PANDION ENERGY

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Interim Financial Statements
(unaudited)

Fourth Quarter 2019

PANDION ENERGY

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Introduction

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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.

Fourth Quarter 2019 Summary

Fourth Quarter 2019 Summary

Financial Review

Fourth quarter 2019

Total revenue and other income in the fourth quarter was USD 56.7 million (30.9 in Q4-18). Reported operating profit was USD 40.1 million (14.7 in Q4-18). The higher revenue and operating profit in Q4 2019 is mainly due to due to divestment of 10% of Duva shares to Sval Energi AS.

EBITDAX amounted to USD 51.1 million (22.6 in Q4-2018). Net profit was USD 33.3 million (3.8 in Q4-2018).

The total revenue was driven by revenues related to oil sales from the Valhall and Hod fields, (400 kboe in Q4-19 compared to 308 kboe in Q4-18). Average realised oil price was USD 66.2 (68.5 in Q4-18) per bbl.

The operating expenses amounted to USD 5.7 (9.3 in Q4-18) million.

Investments in fixed assets amounted to USD 53.8 million, driven by investments in the Valhall field, mainly Flank West and lower Hod formation, and Duva development.

The company’s interest-bearing debt was USD 207.3 million at the end of the fourth quarter, compared to USD 130.3 million in Q4-18.

Operational Review

Valhall & Hod field

Production from the Valhall and Hod fields was 5.0 (4.5 in Q3-2019) thousand barrels of oil equivalents per day net to Pandion during fourth quarter. This was 13 percent higher than the previous quarter mainly driven by improved production efficiency and new wells brought on stream. On one of these wells, the “Single-Trip-Multi-Frac” technology was successfully applied. This represents a world-first for a new method of well stimulation offshore, with significant time and cost savings potential.

On 16 December the V-9 well was brought onstream thus marking successful first oil for the Valhall Flank West (“VFW”) project. By the end of 2019, four VFW wells had been completed. The drilling operations are continuing in 2020 with the Maersk Invincible drilling rig, and the scope has been expanded to nine wells in total. The wells will be successively brought onstream as they are stimulated.

At the field center drilling operations commenced as part of the development of the lower Hod formation where a total of seven wells are sanctioned. The F-18 water injection well which is due to be brought onstream in Q1 2020, will test waterflooding efficiency in lower Hod, and if successful may trigger a second development phase of lower Hod.

Duva field

In November 2019, Pandion Energy agreed to divest its 20% share in the Duva field through two transactions, one with PGNiG Upstream Norway AS and one with Sval Energi AS, each acquiring a 10% share in PL 636 and PL 636B.

The transaction with Sval Energi AS was approved by the Norwegian Ministry of Petroleum and Energy in December 2019 and completed 30 December 2019. The transaction with PGNiG Upstream Norway AS was competed in February 2020.

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(unaudited)

Fourth Quarter 2019

Statement of income
31 December 2019

Current quarter				Full year	
Q4 2019	**Q4 2018**	**(Amounts in USD`000)**	**Note**	**2019**	**2018**
28 897	23 675	Revenues		103 489	100 588
29 909	-	Gains from sale of assets		29 909	-
(2 087)	7 181	Other income		(8 327)	2 425
56 719	**30 856**	**Total revenues and income**	10	**125 070**	**103 013**
(5 656)	(9 320)	Operating expenses		(33 644)	(39 276)
-	1 101	General and administrative expense		-	-
(6 458)	(2 933)	Depreciation, amortisation and net impairment losses	1	(21 936)	(11 551)
(4 501)	(4 981)	Exploration expenses		(25 011)	(8 854)
(16 615)	(16 133)	Total expenses		(80 591)	(59 681)
40 104	**14 723**	**Profit from operating activities**		**44 480**	**43 332**
(6 082)	(4 671)	Net financial items	8	(18 780)	(17 650)
34 023	**10 052**	**Profit before income tax**		**25 700**	**25 682**
(730)	(6 248)	Income tax		329	(24 137)
33 293	**3 804**	**Net profit**		**26 029**	**1 545**

