PANDION ENERGY

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Interim Financial Statements
(unaudited)

Second Quarter 2019

PANDION ENERGY

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Introduction

General information

These interim financial statements for Pandion Energy AS (“the Company“) have been prepared to comply with the **Revolving exploration finance facility agreement dated 13 November, 2017,** the **Borrowing base facility agreement dated 9 April 2018, Bond terms for senior unsecured bond dated 3 April 2018** and the **ABM rules dated 1 January 2019**.

These interim financial statements have not been subject to review or audit by independent auditors.

Second Quarter 2019 Summary

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Financial Review

Total revenue in the second quarter was USD 20.9 (16.9 in Q2-18) million, and reported operating profit USD -3.2 (6.0 in Q2-18) million. The lower operating profit in Q2 2019 is mainly due to planned maintenance on the Valhall and Hod fields, and a dry well on the Godalen field. EBITDAX amounted to USD 10.6 (10.8) million. Net profit was USD 0.2 (-2.8) million.

The total revenue was driven by revenues related to oil sales from the Valhall and Hod fields, (251 kboe in Q2-19 compared to 234 kboe in Q2-18). Average realised oil price was USD 72.2 (75.7 in Q2-18) per bbl.

The operating expenses amounted to USD 10.2 (5.9 in Q2-18) million.

Investments in fixed assets amounted to USD 21.0 million, driven by investments in the Valhall field, mainly Flank West development and Flank South Infill Drilling and the Duva development.

The company's interest-bearing debt was USD 160.5 million at the end of the second quarter, compared to USD 118.5 million in Q2-18.

Operational Review

Valhall area

Production from the Valhall and Hod fields was 2.7 (5.1 in Q1-2019) thousand barrels of oil equivalents per day net to Pandion during second quarter, representing a 47 per cent decrease from the previous quarter, driven by a planned one-month maintenance shutdown in June.

The Valhall IP drilling campaign continued with the G-10 well on the field center. On the Flank South the Maersk Invincible (MINV) rig successfully drilled and completed the S-16B well. A second back-up target S-6A was sanctioned, planned and successfully executed in only two months to safeguard production and reserves from South Flank after the first S-16A target failed to find economic volumes.

The MINV rig has now moved to Flank West to commence drilling during the third quarter. The Flank West facilities have been successfully installed. The topsides were lifted into place on 20 June just 14 months after the first steel was at at Kværner`s yard in Verdal. Both the topsides and the jacket were delivered ahead of schedule, below budget and with excellent HSSE performance.

The original accommodation platform at Valhall (QP) was safely removed in June by Pioneering Spirit. This was the first of the original structures at Valhall to be removed as part of the modernisation of the Valhall field centre.

Duva project

The development plan for the Duva project (formerly known as Cara discovery) in the Norwegian sector of the North Sea was approved on 26th June 2019 by the Ministry of Petroleum and Energy. Pandion Energy holds a 20% interest in the Duva project. The Duva field will be developed as subsea tie-back connecting to the nearby Gjøa platform.

Second Quarter 2019 Summary

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Operational Review (cont)

Exploration

During Q2 2019 Pandion Energy entered into an agreement with Equinor Energy AS to acquire a 20% interest in licenses PL 263D and PL 263E, containing the Appolonia prospect. The operator is currently maturing the Appolonia prospect, which in case of a positive drill decision by the partnership may be added to the operator`s exploration drilling program. The transaction is subject to approval by the Norwegian Ministry of Petroleum and Energy.

In August 2019, the drilling of a wildcat well in PL 842 was completed with dry well result. The license is operated by Capricorn Norge AS, with Pandion Energy AS and Skagen44 AS as partners. The well will be permanently plugged and abandoned. The costs of the exploration well have been expensed.

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Risks and Risk Management

Pandion Energy is subject to numerous controllable and uncontrollable risks deriving from the nature of the oil and gas business in a business landscape that is dynamic and volatile. The Board of Pandion Energy works together with the Company to develop a risk management strategy.

Operational risks

There are risks associated with the Company's operational assets. Future production of oil and gas is dependent on the Company's ability to find, or acquire, and develop reserves. There is always a risk that a major operational incident could occur as drilling, production and decommissioning activities will never be entirely risk-free. Pandion Energy works actively together with operators and has established mitigating actions to reduce the possibility of operational incidents occurring.

