PETRONOR E&P

Interim Financial Report

For the quarter ended

31 March 2020

HIGHLIGHTS

Q1 2020 and subsequent events

- Following our emergence in West Africa as an established E&P in 2017, the first quarter of 2020 has been a challenging period for the oil industry. PetroNor has restructured its senior management, implemented cost reductions and are focusing on further expansion and increased activity in West Africa.
- For Q1-2020, workover activities continue on PNGF Sud fields contributing to the continuously increasing production levels, the Q1, 2020 average production has been at 22,247 compared to 21,920 bopd in 2019. The OPEX has been maintained at a low level of 11.1 USD per barrel. A wellhead platform was installed at Litanzi in January in preparation for the infill drilling programme with anticipated start within 12 months in this field. Geoscience studies are underway to prepare for infill drilling in the rest of the fields.
- Restructuring of the combined group to streamline the organisation to reduce overhead costs and grow the technical excellency.

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

Senegal and The Gambia

Though currently in arbitration, the Company reserves its rights in the exploration blocks Rufisque Offshore Profond & Senegal Offshore Sud Profond in Senegal and A1 & A4 in The Gambia.

EBITDA (USD)

9.4 m

(Q1 2019: 9.8 m)

EBIT (USD)

8.4 m

(Q1 2019: 8.9 m)

Net profit / (loss) (USD)

0.15 m

(Q1 2019: 0.20 m)

10.55 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

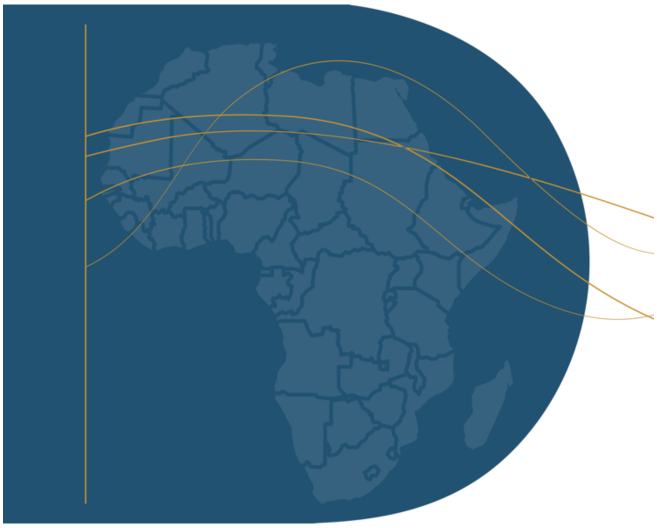
I am delighted to provide our first quarterly statement to PetroNor E&P's shareholders and our wider stakeholders as part of the Board's commitment to enhance market communication of the company. This first quarter in 2020 has been a particularly challenging period for the sector and global markets, but we are encouraged by the indication that we are through the worst and that activity, in general and within our industry, is beginning to return to some form of normality. The severe impact on the world economy and the oil price in particular has of course impacted PetroNor, as well as the overall oil and gas industry, and the impact will remain in the near-term as the entire industry recalibrates to the current reality. At present PetroNor, like our industry peers, is focused on reducing costs wherever possible to ensure a G&A that is commensurate with the prevailing commodity pricing environment. The market prognosis for the oil prices for 2021 remain in the range of 40 to 50 $/bbl and up towards previous levels of 60$/bbl forward, based on the estimated oil demand-supply forecasts. Certainly, we believe in the long-term fundamentals for oil and gas demand across the African continent and remain bullish on the long-term viability of our business and sector as a whole.

Our technical and commercial expertise remains a key differentiator, and we are therefore pleased that we have been able to retain this expertise through the significant cost reduction which was implemented from second half of March. Further, the production in Congo remains economically robust and we see a limited impact of the Covid-19 on the production performance. We are also pleased to have agreed a suspension to the ongoing arbitration in Senegal and hope to use the time effectively to establish a reasonable solution in the interest of all parties.

As eluded to in our Annual Report, the Board is in the process of formulating an ESG strategy that supports the growing global theme around impact and ethical investment. To that end, PetroNor is reviewing a number of opportunities in Nigeria that would support our ESG objectives; namely around participation in the flare-gas reduction initiative by the government, and we are currently screening these opportunities as standalone as well as being part of a consortium. Elsewhere in Nigeria, we are busy working on the technical aspects of the Aje project development plan while we are awaiting the ministerial approval, to ensure the realigned JV can hit the ground running upon relevant ratification.

