– A SHARP EYE FOR NCS OPPORTUNITIES –

ANNUAL REPORT 2017

PANDION ENERGY

Pandion Energy AS is a private, full-cycle oil and gas company
on the Norwegian continental shelf participating in the discovery, appraisal,
development and production of oil and gas resources

2017

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Newmarketing AS

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Terms "the Company" and "Pandion Energy" have been used in this report to refer collectively to Pandion Energy AS.

Content

About Pandion Energy

Pandion Energy AS is a private, full-cycle oil and gas company on the Norwegian continental shelf participating in the discovery, appraisal, development and production of oil and gas resources.

Professional
Agile
Commercial
Team player

Pandion Energy is a private oil and gas company with interests in licenses on the Norwegian continental shelf ("NCS"), headquartered in Oslo. The Company was founded in November 2016 to perform a management buyout of the operational platform and licenses of Tullow Oil Norge AS, previously Spring Energy Norway AS. The Company has lent its name from the latin name of an osprey, Pandion haliaetus.

Our core values are; professional, agile, commercial and team player.

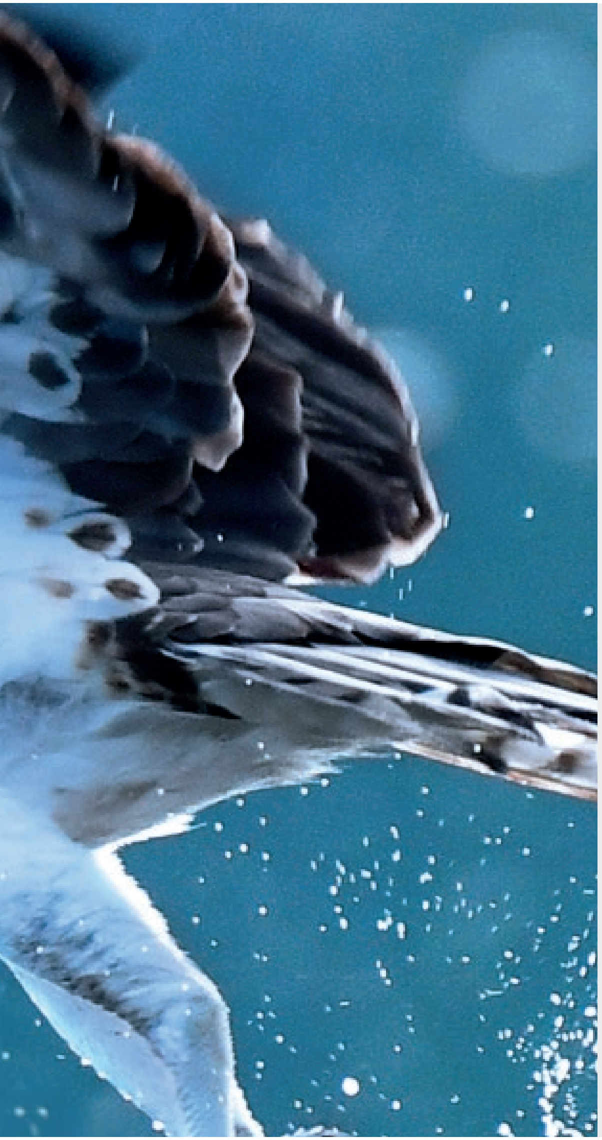
Pandion Energy's strategy is to drive value in high quality assets, based on a full cycle investment mandate. The business model includes participating in the discovery, appraisal, development and production of oil and gas resources with a focus on upsides in and around proven assets with access to existing infrastructure. The current portfolio comprises a 10 percent interest in Valhall & Hod producing fields, a 20 percent interest in the Cara development project, as well as interests in six exploration licenses. Pandion Energy will continue to seek attractive growth opportunities through mergers and acquisitions, farm-ins and participation in licensing rounds.

Pandion Energy has a proven team of highly experienced oil and gas professionals with strong subsurface, financial and commercial competence, as well as extensive project execution experience on the NCS.

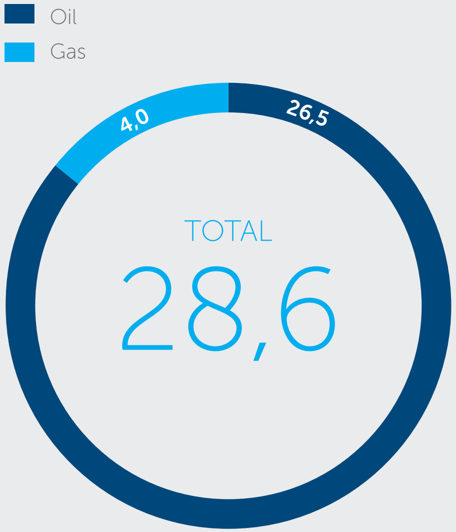
The Company is backed by Kerogen Capital, an independent private equity fund manager specialising in the international energy sector. Established in 2007, Kerogen manages over USD 2 billion of capital commitments from a blue chip institutional investor base.

Kerogen Capital's founding team originated from J.P. Morgan's Energy and Natural resources group in Asia. Kerogen Capital's ambition is to invest up to USD 300 million in Pandion Energy.

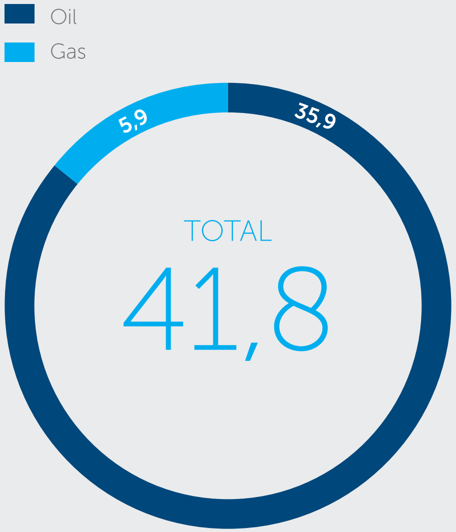
Key figures



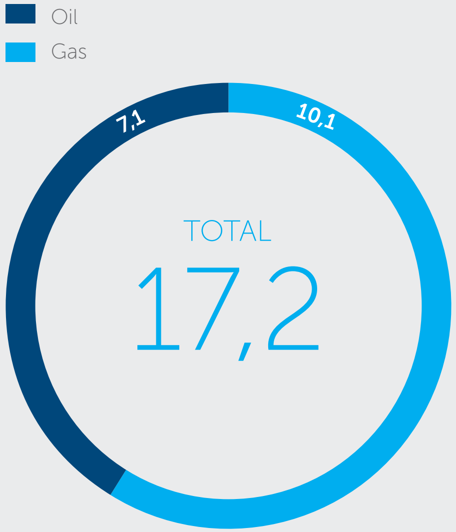
2P RESERVES VALHALL & HOD END 2017



2C RESOURCES VALHALL & HOD END 2017



2C RESOURCES CARA END 2017



KEY FIGURES

	2017
Pro forma production in boepd*	3 856
Loss from operating activities in NOK`000	-89 944
Net loss in NOK`000	-21 323
Total assets in NOK`000	3 209 525
Total equity in NOK`000	573 617
Total current liabilities in NOK`000	1 460 967

* Pandion acquired 10% of the Valhall & Hod fields with effective date 1 January 2017.

Historic actions and milestones

2017

June

Pandion Energy prequalified as a licensee on the NCS

Management buyout / asset acquisition, including the Cara discovery, from Tullow Oil Norge AS completed

July

August

September

Applications in the 2017 APA (Awards in Predefined Areas) licencing round on the NCS submitted

October

November

CARA DECISION GATE ONE SANCTIONED AND VOLUMES INCREASED

Cara development feasibility decision gate sanctioned

>50% increase in resource estimate

2018

December

VALHALL & HOD FIELDS ACQUISITION
02 Dec:
Agreement to acquire 10% in Valhall & Hod fields from Aker BP signed
16 Dec:
Valhall Flank West Plan for development and operations (PDO) submitted
22 Dec:
Valhall & Hod fields acquisition completed

January

Two new licenses awarded in the 2017 APA licencing round on the NCS

February

March

Plan for development and operation (PDO) for Valhall Flank West approved by the Norwegian Ministry of Petroleum and Energy

April

FULLY FINANCED

USD 150 million reserve based lending (RBL) facility raised

NOK 400 million senior unsecured bond raised

May

Letter from our CEO

Pandion Energy has had a flying start since inception in November 2016, outperforming the objectives we set out for the first year as a new company. We were all excited and eager to get going after securing financial support from Kerogen Capital to execute the management buy-out of Tullow Oil's Norwegian operations at the end of 2016. Our initial target was to develop a portfolio of 100 mmboe of reserves and contingent resources. With the acquisition of a 10 percent interest in the Valhall & Hod producing fields from Aker BP ASA ("Aker BP"), Pandion Energy has transformed into a full-cycle oil and gas company, and came close to achieving our target within our first year of existence.