Financial risks

The Company is exposed to market fluctuations in commodity prices, foreign exchange rates, and interest rates.

Pandion Energy's production is crude oil dominant. The Company has focused on securing liquidity and has entered into an extensive oil price hedging program to reduce the risk related to oil prices. At the end of the second quarter Pandion had put in place a hedging programme through 2019 and Q3 2020.

>70% of 2019 volumes hedged at USD 55/bbl.

>90% of 2020 post-tax volumes have been hedged at USD 55/bbl and USD 56/bbl.

The existing hedging program is mainly based on put options. During the second quarter the Company recorded a small unrealised gain presented as other income related to increased value of the hedging programme.

Currency risks arise from multi-currency cash flows within the Company. Pandion Energy is exposed to foreign currency exchange risk on its purchase and sales, including financing costs that are denominated in currencies other than USD. The Company will preferable raise funding in USD, however the senior unsecured bond was, due to market consideration, raised in NOK. To mitigate the currency risk arising from the debt issuance the Company has entered cross currency swaps.

The Company`s interest rate risk arises from its interest-bearing borrowings. Borrowings issued with floating interest rate conditions expose the Company to cash flow interest rate risk. Pandion Energy has issued a floating rate bond and is exposed to interest rate risk. The Company has entered into interest rate swaps in 2018 to manage the exposure to interest rate risk.

Pandion Energy is also actively reducing financial risk through an extensive insurance program, where the key element is loss of production income cover for an indemnity period of 18 months with a 45-day waiting period. Further the risks (non-exhaustive) of physical damage to assets, control of well and third party liability are covered by offshore programs in place.

The Company's future capital requirements depend on many factors, and the Company may need additional funds to fulfil its commitments and further develop exploration and development programmes to support the strategic direction of the Company.

External risks

The business landscape in which the Company operates can change rapidly. The risks of changes to commodity prices are addressed under financial risks, but the Company also faces other external risks that could affect its financial position over time. For instance, there can be no assurance that legislation, including tax regulations, will not be changed in a manner that could adversely affect the Company. There is also a potential exposure from the response to climate change, as changes to regulations on emissions. The Company aims to develop a portfolio of assets that remain resilient as the government`s response to climate change evolves.

Responsibility statement

We confirm, to the best of our knowledge, that the interim financial statements for the period from 1 January to 30 June 2019 have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway and give a true and fair view of the assets, liabilities, financial position and result of Pandion Energy AS. The notes are an integral part of the interim financial statements.

We also confirm, to the best of our knowledge, that the operational and financial review includes a fair presentation of important events that have occurred during the first six months of the financial year and their impact on the financial statements and the company's position, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, Norway, 14 August 2019

The Board of Directors and CEO of Pandion Energy AS

Alan Parsley Chairman of the Board	Jan Christian Ellefsen CEO/Board Member	Helge L. Nordtorp Board Member
Tushar Kumar Board Member	Jason Cheng Board Member	Roberta Wong Board Member

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(unaudited)

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Statements of income
30 June 2019

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Current quarter		Statements of income		Year to date		Last Year
Q2 2019	**Q2 2018**	**(Amounts in USD`000)**	**Note**	**2019**	**2018**	**2018**
20 810	19 661	Revenues		50 185	47 335	100 588
40	(2 762)	Other income		(6 796)	(3 345)	2 425
20 850	**16 899**	**Total revenues and income**	9	**43 389**	**43 990**	**103 013**
(10 207)	(5 915)	Operating expenses		(20 523)	(20 482)	(39 276)
-	(228)	General and administrative expense		-	(743)	-
(4 891)	(2 983)	Depreciation, amortisation and net impairment losses	1	(9 716)	(5 615)	(11 551)
(8 906)	(1 774)	Exploration expenses		(16 190)	(2 561)	(8 854)
(24 004)	(10 900)	Total expenses		(46 429)	(29 401)	(59 681)
(3 155)	**5 999**	**Profit from operating activities**		**(3 040)**	**14 589**	**43 332**
(2 772)	(3 241)	Net financial items	7	(8 812)	(5 788)	(17 650)
(5 926)	**2 758**	**Profit before income tax**		**(11 852)**	**8 801**	**25 682**
6 080	(5 521)	Income tax		5 717	(7 437)	(24 137)
153	**(2 763)**	**Net profit**		**(6 135)**	**(1 365)**	**1 545**