Statement of comprehensive income
31 December 2019

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Current quarter			Full year	
Q4 2019	**Q4 2018**	**(Amounts in USD`000)**	**2019**	**2018**
33 293	3 804	Net income	26 029	1 545
		Items that may be subsequently reclassified to the Statement of income		
		Cash Flow hedges		
1 854	(5 240)	Net gain/losses arising from hedges recognised in OCI	(3 018)	(9 131)
(1 180)	3 169	Net amount reclassified to profit and loss	1 904	5 828
(148)	443	Tax on items recognised over OCI	245	727
526	(1 628)	Other comprehensive income	(869)	(2 577)
33 819	**2 176**	**Total comprehensive income**	**25 160**	**(1 032)**

Statement of financial position
31 December 2019

Assets

(Amounts in USD`000)	Note	31.12.2019	31.12.2018
Goodwill	2,4	124 785	124 785
Intangible assets	2,4	52 583	59 110
Property, plant and equipment	1,4	285 593	198 743
Prepayments and financial receivables		135	136
Right-of-use asset	11	1 212	-
Total non-current assets		**464 308**	**382 773**
Inventories		3 532	6 822
Trade and other receivables		14 889	9 050
Assets held for sale	3	17 563	-
Financial asset at fair value through profit or loss	9	-	8 075
Tax receivable from exploration refund - short term		20 296	9 094
Cash and cash equivalents		46 557	19 133
Total current assets		**102 838**	**52 173**
Total assets		**567 146**	**434 947**

Statement of financial position
31 December 2019

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Equity and liabilities

(Amounts in USD`000)	Note	31.12.2019	31.12.2018
Share capital		113 492	113 492
Other equity		21 529	(3 631)
Total equity	5	**135 021**	**109 861**
Deferred tax liability		14 455	5 202
Asset retirement obligations	6	156 875	153 994
Borrowings	7	175 889	116 349
Hedging derivatives		9 941	8 499
Long term lease debt	11	901	-
Total non-current liabilities		**358 062**	**284 045**
Asset retirement obligations - Short term	6	16 734	9 567
Trade, other payables and provisions		33 517	25 499
Borrowings - Short term	7	23 208	5 975
Financial liability at fair value through profit or loss	9	252	-
Short term lease debt	11	352	-
Total current liabilities		**74 063**	**41 041**
Total liabilities		**432 125**	**325 086**
Total equity and liabilities		**567 146**	**434 947**

Statement of cash flows
31 December 2019

		Full year	
(Amounts in USD`000)	**Note**	**2019**	**2018**
Income before tax		25 700	25 682
Depreciation, amortisation and net impairment losses	1	22 021	11 588
Expensed capitalised exploration expenses	2	14 831	1 777
Accretion of asset removal liability	6	5 987	6 462
(Gains) losses on sales of assets		(29 909)	-
Deferred tax on sale of assets		3 243	-
(Increase) decrease in value of financial asset at fair value through profit or loss	9	8 327	(2 425)
(Increase) decrease operational financial asset	9	-	(5 650)
Asset removal cost	6	(7 279)	(25 415)
Net financial expenses		12 793	11 188
Interest and fees paid		(14 050)	(11 647)
(Increase) decrease in working capital		11 277	6 143
Tax payable received (Paid)		8 513	10 468
Net cash flow from operating activities		**61 453**	**28 171**
Capital expenditures and investments in furniture, fixtures and office machines	1	(169)	(19)
Capital expenditures and investments in oil and gas assets	1	(126 060)	(51 965)
Capital expenditures and investments in exploration and evaluation assets	2	(36 388)	(10 504)
Cash flow from divestments		51 324	-
Net cash flow from investing activities		**(111 293)**	**(62 486)**
		-	
Increase interest bearing obligations, loans and borrowing		94 443	149 553
Decrease interest bearing obligations, loans and borrowing		(17 179)	(105 070)
Net cash flow from financing activities		**77 264**	**44 483**
Net change in cash and cash equivalents		27 424	10 168
Cash and cash equivalents at the beginning of the period		19 133	8 965
Cash and cash equivalents at the end of the period		**46 557**	**19 133**

Notes to the interim financial statements

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.