In December 2017, the combination of a great team effort and strong investor support enabled us to acquire a 10% share of the Valhall & Hod fields from Aker BP. We were able to evaluate the assets, and negotiate and complete the transaction within only four weeks. The speed of the transaction truly demonstrated our ability to move swiftly when attractive opportunities arise, and it would not have been possible without the confidence placed in us by Aker BP and the authorities. The transaction also reflected our team's technical, commercial and financial capability on the NCS, having worked together for almost ten years. It also showed that matching our competence with that of our majority investor, Kerogen Capital, increases both our confidence and level of precision when considering quality assets such as the Valhall & Hod fields. I was personally pleased to see that we, as a young organisation, truly lived up to our core values; professional, agile, commercial and team player.

During 2017, we continued high-grading our existing portfolio with the relinquishment of certain sub-commercial exploration licenses that came with the management buy-out in 2016. The key asset from this transaction, the Cara discovery operated by Neptune Energy, had a material upgrade in resource estimates. We were also awarded two promising licenses in the 2017 Awards in Predefined Areas ("APA") licensing round.

A new generation

Pandion Energy is establishing itself on the NCS at a time of transformation. Following a period of reduced investments on the shelf, we see great opportunities for further growth by maximising value from proven fields and by gaining access to attractive exploration opportunities and proven, but undeveloped assets. We have seen the trend for some time, exemplified by the multiple private equity backed ventures entering the scene: A new generation is adding colour and value to the NCS.

Being part of this new generation on the NCS, we encourage innovative thinking, the scrutiny of value chains to eliminate work that does not add value and increased digitalisation as a way of reducing costs and increase reliability of our assets. In our daily work, Pandion Energy strives to be a proactive partner in all our licenses by ensuring that operators continue this improvement trend and deliver projects on time and budget. We work proactively with operators to target upsides in and around proven assets, and continue to seek other attractive growth opportunities through M&A, farm-ins and participation in licensing rounds.

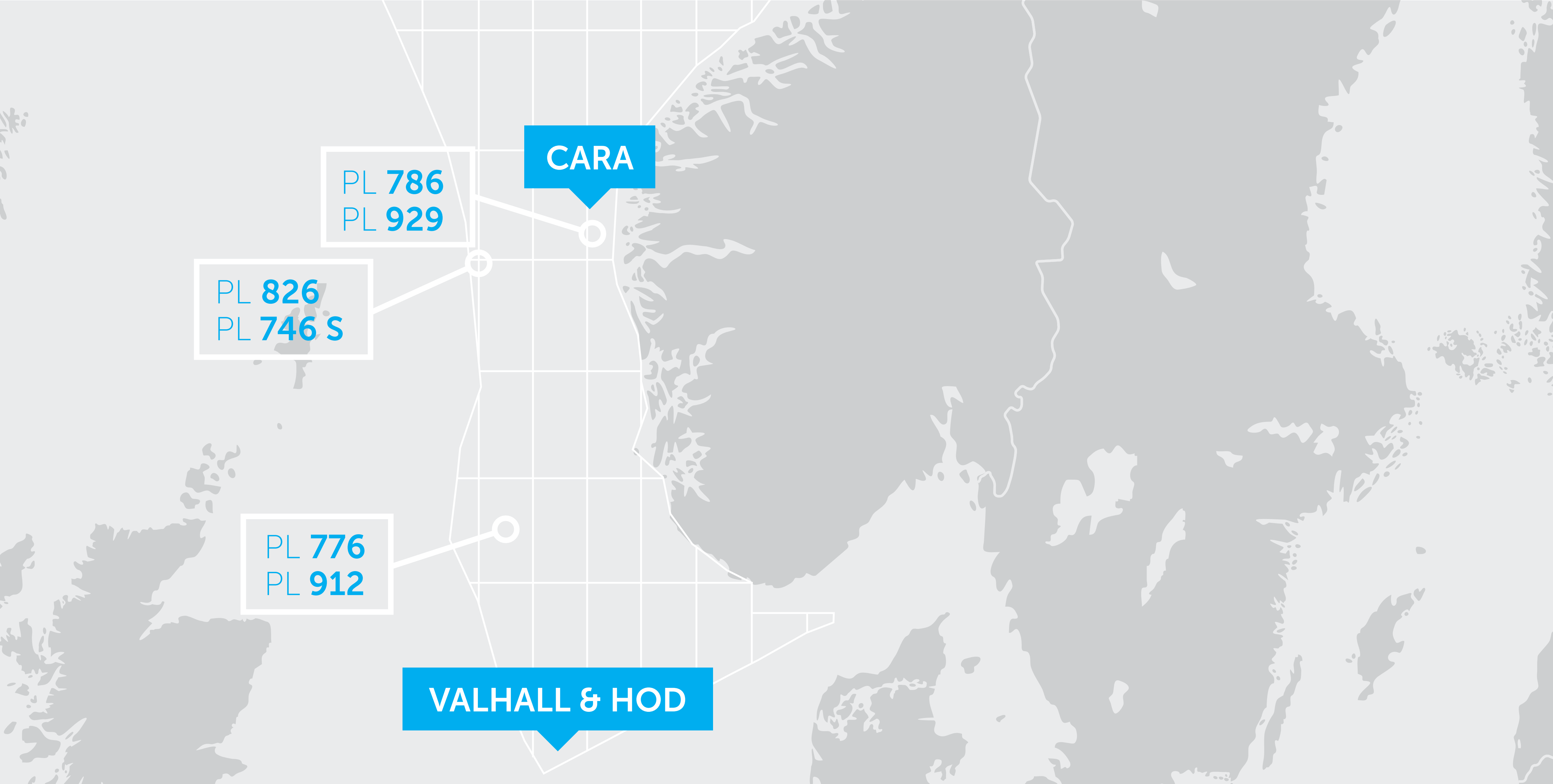
High standards

Our ability to create long-term, lasting value rests on maintaining high standards of governance, sustainable business practice and operations. Sound business decisions are a product of a strong team, an active board of directors and a competent owner, and 2017 was a year where this symbiosis worked seamlessly. We are very pleased with the continued support of our financial backer, Kerogen Capital, as well as our bond investors and bank lenders as evidenced by our recent capital raise in April. Coupled with our highly competent team, I am certain that this will enable Pandion Energy to create further value both for our shareholders and the Norwegian society in the years to come.

Jan Christian Ellefsen
CEO


Our ability to create long-term, lasting value rests on maintaining high standards of governance, sustainable business practice and operations

Asset overview



Exploration licenses

PL 786

Location	North Sea
Block(s)	31/3, 31/1, 35/12, 36/10
Pandion Energy interest	50%
Operator	Neptune Energy Norge AS (40%)
Other partners	
Awarded	06.02.2015, APA 2014
Area	731,5 km²

PL 826

Location	North Sea
Block(s)	29/3, 30/1, 33/12
Pandion Energy interest	30%
Operator	Point Resources AS (40%)
Other partners	Concedo ASA (30%)
Awarded	05.02.2016, APA 2015
Area	15 km²

PL 776

Location	North Sea
Block(s)	16/5, 16/6, 16/8, 16/9
Pandion Energy interest	40%
Operator	Wintershall Norge AS (20%)
Other partners	Concedo ASA (20%) Petoro AS (20%)
Awarded	06.02.2015, APA 2014
Area	665 km²

PL 929

Location	North Sea
Block(s)	35/6, 36/4
Pandion Energy interest	20%
Operator	Neptune Energy Norge AS (40%)
Other partners	DEA Norge AS (20%) DNO Norge AS (20%)
Awarded	02.03.2018, APA 2017
Area	285,7 km2

PL 746 S

Location	North Sea
Block(s)	29/3
Pandion Energy interest	30%
Operator	Point Resources AS (40%)
Other partners	Concedo ASA (30%)
Awarded	07.02.2014, APA 2013
Area	55 km²

PL 912

Location	North Sea
Block(s)	16/4, 16/5, 16/7
Pandion Energy interest	30%
Operator	ConocoPhillips Skandinavia AS (40%)
Other partners	Point Resources AS (30%)
Awarded	02.03.2018, APA 2017
Area	298,2 km²

Asset overview: Valhall & Hod fields

KEY FACTS VALHALL & HOD FIELDS

Licenses:
PL006B, PL033, PL033B

Pandion working interest:
10%

Partners:
Aker BP (operator)

Discovered:
Valhall 1975, Hod 1974

Production start:
Valhall 1982, Hod 1990

Production 2017:
3,856 boepd (net)*

End 2017 2P reserves (net):
28.6 mmboe

End 2017 2C resources (net):
41.8 mmboe

* Acquisition closed on 22 December 2017 with effective date 1 January 2017. For accounting purpose the transaction date is set to 31 December 2017, the revenue from the production will therefore not be shown in the income statement, but will be reflected in the balance sheet.

