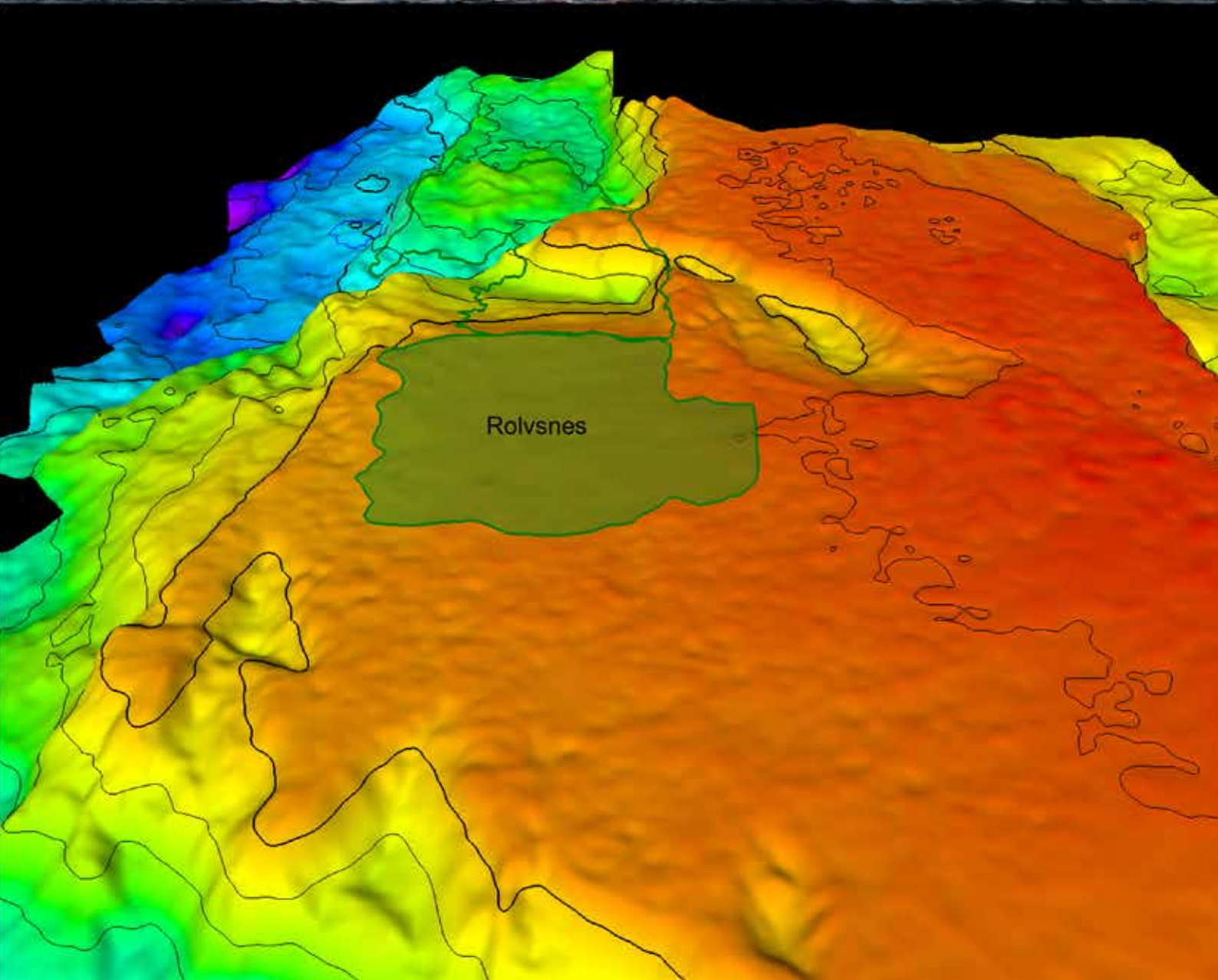
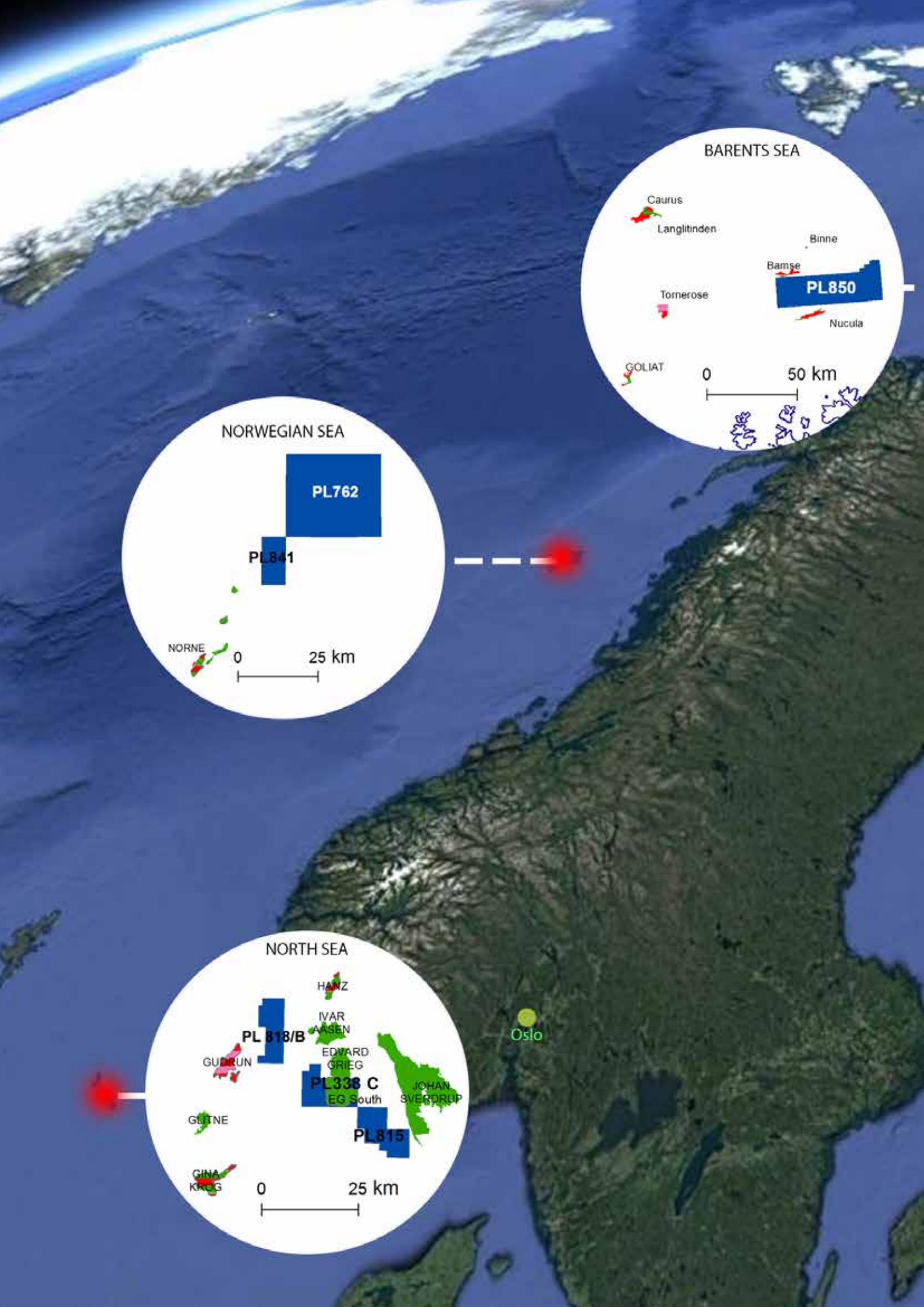
# ANNUAL REPORT 2017

Lime PETROLEUM




BARENTS SEA
Caurus
Langlitinden
Binne
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Nucula
GOLIAT
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NORWEGIAN SEA
PL762
PL841
NORNE
0
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NORTH SEA
HANZ
IVAR AASEN
PL 818/B
GUDRUN
EDVARD GRIEG
PL338 C
EG South
JOHAN SVERDRUP
GLITNE
PL815
GINA KROG
0
25 km
Oslo