Our company vision remains to develop into a material full-cycle oil and gas company. The Board intends to capitalise on the increasing number of compelling and strategically complementary opportunities presented as a result of the current depressed market. We will continue to leverage the considerable technical expertise of the management team to identify and exploit value realisation opportunities from undeveloped or underperforming assets, as business development of this kind remains a core aspect of the growth strategy and, we believe, a critical element of PetroNor E&P's investment case.

In summary, it has been a challenging start to the year however the Company retains a healthy balance sheet, an economically robust producing asset and a well-defined strategy that may well accelerate the growth of the company as a result of the deeper pool of opportunities becoming available to us.



Yours sincerely,
CEO
Knut Søvold

OPERATIONAL UPDATE

REVIEW OF OPERATIONS

CORPORATE

Board restructure

On 1st March 2020, Knut Søvold took over from Jens Pace as Chief Executive Officer. Plus, Stephen West resigned as the Chief Financial Officer and Executive Director with Chris Butler, assuming his financial responsibilities.

Non-executive Directors David King and Tim Turner resigned during February 2020; and were replaced by Alexander Neuling and Roger Steinepreis in April 2020.

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 initiated an immediate cost reduction in the company overhead and general administration cost. The key management salaries have been reduced with immediate effect from Mid-March 2019. 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 31.3.2020

- 1P reserves of 6.81 MMbbls.
- 2P reserves of 10.55MMbbls
- 3P reserves of 13.83 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 Q1, 2020, the gross production was 8.0 MMbbls of oil and 0.97 Bcf of gas, resulting in a net to PetroNor production of 2,301 bopd. The average net to PetroNor production on PNGF Sud for Q1, 2020 was 2,336 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).

Post year end, on 10 January 2020 the Company filed a reply, and in turn the Gambian Government filed a rejoinder on 24 March 2020.

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 October2019. 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 2328 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 was carried out in March 2020. Proceeds from crude sales are being applied by the JV towards operating expenses and the reduction of historical payables. The Joint Venture partners are continuing to progress the next phase of activity at the field based around the Turonian gas and liquid reserves.

The Aje Field re-developed plans are being reassessed in Q2 2020 taking into the consideration the prevailing local Nigeria market and the prevailing international energy markets.

FINANCIAL PERFORMANCE AND ACTIVITIES

The Group reported an EBITDA of USD 9.4 million for the period ended 31 March 2020, compared to USD 9.8 million in the same period in 2019. Net profit attributable to the equity holders of the parent was USD 0.15 million for Q1 2020, compared to USD 0.20 million in the same period in 2019.

Oil & gas revenue for the period was (net of royalties & taxes) USD 10.97 million arising from sale of 0.27 million barrels of crude oil at an average price of USD 40.66 per barrel. In the prior year, due to a change in the offtake agreement that caused delays in lifting, only 56.4 thousand barrels of crude oil were lifted during the quarter. However, this still generated revenue of USD 3.4 million at an average price of USD 60.98.

EBITDA margin of 47.7% is lower when compared to Q1 2019 69%, mostly due to the increase in personnel expenses. Staff numbers increased with the merger in August 2019, and during the quarter the full termination benefits of the former CEO and CFO were recognised, however the associated liabilities are to be paid out over the next twelve to eighteen months.

During the quarter NOK weakened against USD by approximately 16%, and this has required a USD 1.5 million foreign currency translation reserve movement to be recognised for the

OPERATIONAL UPDATE

translation of subsidiary companies results into the presentational currency for the Group.