Since production commencement in 1982, the Valhall field continues to be one of the largest oil fields in the Norwegian North Sea. Together with Hod field, over one billion barrels of oil equivalent has been produced, more than three times the initial expected volume. Aker BP, the operator of Valhall & Hod fields, has stated an ambition to produce an additional billion barrels of oil equivalent from the area.

The Valhall field is located in the southern part of the Norwegian North Sea. The Valhall field centre consists of six separate steel platforms for living quarters, drilling, production, water injection, and a combined process and hotel platform. Two unmanned and remotely operated flank platforms (North and South) are located about 6 km north and south of the field centre. The Hod field is developed with an unmanned wellhead platform, located 13 km south of Valhall and is remotely operated from the Valhall field center. All wells on Hod are currently shut-in, and the Hod reservoir is now produced from wells drilled from the Valhall South Flank platform. Liquids are routed via pipeline to Ekofisk and further to Teesside in the UK. Gas is sent via Norpipe to Emden in Germany.

Gross production from Valhall & Hod fields averaged 38,600 boepd in 2017. The production efficiency in 2017 was 86%.

The activity level at Valhall increased significantly in 2017. After a drilling break at the field, the drilling program recommenced on the Valhall injection and drilling platform in the first quarter. During 2017, two new wells were put on stream. Also, the Maersk Invincible rig commenced the remaining plug and abandonment campaign at the drilling platform in the second quarter. 18 wells will be plugged and abandoned during the next years.

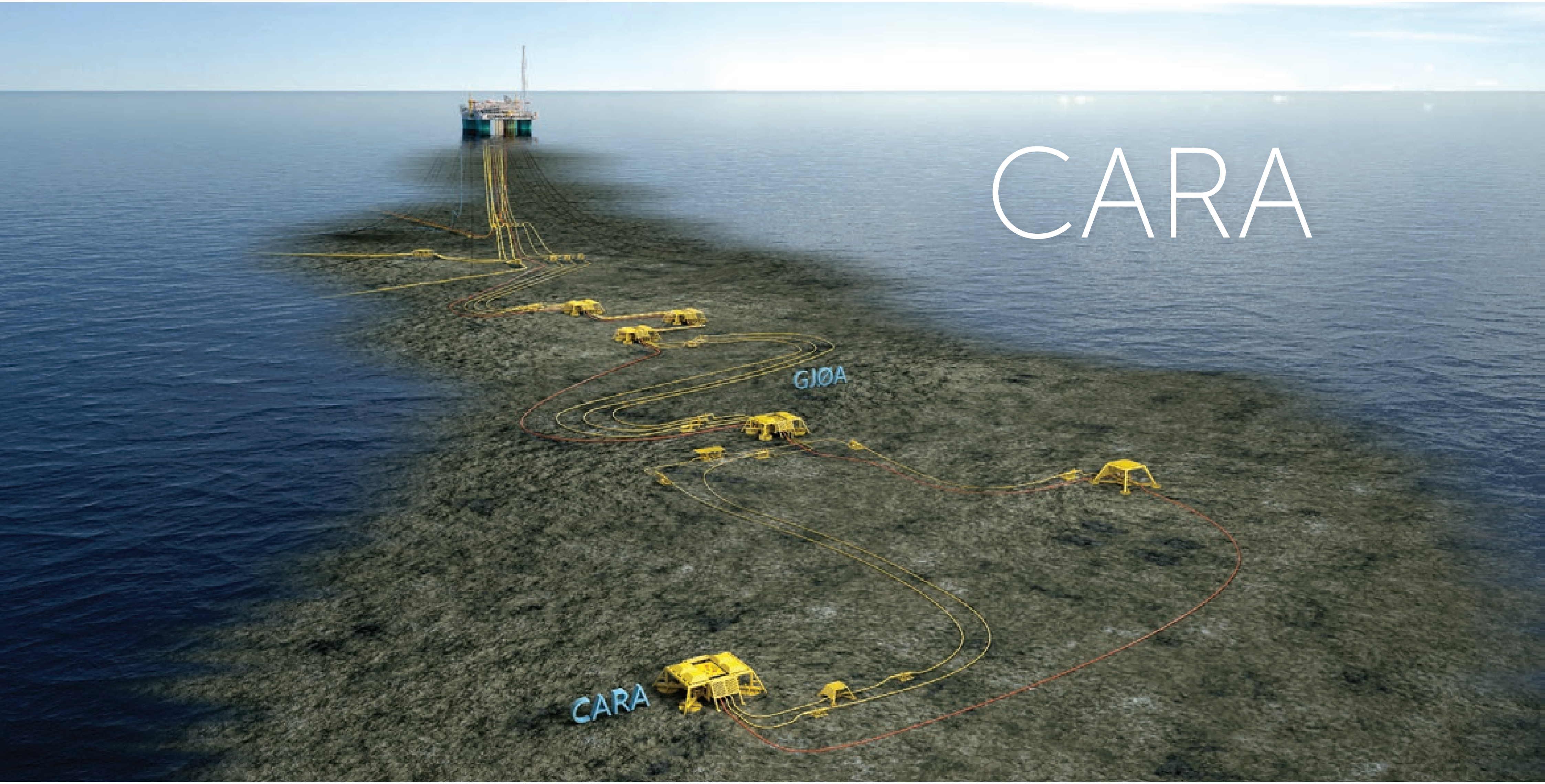
Valhall West Flank
In December, the Plan for Development and Operation (PDO) for the Valhall West Flank development project was submitted. The PDO was approved in March 2018. The project will target the Tor Formation at the western flank of the Valhall field and be developed from a new Normally Unmanned Installation (NUI), tied back to the Valhall field centre for processing and export. Gross recoverable reserves for Valhall Flank West are estimated to be around 60 million barrels of oil equivalent. Total investments for the development are estimated to NOK 5.5 billion in real terms. Production is expected in the fourth quarter of 2019.

Future ambitions
Pandion Energy shares the operator’s ambitions for the Valhall & Hod fields and will use great efforts to support and challenge the operator to further develop resources in the area. Next in line is to expand capabilities for water injection to the northern basin drainage area from the Valhall Flank North platform, securing the Valhall base production and offering a potential for increased reserves recovery from Valhall of 6-8 mmboe (gross). The project was sanctioned in the first quarter of 2018, and the plan is to drill the injector in fourth quarter 2018 and commence injection in second quarter 2019. Furthermore, the operator has identified opportunities for Valhall Flank South, and progressed the Hod redevelopment project past decision gate one.

As part of environmental measures to reduce emissions (CO_2 and NO_x) and environmental risk, the Valhall field has had electrical power from shore since 2012. Continuous flaring has also ceased on the field. As an additional measure to reduce local CO_2 and NO_x emissions, the Maersk Invincible rig, that is currently conducting plugging and abandonment activities at the field, is also using electrical power from shore.

VALHALL

Asset overview: Cara development



Cara is a discovery in the Northern North Sea, located six kilometres northeast from the Gjøa facilities in the Tampen area. The discovery was the largest made on the NCS in 2016.

The operator, Neptune Energy Norge AS, estimates that the discovery contains between 56-94 mmboe of gross resources, of which around 41 percent are estimated to be liquids. The resource estimate was upgraded from a range of 25-70 mmboe in November 2017, following a well data and flow test analysis by the operator.

Decision gate one ("DG1") for Cara was passed late 2017, meaning that the licensees have identified at least one technical and economically feasible concept that provides a basis for initiating studies that should lead to concept selection in 2018. The partnership is further targeting a submittal of a Plan for development and operations ("PDO") in 2019. Commencement of production is expected in 2021.

Subsea tie-back
The suggested concept at this stage is a subsea tie-back to the Gjøa facilities, where the operator Neptune Energy is also the operator. The partnership is planning a four-slot template with two horizontal oil producers with gas lift and one gas producer. Limited topside modifications at Gjøa are expected, reducing capex requirements. The oil is to be produced by natural depletion with gas drive, followed by a gas blow-down phase.