Statements of income
30 June 2019

Current quarter		Statements of comprehensive income	Year to date		Last Year
Q2 2019	**Q2 2018**	**(Amounts in USD`000)**	**2019**	**2018**	**2018**
153	(2 763)	Net income	(6 135)	(1 365)	1 545
-	-	Currency translation adjustments	-	-	-
		Items that may be subsequently reclassified to the Statement of income			
		Cash Flow hedges			
(547)	(4 117)	Net gain/losses arising from hedges recognised in OCI	(916)	(4 117)	(9 131)
(63)	2 096	Net amount reclassified to profit and loss	(183)	2 096	5 828
134	465	Tax on items recognised over OCI	241	465	727
(476)	(1 556)	Other comprehensive income	(858)	(1 556)	(2 577)
(323)	**(4 319)**	**Total comprehensive income**	**(6 993)**	**(191)**	**(1 032)**

Balance sheet statements
30 June 2019

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Assets

(Amounts in USD`000)	Note	Q2 2019	Q2 2018	2018
Deferred tax assets		0	17 202	0
Goodwill	2,3	124 785	124 785	124 785
Intangible assets	2,3	39 116	56 093	59 110
Property, plant and equipment	1,3	262 870	168 712	198 743
Prepayments and financial receivables		139	145	136
Right-of-use asset	10	1 412	0	
Total non-current assets		**428 322**	**366 936**	**382 774**
Inventories		5 245	10 773	6 822
Trade and other receivables		7 653	2 636	9 050
Financial asset at fair value through profit or loss	8	1 279	2 162	8 075
Tax receivable from exploration refund - short term		14 186	13 995	9 094
Cash and cash equivalents		14 837	16 245	19 133
Total current assets		**43 200**	**45 810**	**521 743**
Total assets		**471 521**	**412 746**	**434 947**

Balance sheet statements
30 June 2019

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Equity and liabilities

(Amounts in USD`000)	Note	Q2 2019	Q2 2018	2018
Share capital		113 492	113 492	113 492
Other paid in capital		0	0	0
Other equity		(10 624)	(2 790)	(3 631)
Total equity	**4**	**102 867**	**110 702**	**109 861**
Deferred tax liability		4 329	0	5 202
Asset retirement obligations	5	151 687	130 432	153 994
Borrowings	6	145 093	102 274	116 349
Hedging derivatives		8 624	4 117	8 499
Long term lease debt	10	1 035	0	0
Total non-current liabilities		**310 768**	**236 823**	**284 045**
Asset retirement obligations - Short term	5	11 989	39 000	9 567
Trade, other payables and provisions	12	36 732	14 376	25 499
Borrowings - Short term	6	8 814	11 846	5 975
Short term lease debt	10	352	0	0
Total current liabilities		**57 886**	**65 222**	**41 041**
Total liabilities		**368 654**	**302 045**	**325 086**
Total equity and liabilities		**471 521**	**412 746**	**434 947**

Statements of cash flow
30 June 2019

PANDION ENERGY

(Amounts in USD`000)	Note	Year to date Q2 2019	Q2 2018	Last year 2018
Income before tax		(11 852)	8 801	25 682
Depreciation, amortisation and net impairment losses	1	9 716	5 615	11 588
Expensed capitalised exploration expenses	2	6 422	-	1 777
Accretion of asset removal liability	5,7	3 034	3 415	6 462
(Increase) decrease in value of financial asset at fair value through profit or loss	8	6 796	3 344	(2 425)
(Increase) decrease in value of hedges reclassified to profit and loss		124	2 096	-
(Increase) decrease operational financial asset	8	-	(5 507)	(5 650)
Asset removal cost	5	(2 919)	(16 181)	(25 415)
Net financial expenses		5 778	-	11 188
Interest and fees paid		(5 664)	-	(11 647)
(Increase) decrease in working capital		14 642	(1 657)	6 143
Tax payable received (Paid)		-	-	10 468
Net cash flow from operating activities		**26 076**	**(73)**	**28 171**
Capital expenditures and investments in furniture, fixtures and office machines	1	(158)	(5)	(19)
Capital expenditures and investments in oil and gas assets	1	(40 742)	(18 968)	(51 965)
Capital expenditures and investments in exploration and evaluation assets	2	(19 407)	(3 033)	(10 504)
Net cash flow from investing activities		**(60 307)**	**(22 005)**	**(62 488)**
Share capital contribution	4	-	40 982	-
Increase interest bearing obligations, loans and borrowing		29 935	108 501	149 553
Decrease interest bearing obligations, loans and borrowing		-	(120 128)	(105 070)
Net cash flow from financing activities		**29 935**	**29 356**	**44 483**
Net change in cash and cash equivalents		(4 296)	7 279	10 166
Cash and cash equivalents at the beginning of the period		19 133	8 965	8 965
Cash and cash equivalents at the end of the period		**14 837**	**16 245**	**19 133**