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 20.3 million in cash and bank balances as of 31 March 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

Due to the COVID-19 outbreak and subsequent travel restrictions, the company expects to be able to receive the governmental approval of the Aje transaction during H2 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Quarter ended 31 March 2020 USD'000	Quarter ended 31 March 2019 USD'000
Revenue	19,719	14,243
Cost of sales	(7,883)	(2,339)
Gross profit	11,836	11,904
Other operating income	-	9
Administrative expenses	(3,503)	(2,738)
Profit from operations	8,333	9,175
Finance expense	(578)	(505)
Finance income	-	-
Foreign exchange gain / (loss)	59	(262)
Share based payment	-	-
Profit before tax	7,814	8,408
Tax expense	(5,729)	(7,296)
(Loss) / Profit for the year	2,085	1,112
Other Comprehensive income:		
Exchange losses arising on translation of foreign operations	(2,162)	-
Total comprehensive (loss) / income	(77)	1,112
(Loss) / Profit for the year attributable to:		
Owners of the parent	151	199
Non-controlling interest	1,934	913
	2,085	1,112
Total comprehensive (loss) / income attributable to:		
Owners of the parent	(1,378)	199
Non-controlling interest	1,301	913
	(77)	1,112
Earnings per share attributable to members:	USD cents	USD
Basic profit per share	0.02 Cents	0.02 Cents
Diluted profit per share	0.02 Cents	0.02 Cents

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD'000	As at 31 March 2020	As at 31 December 2019
Assets		
Current assets		
Inventories	**2,556**	3,233
Trade and other receivables	**28,592**	24,772
Cash and cash equivalents	**20,339**	27,891
	51,487	55,896
Non-current assets		
Property, plant and equipment	**22,998**	22,587
Intangible assets	**4,509**	4,691
	27,507	27,278
Total assets	**78,994**	83,174
Liabilities		
Current liabilities		
Trade and other payables	**31,441**	34,602
Loans and borrowings	**11,765**	12,941
	43,206	47,543
Non-current liabilities		
Loans and borrowings	-	-
Provisions	**14,607**	14,373
	14,607	14,373
Total liabilities	**57,813**	61,916
NET ASSETS	**21,181**	21,258
Issued capital and reserves attributable to owners of the parent		
Share capital	**17,735**	17,735
Foreign currency translation reserve	**(1,529)**	-
Retained earnings	**(11,075)**	(11,226)
	5,131	6,509
Non-controlling interests	**16,050**	14,749
TOTAL EQUITY	**21,181**	21,258

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Retained earnings	Foreign currency translation reserve	Non-controlling interest	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
BALANCE AT 1 JANUARY 2019	**17,735**	**(11,226)**	**-**	**14,749**	**21,258**
(Loss) / Profit for the period	-	**151**	-	**1,934**	**2,085**
Other comprehensive loss	-	-	(1,529)	(633)	(2,162)
Total comprehensive income / (loss) for the period	-	**151**	(1,529)	**1,301**	(77)
BALANCE AT 31 MARCH 2020	**17,735**	**(11,075)**	**(1,529)**	**16,050**	**21,181**
For the quarter ended 31 March 2019					
BALANCE AT 1 JANUARY 2019	120	13,688	-	12,811	26,619
Profit for the period	-	199	-	913	1,112
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	120	13,887	-	913	1,112
BALANCE AT 31 MARCH 2019	120	13,887	-	13,724	27,731

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the quarter ended 31 March 2020 USD'000	For the quarter ended 31 March 2019 USD'000
Cash flows from operating activities			
Total comprehensive (loss) / income for the period		(77)	1,112
Adjustments for:			
Income tax expense		5,729	7,296
Depreciation and amortisation		1,064	651
Unwinding of discount on decommissioning liability		234	219
		6,950	9,278
Decrease / (increase) in trade and other receivables		(1,853)	1,050
Increase in advance against decommissioning cost		(1,966)	625
Increase in inventories		677	(5,765)
Increase / (decrease) in trade and other payables		(3,162)	199
Cash generated from operations		(6,304)	(3,819)
Income taxes paid		(5,729)	(7,296)
Net cash flows from operating activities		(5,083)	(1,909)
Investing activities			
Purchases of property, plant and equipment		(1,293)	(618)
Net cash flows from investing activities		(1,293)	(618)
Financing activities			
Proceeds from loans and borrowings		-	2,917
Repayment of loans and borrowings		(1,176)	(1,765)
Net cash (used in)/ from financing activities		(1,176)	1,152
Net increase / (decrease) in cash and cash equivalents		(7,552)	(1,375)
Cash and cash equivalents at beginning of period		27,891	7,926
Cash and cash equivalents at end of period	14	20,339	6,551