Currently, the Cara development has an estimated breakeven cost that ranks the project as one of the most attractive development projects on the NCS today. Pandion will work as a constructive partner in the period to come, aiming for further cost reductions as the project is matured towards a PDO.

KEY FACTS CARA

License:
PL636

Pandion working interest:
20%

Partners:
Neptune Energy (operator, 30%)
Idemitsu Petroleum Norge (30%)
Wellesley Petroleum (20%)

Discovered:
2016

Production start:
2021e

End 2017 2C resources (net):
17.2 mmboe

HSE and corporate governance

Pandion Energy seeks to provide effective governance of the business to ensure the greatest possible value creation for the Company's stakeholders and the society, in a safe and reliable manner. We believe that our ability to create long-term, lasting value rests on maintaining high standards of governance, sustainable business practices and operations.

HSE management is critical in the oil and gas industry where operations can have a profound impact on the environment, communities and workforce. The consideration of HSE and governance issues is thus of strategic importance and a pre-requisite for our stakeholders. We honour that by integrating technical, economic and HSE considerations into our decision making and operational processes to achieve long-term sustainability of the business and to reduce risk.

We place great importance on ensuring that operations we take part in are safe for the people involved and aim to minimise the impact on the environment. We constantly strive to manage HSE risk by understanding what can go wrong, minimising the possibility of it occurring and reducing the potential consequences. Effective management of HSE risk is about embedding HSE practices into the company's culture and operating procedures.

Our management system incorporates all of the above aspects in one integrated system, defining the business processes, roles and responsibilities, control mechanisms and improvement loops to enhance our team's ability to achieve our strategic objectives and create sustainable value for all stakeholders. The management system is a key component of our governance model and, even though Pandion Energy is not a listed company, it encourages transparency and aims for a fair and equal treatment of all shareholders.

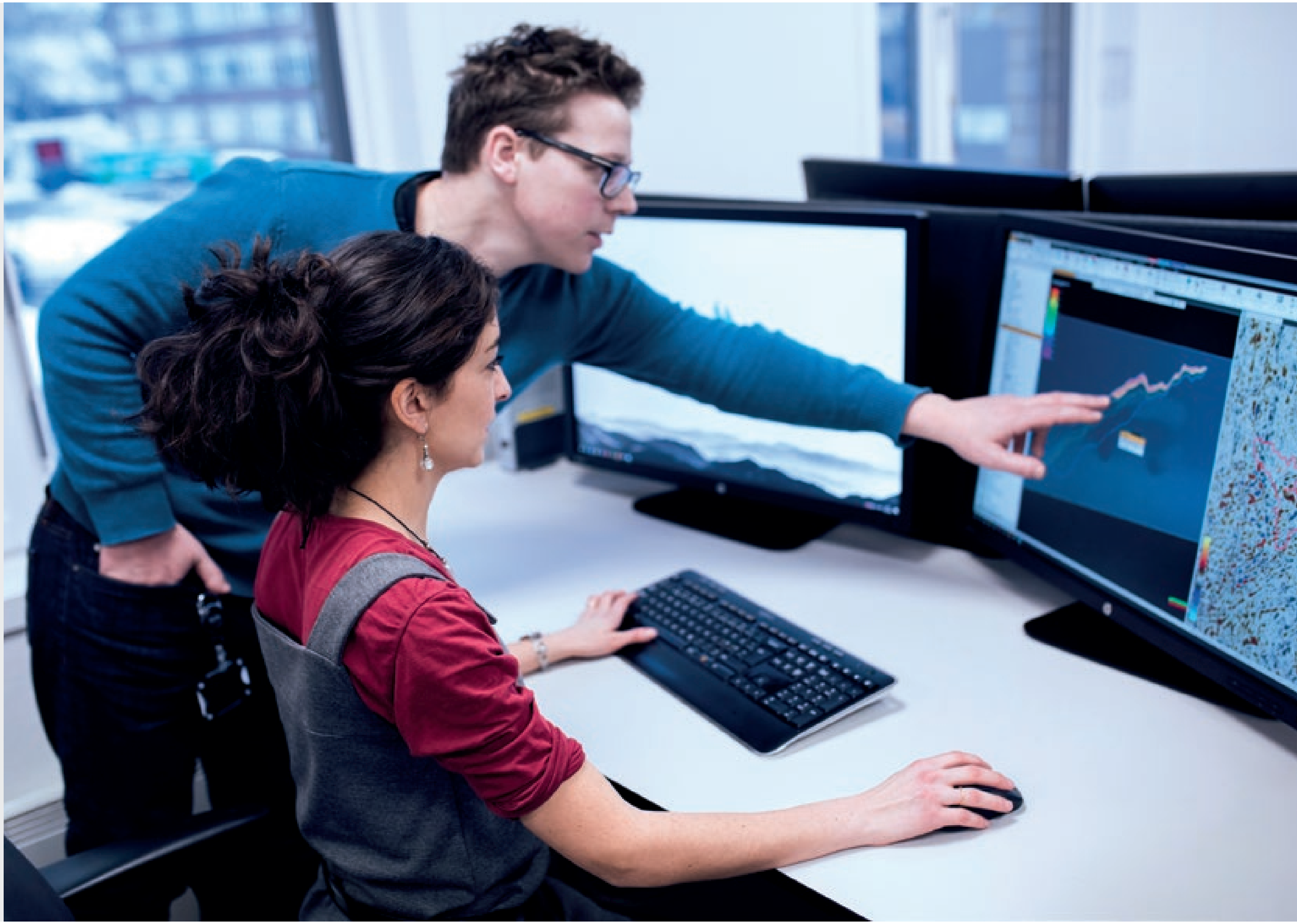
Pandion Energy aims to be recognised as an active and reliable partner. Together with our investor, we seek high standards of performance and professionalism founded on honesty, integrity and fairness in our business practices.

We work together with partners and contractors based on the same principles of integrity and fairness with zero tolerance for bribery and corruption. Pandion Energy is committed to an open and transparent communication with our partners, regulatory authorities and all stakeholders, through promoting proactive dialogue and seek honest feedback on all our activities.

Pandion Energy aims to be recognised as an active and reliable partner

OUR TEAM

Our team



Pandion Energy has a sharp focus on maximising value from high quality assets and to target upsides in and around proven assets, supported by a team of 20 highly experienced professionals based in Oslo. The company had 15 employees at the end of 2017, and has recently recruited more employees to support the successful growth of the company throughout 2017.

The lean organization is tailored to Pandion Energy's strategy as a non-operated company with an ambition to proactively follow up its operators to maximise the value from proven assets. The team has a strong geological, geophysical and reservoir competence and extensive project execution experience on the NCS.

Pandion Energy is led by an experienced management team with an average of more than 20 years of oil and gas industry experience.

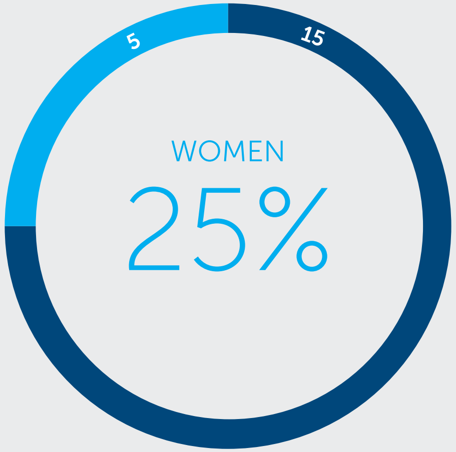
We are proud of gender equality in the management team where female employees made up 50% at year end.

Both management and key employees are committed to the company as shareholders, as they made significant investments in the Company when they performed a management buy-out of Tullow Oil Norge AS, backed by Kerogen Capital.