# Contents



# Licence Portfolio Information

| Licence | Location | Lime stake | Operator | Other Partners | Expiry date |
|---|---|---|---|---|---|
| PL338C | North Sea | 30 % | Lundin Norway AS | OMV (Norge) AS | 17.12.19 |
| PL815 | North Sea | 20 % | Lundin Norway AS | Petoro AS, Concedo ASA | 05.02.24 |
| PL818 | North Sea | 30 % | Aker BP ASA | Statoil Petroleum AS | 05.02.24 |
| PL818B* | North Sea | 30 % | Aker BP ASA | Statoil Petroleum AS | 05.02.24 |
| PL762** | Norwegian Sea | 20 % | Aker BP ASA | Fortis Petroleum Norway AS, Petoro AS | 05.02.22 |
| PL841 | Norwegian Sea | 20 % | Edison Norge AS | Statoil Petroleum AS, Petoro AS | 05.02.23 |
| PL850 | Barents Sea | 20 % | Edison Norge AS | KUFPEC Norway AS, PGNiG Upstream Norway AS | 05.02.24 |

* APA2017 award formally received 8 March 2018
** The licence has been divested to Statoil Petroleum AS with effect from 1 January 2018

# Directors' Report 2017

**About Lime Petroleum AS**

On 25 July 2017, Lime Petroleum Norway AS changed name to Lime Petroleum AS ("Lime" or "the Company"). As of 31 December 2017, Lime's shareholders were Rex International Investments Pte. Ltd (87.8% equity), a wholly owned subsidiary of Rex International Holding Limited ("Rex"); Schroder & Co Banque SA (10% equity); and Lime Petroleum Plc. (2.2% equity), a jointly controlled entity in which Rex has 65% indirect ownership and Hibiscus Petroleum Berhad has 35% indirect ownership. The Company is located in Oslo, Norway with offices at Drammensveien 145A.

Lime's main business is to explore for, develop and produce oil and gas on the Norwegian Continental Shelf. Up to the end of 2017, Lime has participated in drilling of six exploration wells resulting in the Rolvsnes oil discovery (previously known as Edvard Grieg South) in licence PL338C located on the Utsira High in the North Sea, near to Johan Sverdrup; and the Ørnen non-commercial oil/gas discovery in the Barents Sea.

**2017 Operations update**

The development feasibility studies started in 2016 for the Rolvsnes discovery based on tie-back solution to the Edvard Grieg platform concluded positive and the partnership approved passing the Decision Gate 1 (DG1) milestone in April 2017. Gaffney, Cline & Associates performed an audit of the report on behalf of Lime, giving gross resource estimate in the range 12 – 92 million barrels of oil equivalents. The project was moved into the Concept Selection phase (DG2), and during the summer 2017 the decision to drill a first test 2000 – 2500m horizontal production well was made.

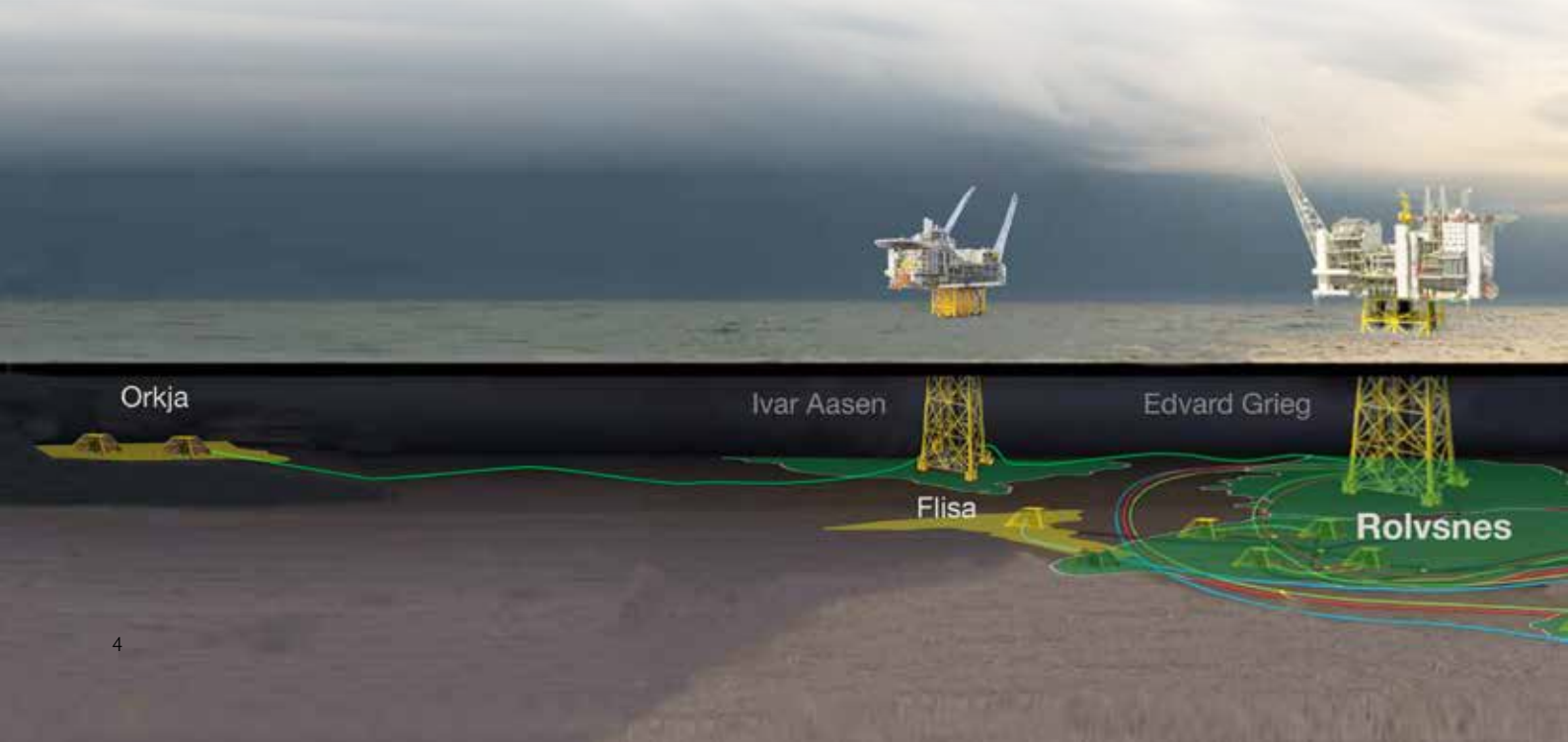
Moreover, the adjacent Goddo prospect in licence PL815 is regarded as a direct continuation of the Rolvsnes discovery, having the potential to add significant volumes. Subject to success on Rolvsnes, the licence is working towards drilling a well in 2019 following the same horizontal test well design.

The Orkja prospect in licence PL818 is located in the same area, and close to the producing field Ivar Aasen. Evaluation of the prospectivity is expected to lead to a drill decision in 2018.

**Subsequent Events**

In January 2018 Rex International Investments Pte. Ltd acquired Lime Petroleum Plc's shareholding of 2.2%. After the transaction Rex International Investments Pte. Ltd holds 90% of the shares in Lime Petroleum AS.

On 29 January 2018 the Company entered into an agreement with Statoil Petroleum AS to divest its 20% participating interest in PL762. The transaction is effective as of 1 January 2018. At the date of signing this report, approval from the Ministry of Petroleum and Energy is pending. The authorities' approval is expected during second quarter 2018.



As a result of the Company's participation in the APA 2017 licensing round, one new licence was awarded formally on 8 March 2018. The licence is PL818B, an extension of licence PL818 and held by the same partnership with Lime 30%.