Notes to the interim financial statements

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Accounting principles

These interim financial statements have been prepared on the bases of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with the Company annual financial statement as at 31 December 2018.

These interim financial statements were authorised for issue by the company`s Board of Directors on 14 August 2019.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an annual period. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

As described in the company's annual financial statements for 2018, one new accounting standard entered into force from 1 January 2019, IFRS 16. Pandion has assessed the impact of IFRS 16 on the interim financial statements and identified the office lease agreement containing a lease after IFRS 16. The impact on the balance sheet is presented on separate balance sheet items.

For further detailed information on accounting principles, please refer to the Financial Statements for 2018.

Notes to the interim financial statements

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NOTE 1 PROPERTY, PLANT AND EQUIPMENT

(Amounts in USD`000)	Oil and gas assets	Tools and equipment	Total
Carrying amount at 31 December 2017	**129 815**	**86**	**129 901**
Additions	51 965	19	51 983
Asset removal obligation - Change of estimate	316	-	316
Transfers	28 130	-	28 130
Depreciation	11 551	37	11 588
Carrying amount at 31 December 2018	**198 675**	**68**	**198 743**
Additions	40 742	158	40 900
Asset removal obligation - Change of estimate	-	-	-
Transfers	32 980	-	32 980
Depreciation	9 716	36	9 752
Carrying amount at 30 June 2019	**262 680**	**190**	**262 870**
Estimated useful lives (years)	UoP	3-10	

Production plants oil and gas are depreciated according to unit of production method (UoP).

Notes to the interim financial statements

NOTE 2 INTANGIBLE ASSETS

(Amounts in USD`000)	Goodwill	Exploration and evaluation assets	Total
Carrying amount at 31 December 2017	**124 785**	**78 513**	**203 298**
Acquisition		151	151
Capitalised license costs	-	10 353	10 353
Expensed exploration expenditures previously capitalized	-	(1 777)	(1 777)
Transfers	-	(28 130)	(28 130)
Carrying amount at 31 December 2018	**124 785**	**59 110**	**183 895**
Acquisition		335	335
Capitalised license costs	-	19 073	19 073
Expensed exploration expenditures previously capitalized	-	(6 422)	(6 422)
Transfers	-	(32 980)	(32 980)
Carrying amount at 30 June 2019	**124 785**	**39 116**	**163 901**

The amount of Goodwill entirely relates to the acquisition of interest in the Valhall and Hod oil fields.
Expensed exploration expenditures previously capitalized is mainly related to dry targets in the combined appraisal and exploration well at the Hod field.
In July 2019 the licence hit a dry well in PL 842 (Godalen). Exploration expenditures previously capitalized that has been expensed in Q2 is USD 990 thousand. Please see note 12 for further information.

NOTE 3 IMPAIRMENTS

Impairment tests of individual cash-generating units are performed when impairment triggers are identified, and for goodwill impairment is tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. No impairment indicators have been identified at the end of second quarter 2019.

Notes to the interim financial statements

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NOTE 4 EQUITY AND SHAREHOLDERS

(Amounts in USD`000)

	Share Capital	Other paid in capital	Other equity	Total equity
Shareholders' equity at 31 December 2017	**21 258**	**51 251**	**(2 599)**	**69 910**
Share issue - unregistered in 2017	51 251	(51 251)		-
Share issue	40 982	-	-	**40 982**
Comprehensive income	-	-	(1 032)	**(1 032)**
Shareholders' equity at 31 December 2018	**113 491**	**-**	**(3 631)**	**109 861**
Comprehensive income	-	-	(6 994)	**(6 994)**
Shareholders' equity at 30 June 2019	**113 491**	**-**	**(10 625)**	**102 867**
Shareholders' equity at 31 December 2017	**21 258**	**51 251**	**(2 599)**	**69 910**
Share issue	40 982	-	-	**40 982**
Comprehensive income	-	-	(191)	**(191)**
Shareholders' equity at 30 June 2018	**62 240**	**51 251**	**(2 790)**	**110 702**

Share capital of NOK 911 921 294 comprised of 911 921 294 shares at a nominal value of NOK 1,00.