Key figures end May 2018

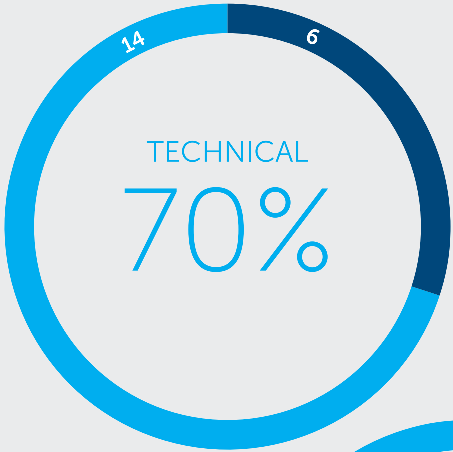
GENDER

- Male
- Female



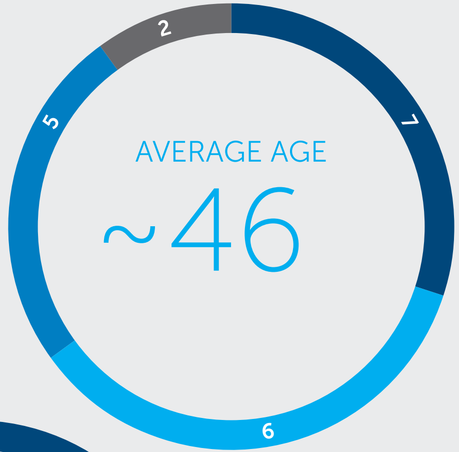
BUSINESS/TECHNICAL STAFF

- Business support staff
- Technical staff



AGE

- 30-39
- 50-59
- 40-49
- 60-69



EXPERIENCE

- 0-9 years
- 20-29 years
- 10-19 years
- 30-39 years

THE PANDION TEAM OIL & GAS EXPERIENCE

- Oil & Gas companies
- Service companies
- Other
- Tullow Oil
- Spring Energy

The management

Jan Christian Ellefsen
CEO
MSc Mechanical Offshore Engineering

Jan Christian Ellefsen leads the Pandion Energy team with 29 years of managerial, commercial and technical experience in the oil and gas industry. He has a background from both oil services and E&P companies, mainly within development and operations. Jan Christian was previously responsible for all Tullow's activities in Norway as Managing Director of Tullow Oil Norge AS.

Helge L. Nordtorp
Deputy CEO & VP Business Development
MSc Economics

Helge Nordtorp has 20 years of experience with the E&P industry managing regulatory processes as an officer at the Ministry of Petroleum and Energy, and strategy and business development projects as a management consultant. Previously a Director at DNB Markets, a leading Norwegian investment bank, he also has experience with M&A and capital markets transactions.

Hege Peters
VP Finance & Business Support
MSc Accounting and Auditing

Hege has 23 years of experience from a variety of finance functions, managing accounting, budgeting, liquidity, tax and compliance processes. She initially qualified at Arthur Andersen as a Senior Auditor.

Bente Flakstad Vold
VP Exploration & Appraisal
MSc Applied Geophysics

Bente has 21 years of managerial and technical experience in oil and gas exploration, appraisal and portfolio management on the NCS. Her extensive experience cover prospect generation and maturation, license round applications, planning and drilling of exploration and appraisal wells, and license portfolio management.

Kjetil Steen
VP Development & Production
MSc Mechanical Engineer

Kjetil has 23 years of experience with developments on the NCS and West Africa, particularly taking discoveries to Final Investment Decision with focus on technical feasibility, concept selection, and engineering design through to execution.

Oksana Karpenko Hillervik
VP HSE & Operations
MSc Industrial Economics and Tech. Mgmt.

Oksana has 11 years of experience from HSEQ advisory and managerial positions in E&P companies and management consulting, including risk management and planning and execution of exploration activities on the NCS.

The Board of Directors

Alan Parsley
Chairman

Dr. Alan Parsley is an Executive Board Member and chairs the Technical Committee at Kerogen. He has over 40 years' industry experience, predominantly at Shell, where he held senior positions including Global Head of Exploration, Head of New Business Ventures, and Chairman of Shell Australia. He formerly served as a member of the board of Woodside Petroleum Ltd.

Jan Christian Ellefsen
CEO / Executive Director

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Helge Nordtorp has 20 years of experience with the E&P industry managing regulatory processes as an officer at the Ministry of Petroleum and Energy, and strategy and business development projects as a management consultant. Previously a Director at DNB Markets, a leading Norwegian investment bank, he also has experience with M&A and capital markets transactions.

Tushar Kumar
Non-executive Director

Tushar Kumar is a Director on the Investment and Portfolio Management Team of Kerogen. He has 15 years' experience in oil and gas investing and banking across Europe, the Middle East and Asia. He was previously an Executive Director at Morgan Stanley's natural resources group in London, and prior to that he was at J.P. Morgan's energy and natural resources group in Hong Kong.

Jason Cheng
Non-executive Director

Jason Cheng is the Managing Partner and Co-Founder of Kerogen. Jason has over 20 years' commercial experience across investing, operations and investment banking. He was the Managing Partner of Ancora Capital and Jade International Capital Partners in Beijing. Prior to that he worked in the energy and natural resources investment banking group at J.P. Morgan and Schroders.

John Daniel
Non-executive Director

John Daniel is a Director on the Technical Team of Kerogen. He is a geologist with over 30 years' technical and commercial experience. Prior to Kerogen, he was Regional New Ventures Manager at Sasol Petroleum, with responsibility for Africa, the Middle East and Central Asia. He has also held various senior roles at Marathon Oil, Lasmo, Monument Oil & Gas, Ranger Oil and ConocoPhillips.

BOARD OF DIRECTORS' REPORT

Board of Directors' report 2017

Pandion Energy AS ("Pandion Energy" or "The Company") is a private, full-cycle oil and gas company on the Norwegian Continental Shelf ("NCS") driving value by maturing resources to reserves in high quality assets. The company is headquartered in Oslo. The company was founded in November 2016 to perform a management buyout of the operational platform and 6 licenses of Tullow Oil Norge AS, previously Spring Energy Norway AS. The Company is owned by the management team and Kerogen Capital, an independent private equity fund manager specialising in the international energy sector.

Pandion Energy had at year-end 2017 eight licenses on the Norwegian Continental Shelf ("NCS"). In the recently announced APA 2017 Pandion Energy was awarded a further two licenses, bringing the total number of licenses in its portfolio to ten. The portfolio contained 28.6 mmboe of reserves and 59 mmboe of contingent resources.

Strategic achievements in 2017

During the first year of establishment, Pandion Energy has successfully achieved many of the ambitions and objectives it set out at the outset. The foundation was laid in June 2017, when the Company was pre-qualified as a licensee on the NCS.

The Company set out to create a fully-fledged company on the NCS, with the ambition to operate both in exploration, developments and production. The initial ambition was to develop a portfolio of 100 mmboe of reserves and contingent resources. With the acquisition of a 10% interest in the producing Valhall & Hod fields from Aker BP in December 2017, the Company is close to achieving this earlier than first anticipated.

In December, the Plan for Development and Operation for the Valhall West Flank project was also submitted, adding to Pandion Energy's development portfolio. Pandion Energy's development project in Cara also progressed well in 2017, with the operator Neptune Energy increasing resource estimates in November.

The financial statements

Pursuant to the § 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the conditions for continued operations as a going concern are present and that the annual accounts have been prepared on the basis of this presumption. The Board of Directors confirms that the annual accounts represent a true and fair view of the Company's financial position and is not aware of any factors that would materially affect the assessment of the company as of 31 December 2017.

The financial statements of the Company are prepared in accordance with 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. As 2017 is the first year of operations for Pandion Energy the Company has opted to extend the accounting period from 11 November 2016 to 31 December 2017. As this is the first financial statements of Pandion Energy, there are no comparable figures for earlier periods in the report.

Statements of income

Pandion Energy had no operating income or operating expenses during the accounting period, as the Company had no operating activities. The acquisition of 10% of the Valhall & Hod fields from Aker BP had an effective date as of 1 January 2017, but the revenues during the year are accounted for in the pro et contra settlement at closing of the transaction and not in the income statement.

The Company had exploration expenses of NOK 85.3 million for the period, including expenses for acquisition, processing and analysis of seismic data, as well as allocation of own expensed costs including general and administrative expenses (G&A). Other G&A amounted to NOK 4.5 million.

Net financial income for the period was NOK 14.7 million, mainly related to net foreign exchange gains, partly offset by interest expenses and other financial expenses.

Loss before income tax amounted to NOK 75.2 million. The Company reported an income tax credit of NOK 53.9 million, resulting in a net loss after tax of NOK 21.3 million.

Statements of cash flow

Net cash flow from operating activities was NOK -40.4 million in the reporting period, primarily driven by a decrease in working capital of NOK 49.6 million and a loss before income tax of NOK 75.2 million.

During the reporting period, Pandion Energy had net cash flow from investing activities of NOK -1 529 million. The main investment activity was the acquisition of 10% interest in the Valhall & Hod fields from Aker BP ASA.