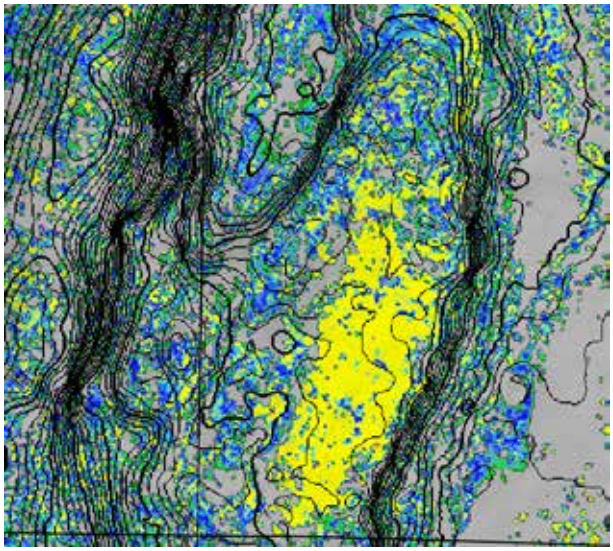
Following these events affecting the licence portfolio, the Company has interests in six concessions.

Drilling of the first horizontal test production well, designated 16/1-28S, on the Rolvsnes discovery started on 3 April 2018. This is of utmost importance for the Company, as it is designed to confirm commercial flow rates from the weathered and fractured basement reservoir. The well is planned to take 115 days, and final results are expected in July 2018.

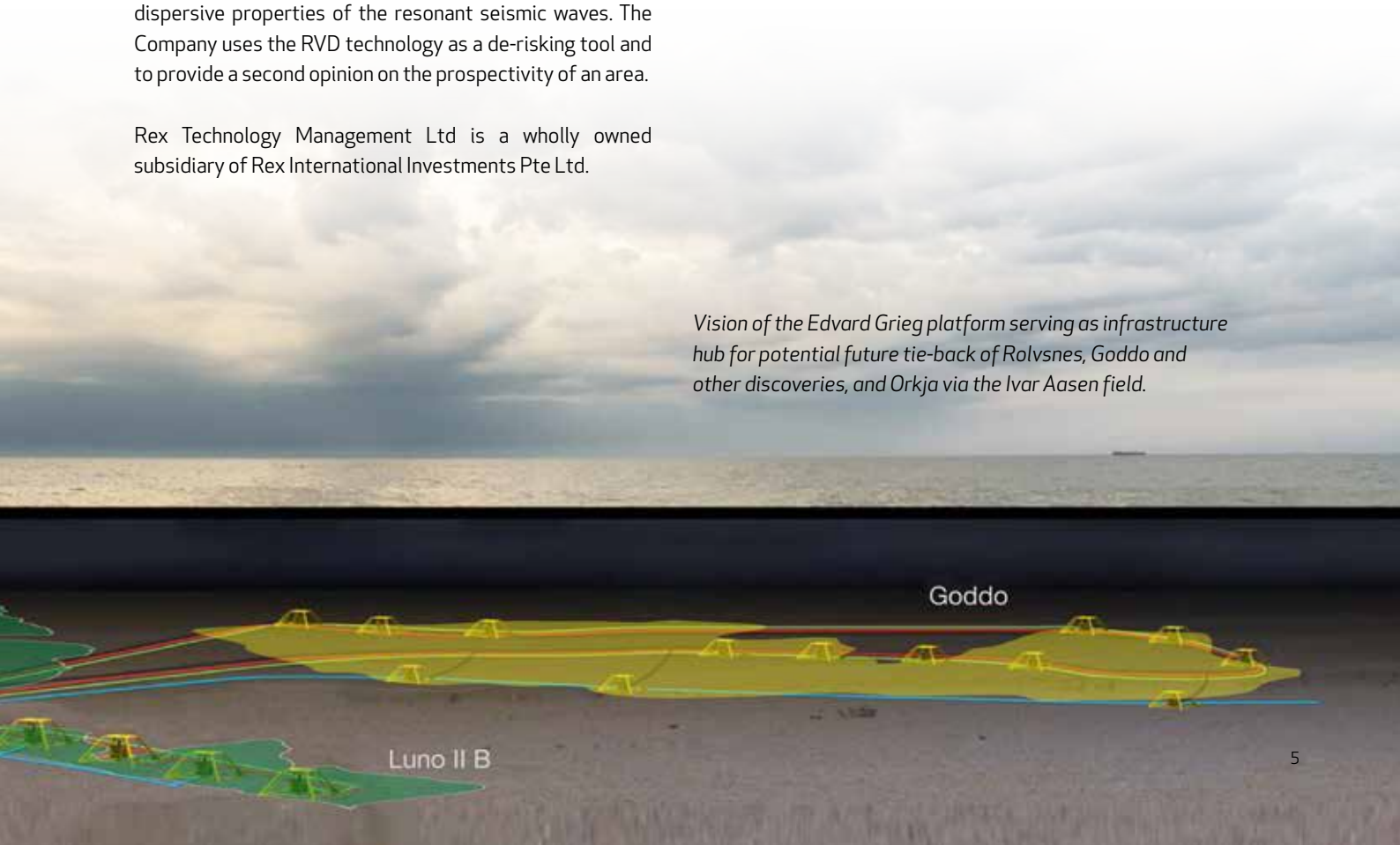
**Rex Virtual Drilling**

Lime has a licence agreement with Rex Technology Management Ltd granting access to use their proprietary technology Rex Virtual Drilling (RVD). RVD uses standard seismic data to differentiate between liquid hydrocarbons and water in the subsurface reservoirs by analysing the dispersive properties of the resonant seismic waves. The Company uses the RVD technology as a de-risking tool and to provide a second opinion on the prospectivity of an area.

Rex Technology Management Ltd is a wholly owned subsidiary of Rex International Investments Pte Ltd.



*RVD map from an un-licenced area of the Norwegian Continental Shelf close to several producing oil/gas fields; yellow colour represents resonance pattern indicating high likelihood of oil.*




*Vision of the Edvard Grieg platform serving as infrastructure hub for potential future tie-back of Rolvsnes, Goddo and other discoveries, and Orkja via the Ivar Aasen field.*

**Technical Centre of Excellence**
The Rex Group has two E&P companies; Lime in Norway owned 90% and Masirah Oil Ltd in Oman owned 92.65%. The Oslo office acts as a centre of excellence for E&P, working in close cooperation with the other resources in the Rex Group.

Masirah Oil is the operator with 100% participating interest of Block 50 offshore east Oman. A small oil discovery has been made and feasibility studies demonstrate economic viability. The work continues to take the discovery through development to possible production already in 2019.

**Changes to the Board of Directors**
Jarle Erik Sandvik and Lina Erika Rebecka Lidgren Berntsen left the Board of Directors in June 2017 and were replaced by Nicolai Alexander Sebastian Bonnevier and Karl Martin Lidgren in July 2017.

At the signing of this report the Board of Directors consist of the following members:

| | |
|---|---|
| Svein Helge Kjellesvik | Executive Chairman |
| Peter Nikolaus Eckhard Oehms | Director |
| Nicolai Alexander Sebastian Bonnevier | Director |
| Karl Martin Lidgren | Director |

**HSE and equal opportunity**
At the end of 2017, the Company had 10 employees of which three females. In addition, two persons were temporarily employed on 100% basis through consultancy contracts. Accounting, tax, legal and IT services are outsourced and contracted from professional service companies. Beyond this capacity, the Company has acquired consultancy services from several vendors typically on short-term contracts.

The Company practices equal opportunity between the sexes with respect to employment, wages and professional development. Factors determining wages are work area, seniority, skills and education. Vacant positions have been, and are sought to be, filled on a gender-neutral basis. The Company follows the provisions of the Norwegian Equal Opportunities Act. At present there are no female directors on the Board.

The working environment in the Company is considered good and efforts are made for continuous improvement. Absence due to illness during 2017 was 2.4% compared to 2.2% in 2016. None of the Company's employees have been injured or caused damage to property of any kind.

The Company is located in modern premises at Skøyen, close to the Oslo city centre.