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 31 March 2020 was authorised for issue in accordance with a resolution of the directors on 29 May 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 31 March 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 31March 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 financial year, 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 30 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Revenue from contracts with customers

USD'000	Q1 2020	Q1 2019
Revenue from sales of petroleum products	**10,970**	3,440
Assignment of tax oil	**5,729**	7,296
Assignment of royalties	**3,020**	3,507
	19,719	14,243
Quantity of oil lifted (Barrels)	**269,782**	56,411
Average selling price (USD per barrel)	**40.66**	60.98

Cost of sales

USD'000	Q1 2020	Q1 2019
Operating expenses	**2,903**	3,776
Royalty	**3,020**	3,507
Depreciation and amortisation of oil and gas properties	**1,064**	651
Movement in oil inventory	**896**	(5,595)
	7,883	2,339

Administrative expenses

USD'000	Q1 2020	Q1 2019
Employee benefit expenses	**2,032**	1,107
Travelling expenses	**204**	165
Legal and professional	**867**	854
Office rent	**84**	57
Other expenses	**316**	555
	3,503	2,738

Finance cost

USD'000	Q1 2020	Q1 2019
Unwinding of discount on	**234**	219
Interest on loan	**339**	286
Other finance costs	**5**	-
	578	505

Earnings per share

USD'000	Q1 2020	Q1 2019
Profit from continuing operations attributable to the equity holders used in calculation	**151**	199

	Number of shares	
Weighted average number of shares used in the calculation of:		
Basic profit per share	**971,665,288**	816,198,842
Diluted profit per share	**974,931,758**	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 3,266,470 options as at 31 March 2020 (31 March 2019: nil options).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Inventories

USD'000	31 March 2020	31 December 2019
Crude oil inventory	-	871
Materials and supplies	2,556	2,362
	2,556	3,233

Accounts receivable, deposits and prepayments

USD'000	31 March 2020	31 December 2019
Trade receivables	5,906	4,013
Due from related parties	5,639	5,639
Advance against decommissioning cost	16,612	14,646
Other receivables	435	474
	28,592	24,772

Cash and bank balances

USD'000	31 March 2020	31 December 2019
Cash in bank	19,436	26,988
Restricted cash	903	903
	20,339	27,891

Production assets and equipment

USD'000	31 March 2020	31 December 2019
Cost	30,141	28,830
Depreciation	(7,143)	(6,243)
Net carrying amount	22,998	22,587

Intangible assets

USD'000	31 March 2020	31 December 2019
Net carrying value		
Licences and approval	4,504	4,686
Software	5	5
	4,509	4,691

Accounts payable and accrued liabilities

USD'000	31 March 2020	31 December 2019
Trade payables	16,478	14,809
Due to related parties	9,074	13,784
Taxes and state payables	298	473
Other payables and accrued liabilities	5,591	5,536
	31,441	34,602

Loans payable

USD'000	31 March 2020	31 December 2019
Ageing of loans payable		
Current	11,765	12,941
Non-current	-	-
	11,765	12,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

Related party transactions

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

USD'000	31 March 2020	31 December 2019
Loan receivable from MGI International S.A.	5,639	5,639
Total from related parties	**5,639**	5,639
Other payables include:		
Nor Energy AS	3,431	5,783
Petromal – Sole Proprietorship LLC	2,176	4,534
MGI International S.A.	3,467	3,467
Total to related parties	**9,074**	13,784

Events subsequent to reporting date

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 initiated an immediate cost reduction in the company overhead and general administration cost. The key management salaries have been reduced with immediate effect from Mid-March 2019. 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.

Arbitration

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

Funding

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.

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the condensed set of unaudited financial statements for the quarter ended 31 March 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

Knut Søvold, CEO and Executive Director of the Board

Jens Pace, Director of the Board

Alexander Neuling, Director of the Board

Joseph Iskander, Director of the Board

Roger Steinepreis, Director of the Board

CORPORATE DIRECTORY

DIRECTORS

Eyas Alhomouz	Chairman
Joseph Iskander	
Alexander Neuling	
Jens Pace	
Knut Søvold	Chief Executive Officer
Roger Steinepreis	

COMPANY SECRETARY
Angeline Hicks

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