Net cash flow from financing activities was NOK 1 643 million in the period. This figure comprises of proceeds from shareholder loans of NOK 999 million, equity contribution of NOK 595 million and proceeds from borrowings under the Company's revolving exploration loan facility of NOK 48.6 million.

At the end of 2017, cash and cash equivalents amounted to NOK 73.6 million.

Balance sheet statements
Total assets at year-end amounted to NOK 3 210 million, of which property, plant and equipment represented NOK 1 066 million and intangible assets represented NOK 1 668 million.

Equity was NOK 574 million at year-end, of which NOK 174 million was issued in connection with the management buyout of Tullow Oil Norge AS and NOK 421 million was issued in connection with the acquisition of 10% interest in the Valhall & Hod fields from Aker BP ASA.

Total interest-bearing debt at the end of 2017 was NOK 1 032 million, including liabilities to related parties in the form of shareholder loans.

Events after the period
In January, Pandion Energy was awarded two new prospective exploration licenses under the 2017 Norwegian APA (Awards in Pre-defined Areas) License Round on the NCS. Both licenses are located in the Norwegian North Sea. PL 912 is located at the southern margin of the Utsira High. PL 929 is located at the Måløy slope, between the Agat field to the north and the Gjøa field to the south.

Following the acquisition of 10% working interest in the Valhall & Hod fields the Company has commenced a process securing external funding with target of completion early April 2018.

On 27 March 2018 an extraordinary General Meeting in Pandion Energy passed a resolution of share capital increase of NOK 317 million by way of shareholder loan conversion.

The Ministry of Petroleum and Energy approved the plan for development and operation (PDO) for Valhall Flank Vest on 23 March 2018, where Pandion Energy has a 10% interest. The project aims to continue the development of the Tor formation on the western flank of the Valhall field. Net to Pandion capital expenditures are estimated to NOK 550 million over 2018-2020.

Risk factors
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 oil and gas industry, and Pandion Energy, has a variety of operational, financial and external risks that may not be fully possible to eliminate even with robust processes and experience.

The Board of Directors ("The Board") work together with the Company to develop a risk management strategy and processes to enable the management to deal effectively with, and proactively prevent, potential events. The Board is also responsible for overseeing the implementation of this strategy, by making sure that the framework for the identification, control and monitoring on all risk areas is up to standard, and that systems and procedures are in place to address these risks.

Operational risks
The Board recognises the risks associated with the Company's operational assets. The regulation of activities on the NCS provides a sound framework for handling these risks, and the Company takes an active approach as a partner.

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 and production activities will never be completely risk free. Further, there are risks related to the integrity of our assets, risks associated with our reported reserves and resources, and risks associated with third party contractors or operators, as the Company's assets are non-operated. Costs of development projects or exploration efforts are also uncertain.

As a result of these risks, the Company may incur costs that have the potential to damage the Company's financial position or its reputation as a player on the NCS. The Company intends to act as a sound, reliable and technically competent partner across the whole spectrum of activities in all its operations and will work actively together with operators to reduce the possibility of risks occurring.

Financial risks
The Company is exposed to market fluctuations in commodity prices and foreign exchange rates. These fluctuations could impact the company in itself but could further influence banks' and investors' appetite to lend to, or invest in, the Company. The Company has no material exposure to credit risk from its operating activities.

The Company's production is crude oil dominant, and it has put in place hedging efforts to secure the value and liquidity of its production through acquiring put options. A downturn in oil prices could still, however, result in a dampened sentiment amongst market players to invest in exploration and new developments that could adversely impact the growth ambitions of the Company.

Currency risks arise from multi-currency cash flows within the Company. Going forward revenues from sale of crude oil are mainly in

USD while expenditures are mainly in NOK and USD. Sales and expenditures in the same currency contribute to mitigating some of the currency risk. Another driver behind this risk results from the mismatch between the currencies required for funding operational expenditures and the denominations of a large part of the Company's funding sources. The Company may, from time to time, seek to reduce the currency risk by entering into foreign currency instruments. No such instruments have been used in 2017.

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.

As the Company is partly funded through debt with floating interest rates, adverse changes in market interest rates can have a negative effect on the Company profitability, liquidity and financial position. The Company may, from time to time, seek to reduce its interest rate risk by entering into floating-to-fixed interest rate swaps. No such swaps have been used in 2017.

Pandion Energy is highly focused on active risk management through potential hedging, liquidity focus and insurance.

Offshore insurance program

The Company has insured its pro rata liability on the NCS on a par with other oil companies and offshore insurance programs are in place covering the following risks (non-exhaustive):

- Loss of Production Income
- Physical damage to assets
- Control of Well
- Third party liability

Pandion Energy is actively reducing financial risk through an extensive insurance program, the key element is loss of production income cover for an indemnity period of 18 months with a 45 day waiting period.

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 remains resilient as the government`s response to climate change evolves.

Health, Safety and Environment

Health, Safety and Environment ("HSE") is of paramount importance to Pandion Energy. The Company operates in an industry exposed to safety risks and accidents can occur at any time. The consideration of HSE and governance issues is thus of strategic importance and a pre-requisite for our stakeholders. The company has a comprehensive HSE management system and requires competent employees and contractors to deliver compliant operations through rigorous planning and execution.

Pandion Energy has no operated assets in its portfolio, but it closely works to identify, control and monitor risks with the ambition to interact proactively with the operators of its assets. Pandion Energy experienced no major accidents, injuries, incidents or any environmental claims during the reporting period.

Sustainability and Governance

The Board works to make sure that the Company acts as a reliable partner on the NCS, by providing effective governance of the business to ensure the greatest possible value creation for the Company's stakeholders and the society, in a safe and reliable manner. The Company is committed to explore for and produce oil and gas in a safe and responsible manner, and the fact that its organisation would never compromise on this is an important pre-requisite for the Company's main financial backer, Kerogen Capital, a signatory to the United Nations backed Principles for Responsible Investment ("UNPRI"). Kerogen Capital aims to be the private equity manager of choice for those seeking to invest in oil and gas sector and spends significant resources ensuring that sustainable and compliant practices are implemented in all companies it invests in.

The Company will act responsibly towards all stakeholders when conducting its operations, be it shareholders and creditors, ensuring a fair and equal treatment; society and local communities, contributing to local and national wealth generation; employees, ensuring a safe and fruitful working environment; and authorities, providing an open and transparent approach built on the principle of collaboration.

Pandion Energy has no plans of expanding its operations outside of Norway for the foreseeable future. Being a pure-play on the NCS, the Company operates in a single governance environment with predictable regulations. Having a non-operated strategy, the Company must also place confidence in the operators of its assets, and is pleased to see that operators like Aker BP and Neptune Energy are determined to operate in a responsible manner and reduce the environmental footprint of their operations.

The Board believes that good governance is rooted in adherence to regulations and laws, both in letter and in spirit. Ensuring a culture of integrity, accountability and transparency, through the continued training and development of all levels of staff, is just as critical as ensuring that compliant procedures are in place. A thorough model of governance, risk management and control has been developed and implemented in the Company. The Company's management system is a key component of the governance model, which incorporates activities at the shareholder and market level, the Board level and the management level.

Pandion Energy is not a listed company and is currently owned by funds managed by Kerogen Capital and the management team. Yet, the Company encourages transparency and aims for a fair and equal treatment of all existing and future shareholders. The Company will seek to provide all existing and future investors with the necessary details to assess the fair value of the Company, and the risks it faces.

Organisation

As of 31 December 2017, the Company had 15 employees. Due to increased activity level Pandion Energy is planning for further recruitment in 2018.

The working environment in Pandion Energy is satisfactory. Absence on sick leave was 1.06 percent in 2017. Pandion Energy aims to keep sick leave at low levels by constantly improving working and safety conditions.

The company attempts to maintain a working environment with equal opportunities for all based on qualifications and irrespective of gender, age, sex, ethnicity, sexual orientation, disability, or any other protected status.

At year end, 33 percent of the employees were female. Female employees made up 50 percent of the Management team. Currently, none of the member of the Board of Directors is female.

Outlook

The Board believes that Pandion Energy is well positioned for further growth on the Norwegian Continental Shelf, and will encourage the Company to continue on its path to identify and invest in proven, high quality assets. By being a strong licence partner in proven fields, the Company can take benefit from partnerships with strong operators and contribute to maximise the value of producing reserves.

In addition, the Board will consider growth via exploration, development and asset or company acquisitions that will enhance the value creation for the Company's shareholders and improve the Company's credit profile.