A Subscription and Investment Agreement between Pandion Energy and Kerogen has been executed for 190 USD million in equity, of which 109 USD million (889,4 NOK million) has been injected as of 30 June 2018 in addition to 3 USD million (22,5 NOK million) from the management team of Pandion Energy.
The capital of 190 USD million is committed to Pandion Energy and can be drawn upon approval of the Board of Directors of the Company. Kerogen has further a right, however not an obligation to provide additional funds in an amount up to 110 USD million, resulting in an aggregate funding up to 300 USD million.

In 2018 Pandion Energy Holding AS was established and all shares in Pandion Energy AS were transferred to Pandion Energy Holding AS.

Notes to the interim financial statements

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NOTE 5 ASSET RETIREMENT OBLIGATIONS

		Asset retirement obligations
(Amounts in USD`000)		
Asset retirement obligations at 31 December 2017		**182 198**
Effects of change in estimates		316
Amounts charged against asset retirement obligations		(25 415)
Accretion expenses		6 462
Reclassification and transfer		-
Currency translation		-
Asset retirement obligations at 31 December 2018		**163 561**
Non-current portion at 31 December 2018	*153 994*	
Current portion at 31 December 2018	*9 567*	
Total	*163 561*	
Amounts charged against asset retirement obligations		(2 919)
Accretion expenses		3 034
Reclassification and transfer		-
Currency translation		-
Asset retirement obligations at 30 June 2019		**163 676**
Non-current portion	*151 687*	
Current portion	*11 989*	
Total	*163 676*	

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 4.0 per cent.

Notes to the interim financial statements

PANDION ENERGY

NOTE 6 INTEREST BEARING DEBT

Revolving Exploration Loan Facility

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 30 June 2019	NOK	18 461	28 497	NIBOR + 1.25 %	Dec 2019	18 240
At 31 December 2018	NOK	6 236	39 802	NIBOR + 1.25 %	Dec 2019	5 975

The total credit limit for the Company at 30 June 2019 was TNOK 400 000.

The Company signed a Revolving Exploration Finance Facility Agreement on 13 November 2017 of TNOK 400 000. The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The availability period of the facility has been extended up to and including 31 December 2019.

Unsecured Bond

	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
(Amounts in USD'000)					
At 30 June 2019	NOK	50 967	10.61%	April 2023	46 121
At 31 December 2018	NOK	50 967	10.61%	April 2023	45 089

The bond is an unsecured bond of 400 million NOK and runs from April 2018 to April 2023. Utilised amount in USD reflects the exchange rate at the inception date for the bond. The bond has been swapped into USD using a cross currency swap, removing all foreign exchange risk both on coupons and notional. The interest payments have been fixed using an interest rate swap. The fixed all in rate after the swaps is 10.61%. The bond has similar covenants as the RBL facility.

Notes to the interim financial statements

NOTE 6 INTEREST BEARING DEBT (cont)

Reserve Base Lending Facility Agreement (RBL)

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 30 June 2019	USD	91 100	58 900	LIBOR + 3.5%	April 2025	88 547
At 31 December 2018	USD	73 100	76 900	LIBOR + 3.5%	April 2025	70 261

The RBL facility was established in 2018 and is a senior secured seven-year facility. The facility is at USD 150 million with an additional uncommited accordion option of USD 150 million. The interest rate is from 1-6 months LIBOR plus a margin of 3.5%. In addition a commitment fee is paid for unused credits.

The financial covenants are as follows:

- Net debt to EBITDAX not to exceed 3.5x
- Corporate sources to corporate uses applying a ratio of 1.1 to 1 for the next 12 months period
- Corporate sources to corporate uses applying a ratio of 1 to 1 for the period up to estimated first oil of any development assets
- Minimum cash balance of 10 million USD
- Exploration spending after tax on a yearly basis restricted to the higher of 10 million USD and 10% of EBITDAX unless such spending are funded by new cash equity or subordinated shareholder loan.