**External environment**
The operations of the Company could potentially pollute the external environment. The Company together with its joint venture partners work actively on measures to prevent and reduce any negative impact on the environment.

**Annual Financial Statements (2016 figures in brackets)**
Pursuant to § 3-3 of the Norwegian Accounting Act, the Board of Directors confirm that the financial statements have been prepared on the going concern assumptions.

As for 2016, the Company had no operating income in 2017. Operating expenses were NOK 68.3 million (NOK 422.2 million). Of this, the net impairment following divestment of the licence PL762 was NOK 17.0 million (NOK 363.0 million).

Net financial items amounted to a total cost of NOK 4.4 million (NOK 13.1 million). Financial cost is reduced primarily due to lower interest-bearing debt during the year. Total loans drawn under the exploration loan facility of NOK 165 million (NOK 110 million) was repaid in full during November 2017 and the Company ended the year with no debt.

Loss before taxes was NOK 72.7 million (NOK 435.3 million). Tax income amounted to NOK 53.5 million (NOK 302.2 million). The Company's tax refund related to the 2017 activity is calculated to NOK 60.6 million at year end (NOK 182.2 million). The tax refund related to 2016 was received in November 2017, amounting to NOK 183.0 million (NOK 470.5 million) including interest.

Annual loss was NOK 19.2 million (NOK 133.2 million).

**Capitalized cost**

During the year, the Company capitalized costs of NOK 34.2 million (NOK 191.3 million) on its exploration activities, of which the biggest part was related to the feasibility study of the Rolvsnes discovery in licence PL338C.

**Financing**

The Company has a NOK 400 million exploration financing facility with Skandinaviska Enskilda Banken AB (SEB) for funding of exploration costs. Total loans drawn under the facility of NOK 165 million was repaid in full after receiving the tax refund in November 2017. The Company ended the year with no debt.

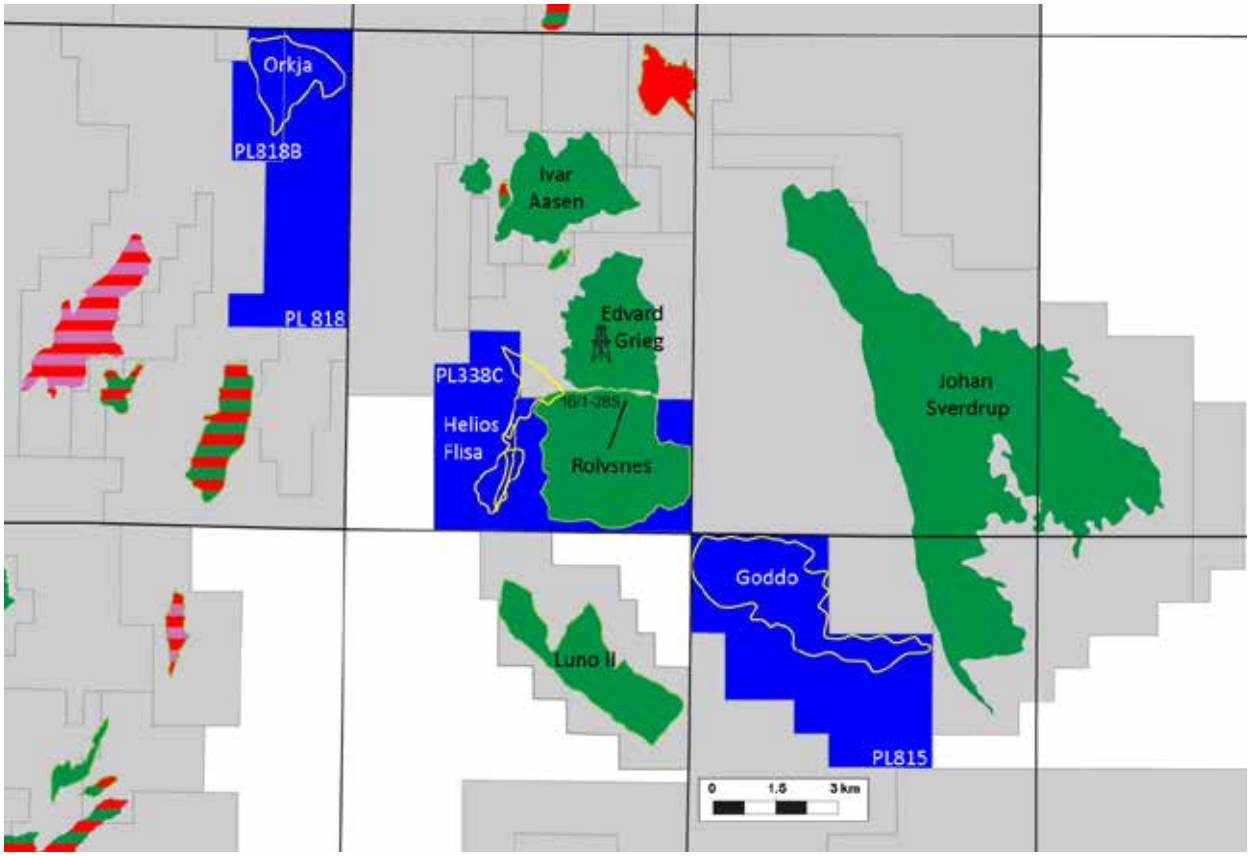
**Risk**

The Company is not exposed to particular risk factors other than those common for oil companies in the exploration phase.

Lime is to some extent exposed to exchange rate fluctuations as exploration operations are partly in foreign currency, primarily in USD. The Company is also exposed to changes in market interest rates, as its financing facility has variable rates terms (NIBOR).

The Company's financing needs are continuously monitored in order to ensure appropriate funding. For further information refer to Financial Risk Management described in Note 15.

*Location of Block 50 with the GA South oil discovery offshore east Oman*




*Map of the Utsira High Area*

**Outlook**

The Board of Directors and the Company's Management are positive in its outlook for E&P activity on the Norwegian Continental Shelf, and believe the Company to be well positioned for further growth. During 2017, the Company has taken new measures as part of a further prioritization of its licence portfolio by divesting non-core assets and most importantly, the Rolvsnes discovery has been taken to the next phase towards a possible development and test production in 2020. The focus on the Norwegian Continental Shelf continues and the Company will look for further possibilities to expand its activity in core business areas, with the Utsira area in the North Sea as a key priority.

The Board of Directors of Lime Petroleum AS

Oslo, 26 April 2018

Svein Helge Kjellesvik
Chairman

Karl Martin Lidgren
Director

Nicolai Alexander Sebastian Bonnevier
Director

Peter Nikolaus Eckhard Oehms
Director

Terje Hagevang
CEO

# Income Statement

| *(Amounts in TNOK)* | Note | 2017 | 2016 |
|---|---|---|---|
| Operating income | | | |
| Exploration expenses | 4 | -45 453 | -392 813 |
| Payroll and related cost | 5 | -14 098 | -17 385 |
| Depreciation and amortisation | 10 | -335 | -410 |
| Other operating expenses | 6 | -8 376 | -11 638 |
| **Operating profit (loss)** | | **-68 262** | **-422 246** |
| Finance income | 7 | 1 061 | 3 035 |
| Finance costs | 7 | -5 499 | -16 131 |
| **Net financial items** | | **-4 438** | **-13 096** |
| **Profit (loss) before income tax** | | **-72 700** | **-435 342** |
| Income tax credit | 8 | 53 499 | 302 173 |
| **Profit (loss) for the year** | | **-19 202** | **-133 169** |

# Statement of comprehensive income

| *(Amounts in TNOK)* | Note | 2017 | 2016 |
|---|---|---|---|
| **Profit (loss) for the year** | | -19 202 | -133 169 |
| **Other comprehensive income, net of tax:** | | | |
| **Total comprehensive income for the year** | | **-19 202** | **-133 169** |