Oslo, 28 March 2018,
The Board of Directors of Pandion Energy AS

Alan John Parsley
Chairman of the Board

Tushar Kumar
Board Member

John Charles Daniel
Board Member

Jan Christian Ellesen
CEO/Board Member

Jason Aun Minn Cheng
Board Member

Helge Larssen Nordtorp
Board Member

FINANCIAL STATEMENTS 2017

Content

Statements of income

Statements of income

(Amounts in NOK`000)	Note	2017
Operating expenses		-
General and administrative expenses		(4 461)
Depreciation, amortisation and net impairment losses	13	(155)
Exploration expenses	7	(85 328)
Loss from operating activities		**(89 944)**
Net financial items	11	14 739
Loss before income tax		**(75 205)**
Income tax	12	53 882
Net loss		**(21 323)**

Statements of comprehensive income

(Amounts in NOK`000)	Note	2017
Net loss		(21 323)
Currency translation adjustments		-
Items that may be subsequently reclassified to the Statement of income		
Other comprehensive income		-
Total comprehensive income		(21 323)

Balance sheet statements 31 December 2017

Assets

(Amounts in NOK`000)	Note	2017
Property, plant and equipment	13	1 065 837
Intangible assets	14	1 668 060
Deferred tax assets	12	224 341
Prepayments and financial receivables		1 179
Total non-current assets		**2 959 416**
Inventories		25 433
Trade and other receivables	16	62 282
Tax receivable from exploration refund	12	88 832
Cash and cash equivalents	9	73 561
Total current assets		**250 109**
Total assets		**3 209 525**

Balance sheet statements 31 December 2017

Equity and liabilities

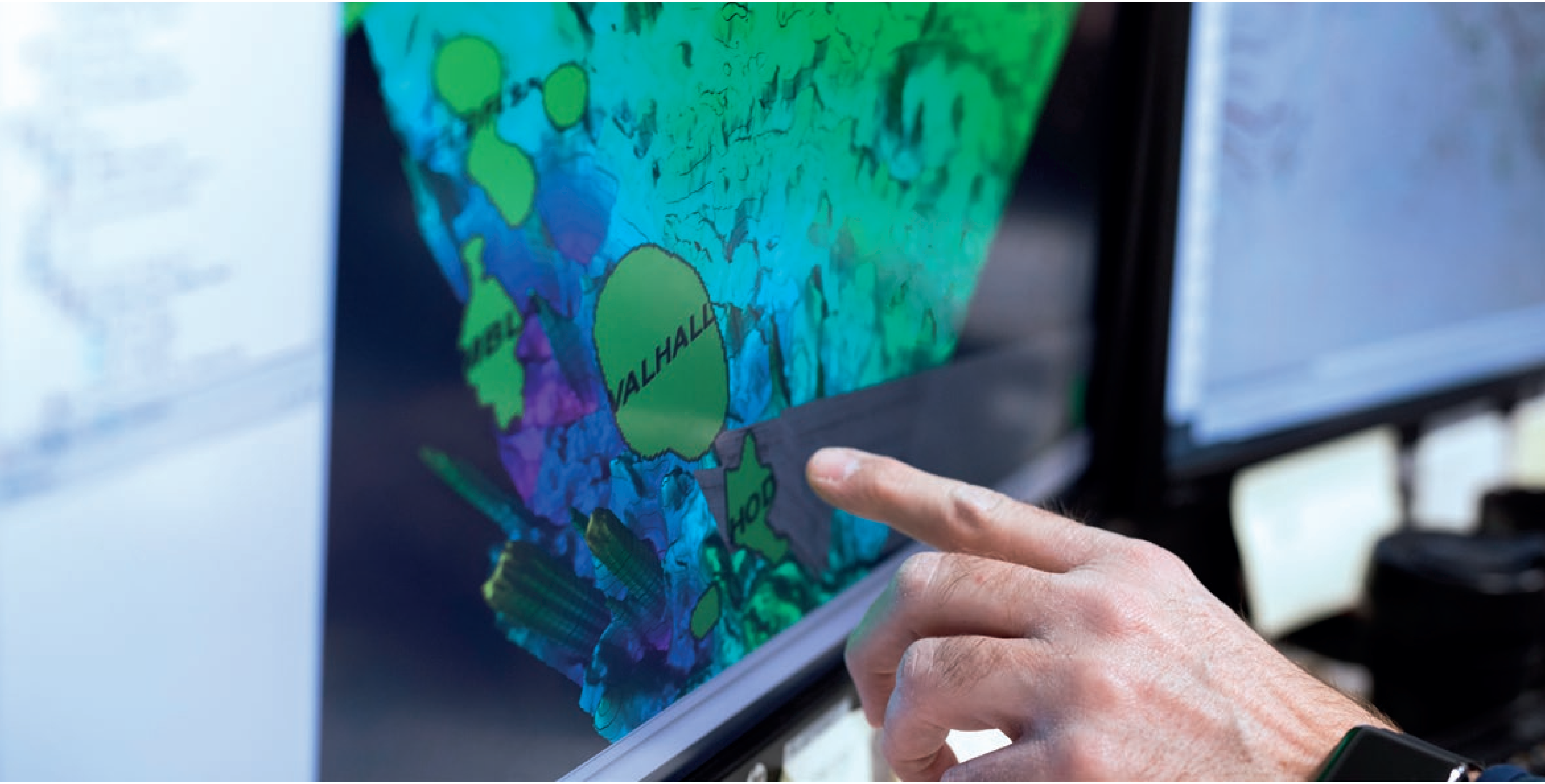
(Amounts in NOK`000)	Note	2017
Share capital	17	174 425
Other paid in capital		420 515
Accumulated losses		(21 323)
Total equity		**573 617**
Asset retirement obligations	18	1 174 941
Total non-current liabilities		**1 174 941**
Asset retirement obligations	18	319 995
Trade, other payables and provisions	19	109 232
Interest bearing loans and borrowing	15	46 093
Liabilities to related parties	15	985 647
Total current liabilities		**1 460 967**
Total liabilities		**2 635 908**
Total equity and liabilities		**3 209 525**

Oslo, 28 March 2018,
The Board of Directors of Pandion Energy AS

Alan John Parsley Chairman of the Board	John Charles Daniel Board Member	Jason Aun Minn Cheng Board Member	Tushar Kumar Board Member	Jan Christian Ellesen CEO/Board Member	Helge Larssen Nordtorp Board Member

