of shares used in the calculation of:				
Basic profit per share	**971,665,288**	816,198,842	971,665,288	816,198,842
Diluted profit per share	**971,665,288**	816,198,842	971,665,288	816,198,842

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted loss per share only to the extent to which they are dilutive. There are 2,279,470 options as at 30 June 2020 (30 June 2019: nil options).

Inventories

USD'000	**30 June 2020** ***(Unaudited)***	31 December 2019 *(Audited)*
Crude oil inventory	**1,379**	871
Materials and supplies	**2,473**	2,362
	3,852	3,233

Crude oil inventory is valued at cost of USD 16.10 per bbl (2019: USD 23.13 per bbl).

Accounts receivable, deposits and prepayments

USD'000	**30 June 2020** ***(Unaudited)***	31 December 2019 *(Audited)*
Trade receivables	**6,478**	4,013
Due from related parties	**5,639**	5,639
Advance against decommissioning cost	**17,684**	14,646
Other receivables	**287**	474
	30,088	24,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Cash and bank balances

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash in bank	**10,210**	26,988
Restricted cash	**903**	903
	11,113	27,891

Accounts payable and accrued liabilities

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Trade payables	**5,162**	14,809
Due to related parties	**13,650**	13,784
Taxes and state payables	**367**	473
Other payables and accrued liabilities	**4,908**	5,536
	24,087	34,602

Production assets and equipment

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cost	**30,927**	28,830
Depreciation	**(7,842)**	(6,243)
Net carrying amount	**23,085**	22,587

Loans payable

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Ageing of loans payable		
Current	-	**12,941**
Non-current	**15,000**	-
	15,000	**12,941**

Intangible assets

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Net carrying value		
Licences and approval	**4,321**	4,686
Software	**5**	5
	4,326	4,691

Decommissioning liability

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The exact timing of the obligations is uncertain and depend on the rate the reserves of the field are depleted. However, based on the existing production profile of the PNGF Sud field and the size of the reserves, it is expected that expenditure on retirement is likely to be after more than ten years. The current bases for the provision are a discount rate of 6.5% and an inflation rate of 1.6%. The decommissioning liability (ARO) study was done internally by the operator Perenco and was presented to ARO Committee. The partners approved the study on November 13, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Related party transactions

Balances due from and due to related parties disclosed in the consolidated statement of financial position:

USD'000	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Loan receivable from MGI International S.A.[1]	**5,639**	5,639
Total from related parties	**5,639**	5,639
Other payables include:		
Nor Energy AS	**3,400**	5,783
Petromal – Sole Proprietorship LLC	**2,072**	4,534
MGI International S.A.[1, 2]	**8,178**	3,467
Total to related parties	**13,650**	13,784

[1]MGI International S.A. is a minority shareholder in the Group's subsidiary in Congo.

[2]Amount payable to MGI is their share of dividend from Group's subsidiary in Congo.

Events subsequent to reporting date

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.

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the condensed set of unaudited financial statements for the quarter ended 30 June 2020, which has been prepared in accordance with IAS34 Interim Financial Statements, provides a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Approved by the Board of PetroNor E&P Limited:

Eyas Alhomouz, Chairman of the Board

Jens Pace, Director of the Board

Joseph Iskander, Director of the Board

Roger Steinepreis, Director of the Board

Gerhard Ludvigsen, Executive Director of the Board

Ingvil Smines Tybring-Gjedde, Director of the Board

Alexander Neuling, Director of the Board

CORPORATE DIRECTORY

DIRECTORS

Eyas Alhomouz	Chairman
Joseph Iskander	
Gerhard Ludvigsen	
Alexander Neuling	
Jens Pace	
Roger Steinepreis	
Ingvil Tybring-Gjedde	

SENIOR MANAGEMENT

Michael Barrett	
Christopher Butler	
Claus Frimann-Dahl	
Knut Søvold	Chief Executive Officer
Emad Sultan	

COMPANY SECRETARY
Angeline Hicks

REGISTERED OFFICE
Level 4, 16 Milligan Street
Perth WA 6000
Australia

UK OFFICE
48 Dover Street
London W1S 4FF
United Kingdom
☏ +44 20 3655 7810

NORWAY OFFICE
Frøyas gate 13
0243 Oslo
Norway
☏ +47 22 55 46 07

UAE OFFICE
M Floor, Al Heel Tower
Al Khalidiya
Abu Dhabi,
United Arab Emirates
P.O.Box 35491

CYPRUS OFFICE
4 Pindou,
Egkomi,
2409 Nicosia,
Cyprus

AUDITORS
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Australia
PO Box 700
West Perth WA 6872
Australia
☏ +61 8 6382 4600

SHARE REGISTRAR
Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth WA 6000
Australia
☏ +61 8 9323 2000

STOCK EXCHANGE LISTING
Oslo Axess
Code: PNOR