Notes to the interim financial statements

NOTE 6 INTEREST BEARING DEBT (cont)

Non-current Liabillities to related parties

By entering into a subscription agreement with Kerogen Investment no.28 Pandion Energy has agreed to pay a commitment fee as listed below:

	Facility currency	Loan amount
Kerogen Investment no. 28 Limited	USD	1 000

Kerogen Investments no.28 Limited`s rights and claims for such Commitment Fee is subordinated to the rights and claims of all other existing creditors of Pandion.

Maturity profile based on contractual undiscounted cash flows

	Q2 2019	2018
(Amounts in USD`000)		
Less than 12 months	8 814	6 236
1 to 5 years	60 614	50 967
Over 5 years	92 100	74 100
Total	**161 528**	**131 303**

Notes to the interim financial statements

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NOTE 7 FINANCIAL ITEMS

	Current quarter		Year to date		Last year
	Q2 2019	**Q2 2018**	**Q2 2019**	**Q2 2018**	**2018**
(Amounts in USD`000)					
Net foreign exchange gains (losses)	1 129	1 269	771	1 739	(874)
Interest income	36	39	67	56	165
Amortised loan costs	(227)	(162)	(444)	(192)	(449)
Accretion expenses	(1 514)	(1 678)	(3 034)	(3 414)	(6 462)
Interest expenses	(2 027)	(2 659)	(5 983)	(4 045)	(8 930)
Other financial items	(168)	(49)	(190)	69	(1 100)
Net financial items	**(2 772)**	**(3 241)**	**(8 812)**	**(5 788)**	**(17 650)**

Notes to the interim financial statements

NOTE 8 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

(Amounts in USD`000)	Financial assets
Financial assets at 31 December 2017	-
New contracts at cost	5 650
Expired contracts at cost	(1 664)
Financial assets at 31 December 2018 before value increase/decrease	3 986
Value increase (decrease)	4 089
Financial assets at 31 December 2018	**8 075**
New contracts at cost	-
Expired contracts at cost	(1 832)
Financial assets at 30 June 2019 before value increase/decrease	6 243
Unrealized gain/(loss) on oil derivates	(4 964)
Unrealized gain/(loss) on FX derivates	-
Financial assets at 30 June 2019	**1 279**

The Company has focused on securing liquidity and has entered into an extensive oil price hedging program to reduce the risk related to oil prices. At the end of the second quarter Pandion had put in place a hedging programme through 2019 and Q3 2020. The entire existing hedging program is based on put options.

Notes to the interim financial statements

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NOTE 9 SEGMENT INFORMATION AND DISAGGREGATION OF REVENUE

All revenues are generated from activities on the Norwegian continental shelf (NCS), and derives from Oil, Gas and NGL. As a result, Pandion Energy has decided not to include segment information as this would only state the same financials already presented in the income statement and balance sheet.

The Company's revenue is disaggregated as follows:

	Current quarter		Year to date		Last year
Revenues	**Q2 2019**	**Q2 2018**	**Q2 2019**	**Q2 2018**	**2018**
Oil	18 762	17 759	45 071	42 791	90 447
Gas	1 299	1 901	3 766	3 884	8 271
NGL	749	-	1 348	660	1 870
Total revenues	**20 810**	**19 661**	**50 185**	**47 335**	**100 588**

	Current quarter		Year to date		Last year
Other income	**Q2 2019**	**Q2 2018**	**Q2 2019**	**Q2 2018**	**2018**
Realized gain/(loss) on oil derivates	(1 055)	(362)	(1 832)	(435)	(1 664)
Unrealized gain/(loss) on oil derivates	1 095	(2 400)	(4 964)	(2 910)	4 089
Total other income	**40**	**(2 762)**	**(6 796)**	**(3 345)**	**2 425**

Notes to the interim financial statements

PANDION ENERGY

NOTE 10 LEASING AND LONG TERM COMMITMENTS

Pandion Energy has implemented IFRS 16 without restatement of prior periods, as permitted in the standard. The difference between the operating lease commitments after IAS 17, as disclosed in the 2018 financial statements, and lease debt recognized at initial application is reconciled in the table below.
Pandion Energy has recognised the lease related to office facilities as a lease after IFRS 16. The original contract runs for five years from 2018 and contain a renewal option for another three years. The company has entered into an additional agreement for extra office space running from June 2019. The lease has an arrangement with contingent payment if the Company brings the lease to an end after three years. The Contingent payment will then be equal to six months rental payment. The lease does not contain any restriction on the company`s dividend policy or financing.