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, a new accounting standard IFRS 16 became effective from 1 January 2019. Pandion has assessed the impact of IFRS 16 on the interim financial statements and identified office lease agreements containing lease commitments according to IFRS 16. The impact on the balance sheet is presented on separate balance sheet items. Please refer to Note 11 for further information.

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 from intangible assets	28 130	-	28 130
Depreciation	11 551	37	11 588
Carrying amount at 31 December 2018	**198 675**	**68**	**198 743**
Additions	126 060	169	126 229
Disposals	(27 226)	-	(27 226)
Asset removal obligation - Change of estimate	11 340	-	11 340
Transfers to Assets held for sale	(27 260)	-	(27 260)
Transfers from intangible assets	25 789	-	25 789
Depreciation	21 936	85	22 021
Carrying amount at 31 December 2019	**285 441**	**152**	**285 593**
Estimated useful lives (years)	UoP	3-10	

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

In November 2019, Pandion Energy agreed to divest its 20% share in the Duva field through two transactions, one with PGNiG Upstream Norway AS and one with Sval Energi AS, each acquiring a 10% share in PL 636 and PL 636B.

The transaction with Sval Energi AS was approved by the Norwegian Ministry of Petroleum and Energy in December 2019 and completed 30 December 2019. The remaining 10% share, divested to PGNiG Upstream Norway AS, is transferred to Assets held for sale at 31.12.2019.

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 licence costs	-	10 353	10 353
Expensed exploration expenditures previously capitalized	-	(1 777)	(1 777)
Transfers to tangible assets	-	(28 130)	(28 130)
Carrying amount at 31 December 2018	**124 785**	**59 110**	**183 895**
Acquisition	-	198	198
Capitalised licence costs	-	36 190	36 190
Expensed exploration expenditures previously capitalized	-	(14 831)	(14 831)
Disposals	-	(1 141)	(1 141)
Transfers to Assets held for sale	-	(1 154)	(1 154)
Transfers to tangible assets	-	(25 789)	(25 789)
Carrying amount at 31 December 2019	**124 785**	**52 583**	**177 368**

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 and a dry well in PL 842 (Godalen) together with relinquishment of PL 776, and relinquishment decision in licences PL 842 and PL 912.

The transfers to assets held for sale and disposal are related to divestment of 20% share in the Duva field. See Note 1 Property, plant and equipment for more details.

NOTE 3 ASSETS HELD FOR SALE

(Amounts in USD`000)	Total
Carrying amount at 31 December 2018	-
Capitalised costs	28 414
Prepayments & receivables	3 498
Deferred tax	(7 142)
Accruals	(7 207)
Carrying amount at 31 December 2019	**17 563**

In November 2019, Pandion Energy agreed to divest its 20% share in the Duva field through two transactions, one with PGNiG Upstream Norway AS and one with Sval Energi AS, each acquiring a 10% share in PL 636 and PL 636B. The transaction with Sval Energi AS was approved by the Norwegian Ministry of Petroleum and Energy in December 2019 and completed 30 December 2019. The remaining 10% share, divested to PGNiG Upstream Norway AS, was completed in February 2020. 10% of the Duva share is therefore presented as a current asset held for sale in the financial statements for 2019 at its carrying amount. Held for sale assets are measured at the lower of carrying amount and fair value less cost of sales.

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NOTE 4 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.

In Q4 2019, two categories of impairment tests have been performed:

-Impairment test of oil and gas assets and related intangible assets
-Impairment test of goodwill

No impairments of oil and gas assets and related intangible assets or goodwill were recognised in Q4 2019.

In the assessment of whether an impairment is required at 31 December 2019, Pandion Energy has used a combination of the oil price forward curve for 2020 and 2021, a mean of market participant view from 2022 to 2025 and a 2% inflation of the 2025 market participant view from 2026 and onwards, a future cost inflation rate of 2% per annum and a discount rate of 8% to calculate the future post tax cash flows.

The amount of goodwill recognised in the statement of financial position consists of technical and ordinary goodwill and relates entirely to the acquisition of interest in the Valhall & Hod fields.

The main part (118 million USD) of the Company's goodwill is technical goodwill related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base. Technical goodwill was recognised as the counter entry for deferred tax on oil fields by the acquisition. Ordinary Goodwill (7 million USD) represents the excess purchase price after all the identifiable assets and liabilities were recognised.