# Balance Sheet as at 31 December

| *(Amounts in TNOK)* | Note | 2017 | 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 9 | 286 746 | 269 606 |
| Property, plant and equipment | 10 | 159 | 494 |
| Intangible asset | 10 | 124 | 641 |
| **Total non-current assets** | | **287 030** | **270 741** |
| | | | |
| Current assets | | | |
| Prepayments and other receivables | 11 | 19 122 | 10 707 |
| Tax receivable refund tax value exploration expenses | 8,14 | 60 584 | 182 204 |
| Cash and cash equivalents | 12 | 9 170 | 28 325 |
| **Total current assets** | | **88 876** | **221 236** |
| **Total assets** | | **375 906** | **491 977** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | 130 320 | 130 320 |
| Other paid-in capital | | 274 572 | 274 291 |
| Uncovered loss | | -214 231 | -195 029 |
| **Total equity** | | **190 661** | **209 582** |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 8 | 161 749 | 154 616 |
| **Total non-current liabilities** | | **161 749** | **154 616** |
| | | | |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | | 107 650 |
| Trade creditors | 15 | 4 199 | 4 634 |
| Other current liabilities | 16 | 19 297 | 15 494 |
| **Total current liabilities** | | **23 495** | **127 779** |
| **Total liabilities** | | **185 245** | **282 395** |
| **Total equity and liabilities** | | **375 906** | **491 977** |

The Board of Directors of Lime Petroleum AS

Oslo, 26 April 2018

Svein Helge Kjellesvik
Chairman

Karl Martin Lidgren
Director

Nicolai Alexander Sebastian Bonnevier
Director

Peter Nikolaus Eckhard Oehms
Director

Terje Hagevang
CEO

# Statement of changes in equity

| (*Amounts in TNOK*) | Share capital | Other paid in capital | Uncovered loss | Total equity |
|---|---|---|---|---|
| Equity at 1 January 2016 | 80 320 | 271 160 | -61 860 | 289 620 |
| Profit (loss) for the year | | | -133 169 | -133 169 |
| Other comprehensive income for the year | | | | 0 |
| Total comprehensive income for the year | | | -133 169 | -133 169 |
| | | | | |
| Shares issued in 2016 | 50 000 | 2 686 | | 52 686 |
| Share-based payment | | 445 | | 445 |
| **Equity at 31 December 2016** | **130 320** | **274 291** | **-195 029** | **209 582** |
| | | | | |
| Equity at 1 January 2017 | 130 320 | 274 291 | -195 029 | 209 582 |
| Profit (loss) for the year | | | -19 202 | -19 202 |
| Other comprehensive income for the year | | | | 0 |
| Total comprehensive income for the year | | | -19 202 | -19 202 |
| | | | | |
| Share-based payment | | 280 | | 280 |
| Shares issued in 2017 | | | | 0 |
| **Equity at 31 December 2017** | **130 320** | **274 572** | **-214 231** | **190 661** |

# Cash Flow Statement

| *(Amounts in TNOK)* | Note | 2017 | 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit (loss) before income tax | | -72 700 | -435 342 |
| Adjustments: | | | |
| Tax refunded | 8 | 182 252 | 467 615 |
| Depreciation | 10 | 851 | 929 |
| Impairment exploration assets | 9 | 17 017 | 362 986 |
| Changes in trade creditors | | -436 | 1 250 |
| Changes in other current receivables and liabilities | | -3 132 | -81 640 |
| Net cash flow from operating activities | | 123 852 | 315 798 |
| **Cash flow from investing activities** | | | |
| Investment in exploration and evaluation assets | 9 | -34 157 | -191 494 |
| Purchase of property, plant and equipment | 10 | | -215 |
| Net cash flow from investing activities | | -34 157 | -191 709 |
| **Cash flow from financing activities** | | | |
| Funds drawn current borrowings, net of transaction costs incurred | | 56 150 | 247 600 |
| Repayments of current borrowings | | -165 000 | -440 000 |
| Loans from shareholder | 13 | | |
| Proceeds from share issues | 13 | | 52 686 |
| Net cash flow from financing activities | | -108 850 | -139 714 |
| **Net change in cash and cash equivalents** | | **-19 156** | **-15 626** |
| Cash and cash equivalents at 1st January 2017 / 2016 | | 28 325 | 43 951 |
| **Cash and cash equivalents at 31st of December** | | **9 170** | **28 326** |
| Interest paid | | 4 340 | 12 722 |

# Note 1 General information

The Financial Statements of Lime Petroleum AS were approved by the Board of Directors and CEO on 26 April 2018.

Lime Petroleum AS is a private limited company incorporated and domiciled in Norway, with its main office in Oslo. The company is a part of the consolidated Financial Statement of Rex International Holding Ltd. The consolidated Financial Statement can be retrieved from http://rex.listedcompany.com. Lime Petroleum was incorporated 18 August 2012.

The Company's only business segment is exploration for oil and gas on the Norwegian Continental Shelf.

# Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Basis for preparation**
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

**Foreign currency**
*Functional currency and presentation currency*
The Company's functional and presentation currency is Norwegian kroner (NOK).

*Transactions in foreign currency*
Foreign currency transactions are translated into NOK using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment charges. Depreciations are calculated on a straight line basis over the assets expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually and where they differ from previous estimates, depreciation periods are changed accordingly.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

**Intangible assets**
*Exploration costs for oil and gas properties*
The Company uses a "modified full cost method" to account for exploration costs. All exploration costs directly related to areas where Lime holds an interest is capitalized. As a rule, each licence constitutes one cost area, but in areas where two or more licences have boundaries against each other, it may be natural to view multiple licences together as a separate cost area. A cost area will be tested for impairment if facts and circumstances suggest that the carrying amount of the asset(s) on the area may exceed its recoverable amount. Typical facts and circumstances that would indicate that a cost area should be tested for impairment are:

- the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- further exploration in the specific area is neither budgeted or planned;
- commercially viable reserves have not been discovered and the company plans to discontinue activities in the specific area, and
- existing data shows that the carrying amount of the asset(s) will not be recovered in full through development activity.

**Interests in joint arrangements**
The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

The Company has assets in licences which are not incorporated entities. All of these are related to licences on the Norwegian Continental Shelf. The Company has classified these joint arrangements as joint operations and accounts for these assets (oil and gas licences) applying the proportionate consolidation method by accounting for its share of the assets' income, expenses, debt and cash flow under the respective items in the Company's financial statements.

**Leases (as lessee)**
*Financial leases*
Leases where the Company assumes most of the risk and rewards of ownership, is classified as financial leases. The Company does not have any such leases.

*Operating leases*
Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**Receivables**
Receivables are initially recognised at fair value plus any transaction costs. The receivables are subsequently carried at amortised cost using the effective interest method.

**Cash and cash equivalents**
Cash and the equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

**Borrowings**
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction/issue costs associated with the borrowing. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Any difference between the consideration received net of transaction/issue costs associated with the borrowing and the redemption value, is recognised in the income statement over the term of the loan.

**Taxes**
Income taxes for the period comprise tax payable, refundable tax from refund tax value of exploration expenses and changes in deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

**Provisions**
A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

The Company recognises a provision and an expense for severance payment when there exists a legal obligation to pay severance payment.

**Trade creditors**
Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Contingent liabilities**
Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

**Segment reporting**
The Company's only business segment is exploration for oil and gas on the Norwegian continental shelf. Based on this no segment note is presented and this is in accordance with management's reporting.

**Cost of equity transactions**
Transaction costs directly linked to an equity transaction are recognised directly in equity, net after deducting tax.

**Cash flow statement**
The cash flow statement is prepared by using the indirect method.

**Events after the balance sheet date**
The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

**IFRS and IFRIC issued but not adopted by the Company**
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.The most significant standards are set out below.

IFRS 9 Financial instruments:
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Effective date is January 1, 2018.

The Company has reviewed the potential impact of the new accounting standard, and has come to the conclusion that it has no material impact on the classification and measurement of the financial instruments that are held or issued by the Company at December 31st 2017.

IFRS 15 Revenue from contracts with customers:
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Effective date is January 1, 2018.

IFRS 15 is expected to have no material effect on the financial statements as the Company did not have any revenue in 2017 and is not expecting to generate revenue in 2018.