	2019
(Amounts in USD`000)	
Operating lease obligation 31.12.2018	**33 104**
Partner-licenses rigs excluded	(31 871)
Adjustments related to option extension and termination clauses	356
Nominal lease debt 01.01.2019	**1 589**
Discounting	359
Operating lease debt 01.01.2019	**1 230**
New lease debt recongized in the period	314
Depreciation	(116)
Interest expense	(41)
Total lease debt after IFRS 16 30.06.2019	**1 387**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use assets – increase by USD 1,230 thousand

Long term lease liabilities – increase by USD 1 062 thousand

Short term lease liabilities – increase by USD 168 thousand

Implementation of IFRS 16 resulted in USD 241 thousand lower operating expense, increased depreciations by USD 116 thousand and increased finance cost by USD 41 thousand in the second quarter of 2019.

Notes to the interim financial statements

PANDION ENERGY

NOTE 10 LEASING AND LONG TERM COMMITMENTS (cont)

Nominal lease debt maturity break down	Q2 2019	2018
Within 1 year	510	279
1 to 5 years	1 134	954
After 5 years	-	
Total	**1 644**	**1 233**

Pandion is a non – operator and recognize its proportionate share of a lease when Pandion is considered to share the primary responsibility for a license committed liability. This includes contracts were Pandion has co- signed a lease contract, or contracts for which the operator has been given a legally binding mandate to sign the external lease on behalf of the license partners. Pandion has assessed the lease contracts in its licenses and, based on Pandion's judgement, no leases have been recognised in the balance sheet as of 30 June 2019.

The Company has long term commitments pertaining to its ownership in partner operated oil and gas fields where the operator has entered into lease agreements for rigs in the license. For Valhall, the operator has entered into a lease agreement for Maersk Invincible, delivered in May 2017. The contract period is five years, with an additional two years option period. Further operator on Valhall has entered into a lease agreement for the Maersk Reacher as an accommodation service unit, delivered in October 2018. The contract period is two years.

Long term commitments partner-licenses rigs	Q2 2019	2018
Within 1 year	10 403	10 403
1 to 5 years	12 742	21 468
After 5 years	-	
Total	**23 145**	**31 871**

Notes to the interim financial statements

PANDION ENERGY

NOTE 11 CONTINGENT LIABILITIES AND ASSETS

The Company is obliged to carry parts of the sellers` shares of drilling costs for the acquired license PL 820S. Pandion Energy is further required to participate in the approved work programmes for the licenses. The Company has future contractual obligations related to development projects in non-operated licenses of approximately USD 2 million.

Pandion`s operations involve risk of damages, including pollution. The Company has insured its pro rata liability on the NCS on a par with other oil companies.

The Company was not subject to any legal disputes at 30 June 2019.

NOTE 12 SUBSEQUENT EVENTS

During July 2019 Pandion Energy AS (Pandion Energy) has entered into an agreement with ConocoPhillips Skandinavia AS (ConocoPhillips) to acquire a 20 percent interest in PL 891, containing the Slagugle prospect. The license is located in the prolific Haltenbanken area of the Norwegian Sea in blocks 6507/5, 6 and 8. Contingent on approval by the Norwegian Ministry of Petroleum and Energy, the operator will be making preparations to drill the Slagugle prospect in 2020, alternatively 2021.

In August 2019, the drilling of a wildcat well in PL 842 was completed with dry well result. The license is operated by Capricorn Norge AS, with Pandion Energy AS and Skagen44 AS as partners. The well will be permanently plugged and abandoned. The costs of the exploration well have been expensed.

Alternative Performance Measures

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

EBITDAX – Earnings before interest, tax, depreciation, amortisation and exploration

Corporate sources – Cash balance, revenues, equity and external funding

Corporate uses - Operating expenditures, capital expenditures, abandonment expenditures, general and administration costs, exploration costs, acquisition costs and financing costs

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