Technical Goodwill is tested for impairment separately for Valhall & Hod fields which gave rise to the technical goodwill. The carrying value of Valhall & Hod fields consists of the carrying values of the oil field assets plus associated technical goodwill. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more technical goodwill as a result is exposed for impairment. This may lead to future impairment charges even if other assumptions remain unchanged.

Ordinary Goodwill is allocated to both Valhall & Hod and Duva fields and tested for impairment accordingly. Both Valhall & Hod and Duva oil fields benefit from operational and tax synergies of the acquisition.

Notes to the interim financial statements

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NOTE 5 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	-	-	25 160	**25 160**
Shareholders' equity at 31 December 2019	**113 491**	**-**	**21 529**	**135 020**

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 has been injected as of 31 December 2019. In addition equity has been injected from the Company`s management and staff.

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. Pandion Energy Holding AS owns all 911 921 294 shares as at 31 December 2019.

Notes to the interim financial statements

NOTE 6 ASSET RETIREMENT OBLIGATIONS

(Amounts in USD`000)	Asset retirement obligations
Non-current portion at 31 December 2018	153 994
Current portion at 31 December 2018	9 567
Asset retirement obligations at 31 December 2018	**163 561**
New or increased provisions	12 890
Asset removal obligation - Change of estimate	(1 550)
Amounts charged against asset retirement obligations	(7 279)
Accretion expenses	5 987
Asset retirement obligations at 31 December 2019	**173 609**
Non-current portion at 31 December 2019	156 875
Current portion at 31 December 2019	16 734

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

NOTE 7 BORROWINGS

Revolving Exploration Loan Facility

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 31 December 2019	NOK	23 208	22 348	NIBOR + 1.25 %	Dec 2019	23 071
At 31 December 2018	NOK	6 236	39 802	NIBOR + 1.25 %	Dec 2019	5 975

The total credit limit for the Company at 31 December 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 31 December 2019	NOK	50 967	10.61%	April 2023	43 237
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. Utilized 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

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NOTE 7 BORROWINGS (cont)

Reserve Base Lending Facility Agreement (RBL)

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 31 December 2019	USD	133 100	16 900	LIBOR + 3.5%	April 2025	130 419
At 31 December 2018	USD	73 100	76 900	LIBOR + 3.5%	July 2026	70 261

The RBL facility was established in 2018 and is a senior secured seven-year facility. In September 2019, the maturity was extended until 1 July 2026. 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 7 BORROWINGS (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:

(Amounts in USD`000)	**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

(Amounts in USD`000)	**2019**	**2018**
Less than 12 months	23 208	6 236
1 to 5 years	50 967	50 967
Over 5 years	134 100	74 100
Total	**208 275**	**131 303**

Notes to the interim financial statements

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NOTE 8 FINANCIAL ITEMS

(Amounts in USD`000)	Q4 2019	Q4 2018	2019	2018
Net foreign exchange gains (losses)	(1 743)	(919)	(101)	(874)
Interest income	93	79	192	165
Amortised loan costs	(22)	(55)	(678)	(449)
Accretion expenses	(1 476)	(1 437)	(5 987)	(6 462)
Interest expenses	(2 922)	(1 222)	(11 948)	(8 930)
Other financial items	(12)	(1 117)	(259)	(1 100)
Net financial items	**(6 082)**	**(4 671)**	**(18 780)**	**(17 650)**

Notes to the interim financial statements

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NOTE 9 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Financial assets
(Amounts in USD`000)	
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	(3 843)
Financial assets at 31 December 2019 before value increase/decrease	**4 232**
Value increase (decrease)	(4 484)
Financial assets at 31 December 2019	**(252)**

The Company has focused on securing liquidity and thus entered an oil price hedging program to reduce the risk related to oil prices. At the end of the fourth quarter, Pandion had put in place a hedging program through Q3 2020. Most of the existing hedging program is based on put options, however part of the hedging is collar structures. The negative fair value of the options at 31.12.2019 is explained by the options are purchased with deferred premium.