IFRS 16 Leases:
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Effective date is January 1, 2019.

The Company's capital expenditure is mainly related to exploration activities, for which leasing is an uncommon financing methodology. Further, the lease contracts entered into by the Company as at 31st December 2017 are of a very limited level. Please see note 18. At this stage, the Company does not intend to adopt the standard before its effective date, and is assessing the impact of IFRS 16, which currently seems to be very limited.

# Note 3 Financial risk management

**Financial risks**
Exploration for oil and gas involves a high degree of risk, and the Company is subject to the general risk factors pertaining to this business, such as (i) volatility of oil and gas prices, (ii) uncertainty pertaining to estimated oil and gas reserves, (iii) operational risk related to oil and gas exploration and (iv) volatility in exchange rates. Furthermore, only few prospects that are explored are ultimately developed into production.

Furthermore, the Company is exposed to financial risks in relation to receivables, loans, accounts payable and drawing rights to financial institutions. The business activities of the Company involve exposure to credit risk, interest rate risk, liquidity risk and currency risk.

**Critical accounting estimates and judgements**
The preparation of the financial statements in accordance with IFRS, requires management to make judgements, use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimates and assumptions which represent a considerable risk for material changes in carrying amounts of assets and liabilities during the next fiscal year, are presented below.

*a)Taxes*
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

The Norwegian entities are subject to the Norwegian oil taxation regime which involves an allocation of indirect costs to exploration expenses as items allowable for tax deductions and subsequent tax refunds. The allocation and the calculated tax receivable is based on judgments and understanding by the Company regarding items allowable for tax deduction, and the view may differ from the Norwegian Authorities' practice in the final settlement of the tax refund.

Judgement is also required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. See note 8.

**Critical judgements in applying the Company's accounting policies**
Management has made judgements also in the process of applying the Company's accounting policies. Such judgements with the most significant effect on the amounts recognised in the financial statements are presented in the following:

a) Accounting policy for exploration expenses
The Company uses a "modified full cost method" to account for exploration costs. All exploration costs directly related to areas where the Company holds an interest are initially capitalised in cost centres by well, field or exploration area, as appropriate.

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. These estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. Circumstances may suggest that the carrying amount may exceed the recoverable value of the asset, and such assessment of circumstances involves judgment as to likely future commerciality of the asset and also when such commerciality should be determined.

# Note 4 Exploration expenses

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Expensed capitalized exploration (1) | 17 017 | 362 986 |
| Direct seismic costs and field evaluation | 2 027 | 5 190 |
| G&G costs, Virtual Drilling | 18 808 | 21 179 |
| Consultants exploration | 2 946 | 6 743 |
| Other operating exploration expenses (2) | 4 655 | (3 285) |
| **Total exploration expenses** | **45 453** | **392 813** |

(1) Expensed capitalized exploration in 2017 is related to impairment following divestment of the licence PL762.

(2) Other operating exploration expenses includes licence costs related to licences relinquished prior to 2017.

# Note 5 Payroll and related cost

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Salaries | 14 964 | 15 783 |
| Consultancy fees, hours invoiced to other companies | -4 962 | -2 783 |
| Social security | 2 294 | 2 393 |
| Pension costs | 1 219 | 642 |
| Share-based payment | 280 | 445 |
| Other employee related expenses | 303 | 905 |
| **Total** | **14 098** | **17 385** |
| Average number of employees | 11 | 11 |

**Remuneration to Board of Directors and management:**
See information in note 17 Related party disclosure regarding remuneration of key management and note 13 Share capital regarding share-based bonus program for key management.

**Pensions**
The Company has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

**Share-based payment**
The Company has a share based payment plan for key employees as originally approved on 28 November 2014. These employees have been granted options that vest over a time frame of two years. The options expire three years subsequent to first possible date of exercise.

| *Options (1000)* | Total granted and outstanding | Vested |
|---|---|---|
| **2017** | | |
| At 1 January | 1 295 | 745 |
| Granted | 986 | |
| Vested | | 721 |
| Forfeited | | |
| At 31 December | **2 281** | **1 465** |

| *Options (1000)* | Total granted and outstanding | Vested |
|---|---|---|
| **2016** | | |
| At 1 January | 378 | 173 |
| Granted | 917 | |
| Vested | | 571 |
| Forfeited | | |
| At 31 December | **1 295** | **745** |

Weighted average exercise price is NOK 2.38

The Committee administering the share based plan during the financial year ending 31 December 2017 was the Board of Directors. Participants who received 5% or more of the total number of options available under the scheme are listed in the table below.

| Name of participant | Number of Shares comprised in options granted during financial year ended 31 Desember 2017 | Aggregate number of Shares comprised in options granted since commencement of the Scheme to 31 Desember 2017 | Aggregate number of Shares comprised in Options exercised since commencement of the Scheme to 31 Desember 2017 | Aggregate number of Shares comprised in Options which outstanding as at 31 Desember 2017 |
|---|---|---|---|---|
| Ivar Aarseth (1) | | 379 716 | | 379 716 |
| Terje Hagevang | 231 875 | 485 069 | | 485 069 |
| Rune Skogen | 178 087 | 405 166 | | 405 166 |

(1) Retired from the Company as of 1 November 2016.

No options were granted to Directors or to controlling shareholders and their associates.

# Note 6 Other operating expenses

**Other operating expenses include:**

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Offices rental and other lease expenses | 1 241 | 1 188 |
| Travelling expenses | 359 | 723 |
| Consultant's and other fees 1) | 5 146 | 7 719 |
| Other administrative expenses | 1 630 | 2 007 |
| **Total** | **8 376** | **11 638** |

1) Fees includes payments to related parties. See note 17 for further information.

**Remuneration to auditor is allocated as specified below:**

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Audit | 278 | 326 |
| Attestations | 22 | 147 |
| Other assistance | 46 | 157 |
| **Total, excl. VAT** | **346** | **630** |

# Note 7 Finance income and costs

**Finance income:**

| (Amounts in TNOK) | 2017 | 2016 |
|---|---|---|
| Interest income | 810 | 3 035 |
| Net Foreign exchange effects | 250 | |
| **Total finance income** | **1 061** | **3 035** |

**Finance costs:**

| (Amounts in TNOK) | 2017 | 2016 |
|---|---|---|
| Interest expenses loans and borrowings | 5 498 | 15 576 |
| Other interest expenses | 1 | |
| Net Foreign exchange effects | | 553 |
| Other finance costs | | 2 |
| **Total finance costs** | **5 499** | **16 131** |

# Note 8 Tax

**Specification of income tax:**

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Calculated refund tax value of exploration costs this year | 60 584 | 182 204 |
| Of this refund not recognised in income statement (acquisition of licences recognised net of tax) | | -216 |
| Correction refund previous years | 48 | -239 |
| Change deferred tax | -7 133 | 120 425 |
| **Total income tax credit** | **53 499** | **302 173** |

Oil-exploration companies operating on the Norwegian Continental Shelf may claim a 78 % refund of their exploration costs limited to taxable losses of the year. The refund is paid out in November the following year.

**Specification of tax effects on temporary differences, tax losses carried forward and deferred tax:**

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | 603 | 325 |
| Capitalised exploration and licence costs | -209 729 | -196 360 |
| Non-current borrowings | -265 | -564 |
| Tax losses carried forward, onshore | 173 | 180 |
| Tax losses carried forward, offshore 23 % basis (24 % in 2016) | 20 764 | 19 077 |
| Tax losses carried forward, 55 % basis (54 % in 2016) | 26 877 | 22 905 |
| Deferred tax liability (-) / tax asset (+) | -161 577 | -154 436 |
| Not capitalised deferred tax asset (valuation allowance) | -173 | -180 |
| **Deferred tax liability (-) / tax asset (+) in balance sheet** | **-161 749** | **-154 616** |

**Change in deferred taxes:**

| *Correction refund previous years, assessed but not settled (Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Deferred taxes recorded in income statement | -7 133 | 120 425 |
| **Total change in deferred taxes** | **-7 133** | **120 425** |

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Ordinary income tax is 24 % (23 % in 2018), to which is added a special tax for oil and gas companies at the rate of 54 % (55 % in 2018), giving a total tax rate of 78%.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

**Reconciliation of effective tax rate:**

| *(Amounts in TNOK)* | **2017** | **2016** |
|---|---|---|
| Profit (loss) before tax | -72 700 | -435 342 |
| Expected income tax credit 78% | 56 706 | 339 567 |
| Adjusted for tax effects (25%-78%) (27%-78% in 2015) of the following items: | | |
| Permanent differences | -311 | -519 |
| Finance items | -2 561 | -6 935 |
| Adjustment previous years and other | 61 | -21 |
| Effect of new tax rates on deferred tax | -396 | -341 |
| *Expensed acquisition of licence net of tax* | 0 | **-29 578** |
| **Total income tax credit** | **53 499** | **302 173** |

# Note 9 Investments in oil and gas licences

| *(Amounts in TNOK)* | **2017** | **2016** |
|---|---|---|
| **Cost:** | | |
| At 1 January | 796 027 | 604 749 |
| Additions | 34 157 | 191 278 |
| Disposals | | |
| Cost at 31 December | 830 184 | 796 027 |
| | | |
| *Amortisation and impairment losses* | | |
| At 1 January | 526 421 | 163 435 |
| Amortisation this year | | |
| Impairment this year | 17 017 | 362 986 |
| Disposals | | |
| Accumulated amortisation and impairment at 31 December | 543 438 | 526 421 |
| **Carrying amount at 31 December** | **286 746** | **269 606** |

| **Licence portfolio** | **31.12.2017** | **31.12.2016** |
|---|---|---|
| | Lime's share | Lime's share |
| PL 338C | 30.0 % | 30.0 % |
| PL 762 | 20.0 % | 20.0 % |
| PL 815 | 20.0 % | 20.0 % |
| PL 818 | 30.0 % | 30.0 % |
| PL 841 | 20.0 % | 20.0 % |
| PL 850 | 20.0 % | 20.0 % |

# Note 10 Property, plant, equipment and intangible assets

| *(Amounts in TNOK)* | Fixtures and data equipment | Intangible asset (software) |
|---|---|---|
| **2017** | | |
| **Cost:** | | |
| At 1 January 2017 | 1 857 | 2 288 |
| Additions | | |
| Disposals | | |
| Cost at 31 December 2017 | 1 857 | 2 288 |
| Depreciation and impairment: | | |
| At 1 January 2017 | -1 363 | -1 646 |
| Depreciation this year( 1) | -335 | -517 |
| Impairment this year | | |
| Disposals | | |
| Accumulated amortisation and impairment at 31 December 2017 | -1 698 | -2 164 |
| **Carrying amount at 31 December 2017** | **159** | **124** |

(1) TNOK 517 of depreciation of software is included in Exploration expenses.

| *(Amounts in TNOK)* | | |
|---|---|---|
| **2016** | | |
| **Cost:** | | |
| At 1 January 2016 | 1 642 | 2 288 |
| Additions | 215 | |
| Disposals | | |
| Cost at 31 December 2016 | 1 857 | 2 288 |
| Depreciation and impairment: | | |
| At 1 January 2016 | -953 | -1127 |
| Depreciation this year (2) | -410 | -519 |
| Impairment this year | | |
| Disposals | | |
| Accumulated amortisation and impairment at 31 December 2016 | -1 363 | -1 646 |
| **Carrying amount at 31 December 2016** | **493** | **642** |

(2) TNOK 519 of depreciation of software is included in Exploration expenses.

| | | |
|---|---|---|
| Economic life | 3-5 years | 3 years |
| Depreciation method | linear | linear |

# Note 11 Prepayments and other receivables

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Prepaid expenses | 3 753 | 1 552 |
| VAT receivables | 608 | 369 |
| Receivables from group companies | 5 863 | 1 695 |
| Working capital and overcall, joint venture | 8 583 | 6 699 |
| Other short term receivables | 315 | 392 |
| **Total** | **19 122** | **10 707** |

# Note 12 Cash and cash equivalents

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Bank deposits | 9 170 | 28 325 |
| **Total cash and cash equivalents** | **9 170** | **28 325** |
| | | |
| Of this: | | |
| Restricted cash for withheld taxes from employees salaries | 989 | 865 |
| Restricted cash for deposit office lease | 740 | 740 |
| Restricted cash for interest reserve on bank loan | | 6 222 |

# Note 13 Share capital and shareholder information

| *Movements in share capital (amounts in NOK)* | Number of shares | Share capital |
|---|---|---|
| Share capital at 1 January 2016 | 80 320 000 | 80 320 000 |
| Capital increase in 2016 | 50 000 000 | 50 000 000 |
| **End balance at 31 December 2016** | **130 320 000** | **130 320 000** |
| | | |
| Share capital at 1 January 2017 | 130 320 000 | 130 320 000 |
| Capital increase in 2017 | | |
| **End balance at 31 December 2017** | **130 320 000** | **130 320 000** |

The share capital is denominated in NOK, and the nominal value per share as of 31 December 2017 was NOK 1. All issued shares are of equal rights.

The Company may remunerate employees in the form of options or other remuneration linked to the Company's shares or share value. Such employees participate in the Company's share-based bonus program.

| *Shareholders as of 31 December 2017* | Shares | Ownership |
|---|---|---|
| Lime Petroleum Plc | 2 820 000 | 2.2 % |
| Schroder & Co Banque SA | 13 032 000 | 10.0 % |
| Rex International Investments Pte. Ltd | 114 468 000 | 87.8 % |
| **Total number of shares** | **130 320 000** | **100.0 %** |

Rex International Investments Pte. Ltd owns a total of 89.2 % of Lime Petroleum AS, including indirectly 1.4% through ownership of 65% of Lime Petroleum Plc.

Rex International Investments Pte. Ltd is a wholly owned subsidiary of Rex International Holding Ltd.
Board member Svein Helge Kjellesvik is shareholder in Rex International Holding Ltd.

# Note 14 Interest-bearing loans and borrowings

| *(Amounts in TNOK)* | Presentation in balance | 2017 | 2016 |
|---|---|---|---|
| Credit facility, nominal amount drawn | Current | | 110 000 |
| Capitalised arrangement fee (subject to amortisation) | Current | | -2 350 |
| **Carrying amount** | | **0** | **107 650** |

**Credit facility**
The Company has a Revolving Exploration Financing Facility agreement of NOK 400 000 000 with Skandinaviska Enskilda Banken AB (SEB). The facility runs until December 2018, but the debt as at 31 December shall be repaid in December next year following receipt of tax refund (ref note 8). The debt is therefore classified as current liability. The agreed interest rate is three month NIBOR + 1.5 %.

**Assets pledged as security**
The credit facility mentioned above is for the lender secured by a first priority assignment of the tax refunds, first priority charge over the bank accounts, and a first priority assignment of insurances.

**Guarantee**
Rex International Investments Pte. Ltd has provided a parent company guarantee to the Ministry of Petroleum and Energy on basis of the Norwegian Petroleum Act sec. 10-7.

# Note 15 Financial instruments

**Financial instruments by category**

*(Amounts in TNOK)*

**At 31 December 2017**

| Financial assets | Loans and receivables | Total carrying amount |
|---|---|---|
| Other receivables 1) | | |
| Cash and cash equivalents | 9 170 | 9 170 |
| **Total** | **9 170** | **9 170** |

1) Prepayments and VAT receivables are not included.

| Financial liabilities | Amortized cost | Total carrying amount |
|---|---|---|
| Borrowings, short term | | |
| Trade creditors | 4 199 | 4 199 |
| Other current liabilities 1) | 1 307 | 1 307 |
| **Total** | **5 505** | **5 505** |

1) Public duties payable and accruals are not included.