Notes to the interim financial statements

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NOTE 10 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 statement of income and statement of financial position.
The Company's revenue is disaggregated as follows:

Revenues	**Q4 2019**	**Q4 2018**	**2019**	**2018**
Oil	26 475	21 105	93 926	90 447
Gas	2 306	2 369	8 028	8 271
NGL	66	201	1 484	1 870
Other	50	-	50	-
Total revenues	**28 897**	**23 675**	**103 489**	**100 588**

Other income	**Q4 2019**	**Q4 2018**	**2019**	**2018**
Realised gain/(loss) on oil derivates	(954)	(642)	(3 843)	(1 664)
Unrealised gain/(loss) on oil derivates	(1 133)	7 823	(4 484)	4 089
Total other income	**(2 087)**	**7 181**	**(8 327)**	**2 425**

Notes to the interim financial statements

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NOTE 11 LEASING AND COMMITMENTS

Pandion Energy adopted the accounting standard IFRS 16 Leases on 1 January 2019. The Company adopted the modified retrospective approach upon transition, which has resulted in all the transition impact being reported as adjustments to opening balances, and comparative periods have not been restated. The difference between the operating lease commitments after IAS 17, as disclosed in the 2018 financial statements, and lease debt recognised at initial application is reconciled in the table below.

Short term leases (less than 12 months) and low value leases have not been included. The lease does not contain any restriction on the company`s dividend policy or financing. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. The incremental borrowing rate applied in discounting of the nominal lease debt is 7 per cent.

	2019
(Amounts in USD`000)	
Operating lease commitments as at 31.12.2018	**33 104**
Partner-licences 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 as at 01.01.2019	**1 230**
New lease debt recognized in the period	375
Lease payments	(367)
Interest expense	92
Currency adjustments	(77)
Total lease debt after IFRS 16 31.12.2019	**1 253**

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 940 thousand
Short term lease liabilities – increase by USD 289 thousand

NOTE 11 LEASING AND COMMITMENTS (cont)

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 contains 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.

Nominal lease debt maturity break down	2019	2 018
Within 1 year	533	279
1 to 5 years	1 040	954
After 5 years	-	-
Total	**1 573**	**1 233**

Pandion Energy is a non-operator and recognises its proportionate share of a lease when Pandion Energy is considered to share the primary responsibility for a licence 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 licence partners.

The Company has commitments pertaining to its ownership in partner operated oil and gas fields where the operator has entered into lease agreements for rigs in the licence. 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.

Commitments partner-licences rigs	2019	2 018
Within 1 year	8 860	10 403
1 to 5 years	10 391	21 468
After 5 years	-	-
Total	**19 251**	**31 871**

Two exploration wells (PL 263 and PL 891) are decided to be drilled during 2020 where lease agreements for a rig have been entered into by the operator on behalf of partners. These lease commitments are not included in the above overview.

Notes to the interim financial statements

PANDION ENERGY

NOTE 12 CONTINGENT LIABILITIES AND ASSETS

The Company is obliged to carry parts of the sellers` shares of drilling costs for the acquired licence PL 263. The liability is limited to approximately USD 3 million. The Company has future contractual obligations related to development projects in non-operated licenses of approximately USD 2.7 million.

The Company has secondary obligation for removal cost of offshore installations at Duva field related to the 10% share divested to Sval Energi AS in 2019. The obligation is limited to approximately USD 3.3 million.

Pandion Energy is further required to participate in the approved work programmes for the licences. 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 31 December 2019.

NOTE 13 SUBSEQUENT EVENTS

In January 2020, Pandion Energy AS was awarded two licences under the 2019 APA (Award in Pre-defined Areas) licence round on the Norwegian Continental Shelf.

In November 2019, Pandion Energy agreed to divest its 10% share with PGNiG Upstream Norway AS in PL 636 and PL636B. The transaction was approved in January 2020 by the Norwegian Ministry of Petroleum and Energy and completed in February 2020.

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

Pandion Energy AS
Postbox 253 Lilleaker
N-0216 Oslo, Norway

Visiting address:
Lilleakerveien 8
N-0283 Oslo, Norway

www.pandionenergy.no

Org. no. 918 175 334