**At 31 December 2016**

| Financial assets | Loans and receivables | Total carrying amount |
|---|---|---|
| Other receivables 1) | | |
| Cash and cash equivalents | 28 325 | 28 325 |
| **Total** | **28 325** | **28 325** |

1) Prepayments and VAT receivables are not included.

| Financial liabilities | Amortized cost | Total carrying amount |
|---|---|---|
| Borrowings, short term | 107 650 | 107 650 |
| Trade creditors | 4 634 | 4 634 |
| Other current liabilities 1) | 1 425 | 1 425 |
| **Total** | **113 709** | **113 709** |

1) Public duties payable and accruals are not included

**Fair value of financial instruments**
It is assessed that the carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values.

## Financial risk management

**Overview**
The Company has some exposure to risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Company's exposure to each of the above mentioned risks, and the Company's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Company's capital management is provided.

**Market risk from financial instruments**
**a) Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest risk arises from its credit facility which has variable rates terms. As at 31 December 2017 there was no loans drawn under the credit facility. As at 31 December 2016, if the interest rate had been 0.5% higher, the net loss before tax would have been TNOK 550 higher.

**b) Foreign currency risk**
The Company has limited exposure to currency risk from assets and liabilities recognised as at 31 December 2017, through trade payables denominated in USD. An increase in the exchange rate of USD of 10 % would have resulted in a finance loss pre tax of TNOK 377 (TNOK 437 in 2016).

**Credit risk**
The carrying amounts of financial assets presented above represent the Company's maximum credit exposure. The counterparty to the cash and cash equivalents and other financial assets are large banks with solid credit ratings. The Company monitors the credit ratings of its main counterparties on a regular basis.

**Liquidity risk**
Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Company's reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of appropriate funding.

The following table details the contractual maturities for the Company's financial liabilities. The tables includes amounts for both principal and interest payments. The contractual amounts were estimated based on closing exchange rate at balance sheet date.

**At 31 December 2017**

| *(Amounts in TNOK)* | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|
| Borrowings, short term | | | | 0 |
| Trade creditors and other short term liabilities | 4 199 | 1 307 | | 5 505 |
| **Total liabilities** | **4 199** | **1 307** | | **5 505** |

**At 31 December 2016**

| *(Amounts in NOK)* | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|
| Borrowings, short term | 734 | 112 203 | | 112 937 |
| Trade creditors and other short term liabilities | 6 059 | | | 6 059 |
| **Total liabilities** | **6 794** | **112 203** | | **118 996** |

**Capital management**

A key objective in relation to capital management is to ensure that the Company maintains a sufficient capital structure in order to support its business development and to maintain a strong credit rating. The Company evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Company's financial commitments. In order to maintain or adjust the capital structure, the Company may issue new shares or obtain new loans.

# Note 16 Other current liabilities

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Public duties payable | 1 556 | 1 417 |
| Salary and vacation payable | 1 307 | 1 425 |
| Working capital and undercall, joint venture | 8 913 | 3 455 |
| Other accruals for incurred costs | 7 521 | 9 197 |
| **Total** | **19 297** | **15 494** |

# Note 17 Related party disclosure

*(Amounts in TNOK)*

**a) Purchases from related parties**

| Purchase of services from | Description of services | 2017 | 2016 |
|---|---|---|---|
| Rex International Holding Ltd (1) | Consulting services | 1 396 | 2 928 |
| Powergen GmbH (2) | Consulting services | 583 | |
| Lidgren Consulting (3) | Consulting services | 529 | |
| Inoil AS (4) | Consulting services | 875 | 852 |
| Rex Technology Management Ltd (5) | Rex Virtual Drilling analysis | 18 808 | 21 179 |

(1) Rex International Holding Ltd owns 100 % of the shares in Rex International Investments Pte. Ltd which directly and indirectly owns 89.2 % of the shares in Lime Petroleum AS.
(2) A company controlled by Kristofer Skantze who is CCO in Rex International Holding Ltd.
(3) A company controlled by Måns Lidgren who is CEO in Rex International Holding Ltd.
(4) A company controlled by Terje Hagevang, CEO in Lime Petroleum AS.
(5) Rex Technology Management Ltd is owned 100 % by Rex International Investments Pte. Ltd.

**b) Sales to related parties**

| Sales of consulting services to (see also note 5 Payroll) | 2017 | 2016 |
|---|---|---|
| Group companies under control of Rex International Investments Pte. Ltd | 3 323 | 1 134 |
| Trace Atlantic Oil Ltd (6) | 1 639 | 1 650 |

(6) A company jointly controlled by Karl Lidgren, Hans Lidgren and Svein Helge Kjellesvik who has significant influence over Rex International Holding Ltd through their shareholding.

**c) Balances with related parties (trade payables)**

| Related party | 2017 | 2016 |
|---|---|---|
| Group companies under control of Rex International Investments Pte. Ltd | 5 863 | 1 695 |
| Trace Atlantic Oil Ltd | 313 | 392 |

**d) Balances with related parties (trade payables)**

| Related party | 2017 | 2016 |
|---|---|---|
| Group companies under control of Rex International Investments Pte. Ltd | 1 396 | 2 928 |
| Powergen GmbH | 290 | |
| Lidgren Consulting | 62 | |
| Inoil AS | 102 | |

**Compensation to key management 2017**

*(Amounts in TNOK)*

| Position | Salary/ Board fee | Pension contribution | Total 2017 |
|---|---|---|---|
| CEO | 2 866 | 162 | 3 028 |
| Board of Directors | 2 432 | | 2 432 |

As at 31 December 2017 there is no agreement of bonus to key management.

The Company may remunerate employees in the form of options or other remuneration linked to the Company's shares or share value. Such employees participate in the Company's share-based bonus program.

**Compensation to key management 2016**

*(Amounts in TNOK)*

| Position | Salary/ Board fee | Pension contribution | Total 2016 |
|---|---|---|---|
| CEO | 4 674 | 65 | 4 738 |
| Board of Directors | 420 | | 420 |

# Note 18 Operating leases

The Company has no finance leases.
The Company has entered into operating leases for office premises, parking and IT equipment/software.
The lease costs consist of ordinary lease payments and include:

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Lease office premises and parking | 1 162 | 1 117 |
| Lease machinery and office furniture | 79 | 71 |
| **Total lease costs** | **1 241** | **1 188** |

The future minimum rents related to non-cancellable leases and subleases fall due as follows:

| *(Amounts in TNOK)* | 2017 | 2016 |
|---|---|---|
| Within 1 year | 1 163 | 1 220 |
| 1 to 5 years | 4 783 | 915 |
| After 5 years | 965 | |
| **Total** | **6 912** | **2 136** |

# Note 19 Contingent liabilities

The Company has not been involved in any legal or financial disputes in 2017 where adversely outcome is considered more likely than remote.

# Note 20 Shares in licences and obligations

The Company's obligations for 2018 related to the licence portfolio as at year end are estimated to a total of NOK 262 million. This forecast is based on the approved licence budgets.

# Note 21 Events after the balance sheet date

In January 2018, the Company was awarded one new licence as a result of its partcipation in the APA2017. The licence is PL818B, an extension of licence PL818 which is held by the same partnership where Lime is holding 30%.

On 22 January 2018, Rex International Investments Pte. Ltd acquired additional 2.2% of the shares in Lime Petroleum AS. The amount of shares represented the shareholding of Lime Petroleum Plc in Lime Petroleum AS.

On 29 January 2018, the Company entered into agreement with Statoil Petroleum AS to divest its 20% participation share in PL762. The transaction is effective as of 1 January 2018. Approval from the Ministry of Petroleum is pending.

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To the General Meeting of Lime Petroleum AS

# Independent Auditor's Report

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Lime Petroleum AS which comprise the balance sheet as at 31 December 2017, income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 as required by laws and regulations, 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.

### Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information 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 the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsiblities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in

accordance with International Financial Reporting Standards as adopted by the EU, 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment 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. We 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.
- conclude on the appropriateness of management's use of the going concern basis of accounting 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the

going concern assumption is consistent with the financial statements and complies with the law and regulations.

## Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 27 April 2018
KPMG

Roland Fredriksen
*State Authorised Public Accountant*

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