Statements of cash flow

(Amounts in NOK`000)	Note	2017
Loss before income tax		(75 205)
Depreciation, amortisation and net impairment losses	13	155
Exploration expenditures written off	7	944
(Gains) losses on foreign currency transactions and balances		(15 910)
(Increase) decrease in working capital		49 607
Cash flows provided by operating activities		(40 409)
Acquisition business combination	4	(1 429 709)
Capital expenditures and investments in furniture, fixtures and office machines	13	(862)
Capital expenditures and investments in exploration and evaluation assets	14	(98 050)
Cash flows used in investing activities		(1 528 621)
Share capital contribution		594 940
Increase in interest bearing loans and borrowing		48 591
Increase in liabilities to related parties		999 059
Cash flows provided by (used in) financing activities	15, 17	1 642 590
Net increase (decrease) in cash and cash equivalents		73 561
Cash and cash equivalents at the beginning of the period		0
Cash and cash equivalents at the end of the period	9	73 561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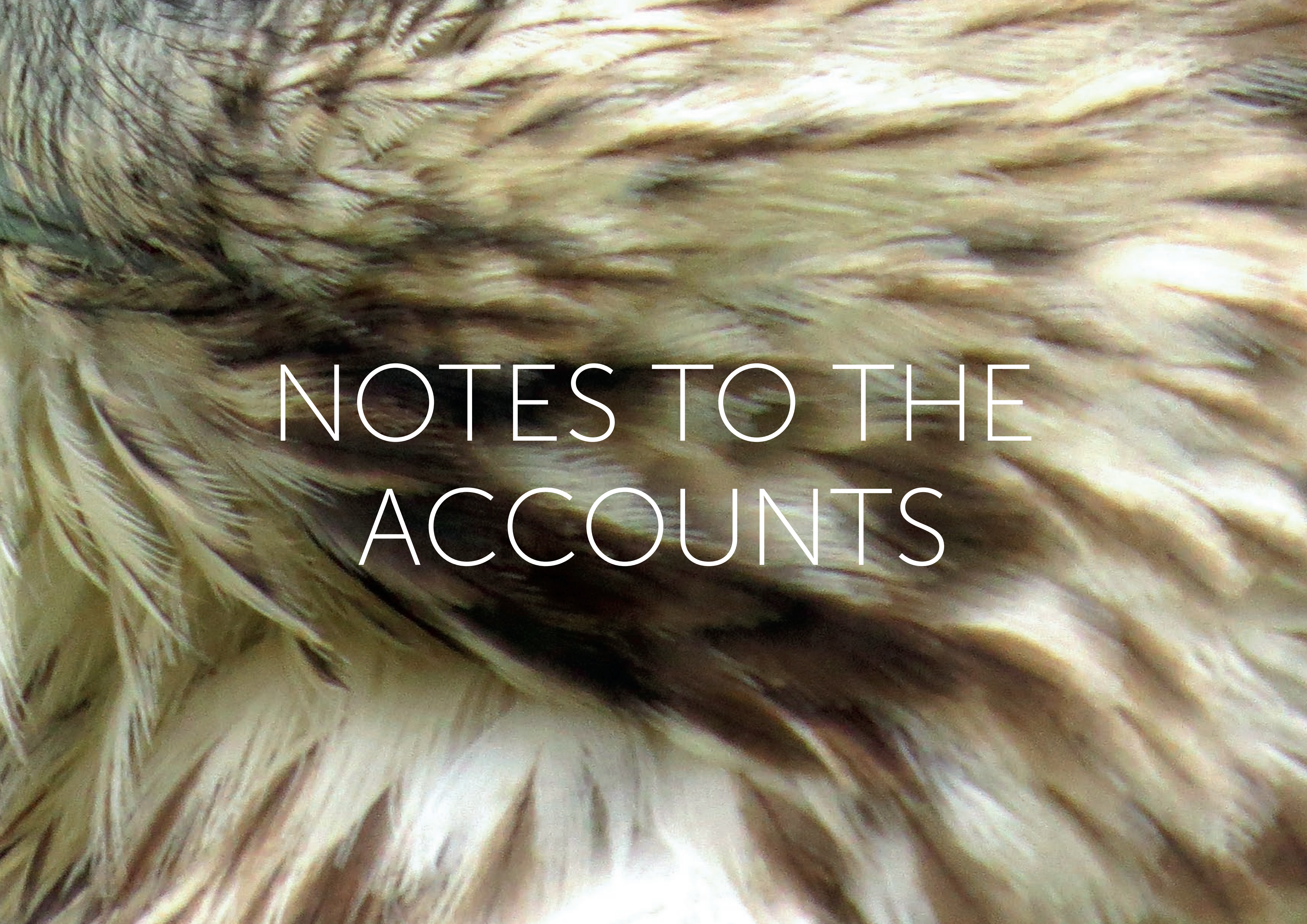

NOTES TO THE ACCOUNTS

Notes to the accounts

NOTE 1 ORGANISATION

Pandion Energy AS ("Pandion Energy" or "the Company") was founded in November 2016 through a management buyout of the operational platform and 6 licenses of Tullow Oil Norge AS and is incorporated and domiciled in Norway. The address of its registered office is Lilleakerveien 8, 0283 Oslo, Norway. Pandion Energy is a private oil and gas company focusing on exploration, appraisal, development and production opportunities on the Norwegian Continental Shelf.

As 2017 is the first year of operations, Pandion Energy has opted to extend the accounting period from 11 November 2016 to 31 December 2017. The financial statements of the Company for the period ending 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2018.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements of the Company are prepared in accordance with 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.

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Expenses in the statements of income are presented based on their function within the entity. Exploration expenses as presented in the statements of income include a share of salaries and related expenses and other indirect administrative expenses reclassified using allocation keys based on time writing. Significant expenses such as exploration, salaries, pensions etc. are presented by their nature in the notes to the financial statements.

The statements of cash flow have been prepared in accordance with the indirect method.

Interest in joint operations (arrangements in which Pandion Energy and other participants have joint control and each of the parties have rights to the assets and obligations for the liabilities, rating to their respective share of the arrangement) and similar arrangements (licenses) outside the scope of IFRS 11 are recognised on a line-by-line basis, reflecting the Company`s share off assets, liabilities, income and expenses.

Pandion Energy has not adopted the following standards and interpretations that are not mandatory for the financial year 2017:

IFRS 9 Financial Instruments, the standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 implementation issues are currently not expected to have a material impact on the balance sheet statements, statements of income and statements of cash flows. Effective from 1 January 2018.

IFRS 15 Revenue from contract with customers, the standard addresses revenue recognition ad establishes principles for reporting useful information to users of financial statements. The Company has not had any revenue in 2017 and will have no implementation effect of the standard. Effective from 1 January 2018.

IFRS 16 Leases, this standard will replace IAS 17 "Leases" and requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. Pandion Energy is in the process of evaluating the impact of IFRS 16, and has not yet determined the expected impact of the standard on the financial statements. Effective form 1 January 2019.

Functional currency and foreign currency translations
Pandion Energy AS' functional currency is Norwegian Krone (NOK). Transactions in foreign currencies are translated to NOK, at the foreign exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the statements of income. Non-monetary assets that are measured at historical cost are translated using the exchange rate at the dates of the transactions.

Business combination versus asset acquisition
Determining whether an acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis.

The most important consequence of an acquisition being deemed to be asset acquisition rather than a business combination, is that no deferred tax related to excess fair values is recognised, as the initial recognition exemption for deferred tax under IAS 12 applies. No goodwill is recognised in an asset purchase transaction.

Upstream activities in the production phase will typically represent a business, whereas those at the exploration stage will typically represent an asset purchase. Projects that lie in the development stage are more difficult to judge and will require consideration of the stage of development and other relevant factors.

Business combinations are accounted for using the acquisition method for accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition.

Revenue recognition
Revenue associated with the sale and transportation of crude oil, natural gas and petroleum products and other merchandise are recognised when risk passed to the customer, which is normally when title passes at the point of delivery of the goods, based on the contractual terms of the agreements.

Income taxes
Income tax expense/credit consists of current income tax (taxes payable/receivable) and changes in deferred income tax.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Current income tax relating to items recognised directly in equity or other comprehensive income, is recognised in equity and not in the statements of income.

Oil-exploration companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim a 78% cash refund of their exploration costs, limited to taxable losses for the year. The refund is paid out in November in the following year. This tax receivable is classified as a current asset.

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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. The carrying amount of deferred income tax assets related to onshore activities are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets related to onshore activities are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity or other comprehensive income, is recognised in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority / tax regime. Timing differences are considered.

Oil and gas exploration, evaluation and development expenditures
The company uses the 'modified successful efforts' method to account for exploration and evaluation cost. Pre - license costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate.

Capitalised exploration and evaluation expenditures, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves are transferred from Intangible assets to Property, plant and equipment when the plan for development (PDO) is approved by the Norwegian Authorities or license partners if no government approval is required. All field development costs are capitalised as property, plant and equipment.

Property, plant and equipment
Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, exploration cost transferred from intangible assets and, for qualifying assets, borrowing costs.

Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) will be included in Other income or Operating expenses, respectively, in the period the item is derecognised.

Leases
As of 31 December 2017, the Company only has leases classified as operational leases. By operating leases the costs are charged to the relevant operating expense related caption on a straight line basis over the lease term, unless another basis is more representative of the benefits of the lease to the company.

Intangible assets and goodwill
Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources and goodwill.

Intangible assets relating to expenditures on the exploration for and evaluation of oil and natural gas resources are not amortised. When the plan for development (PDO) is approved by the Norwegian Authorities or license partners if no government approval is required, its intangible exploration and evaluation assets are reclassified to Property, plant and equipment.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for any controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination at the acquisition date. Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination`s synergies. Following initial recognition goodwill is measured at cost less any accumulated impairment losses.

Financial assets
Trade and other receivables are carried at the original invoice amount, less a provision for doubtful receivables, which is made when there is objective evidence that the company will be unable to recover the balances in full.

Financial assets are presented as current if these contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if these are held for the purpose of being traded. Financial assets and financial liabilities are shown separately in the balance sheet statements, unless Pandion has both a legal right and a demonstrable intention to net settle certain balances payable to and receivable from the same counterparty, in which case they are shown net in the balance sheet statements.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of property, plant and equipment and intangible assets other than goodwill
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on lowest levels with separately identifiable and largely in dependent cash inflows. Normally, separate cash generating units (CGUs) are individual oil and gas fields or plants. For capitalised exploration expenditures, the CGUs are individual wells.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less costs of disposal is determined based on comparable recent arm's length market transactions, or based on Pandion's estimate of the price that would be received for the asset in an orderly transaction between market participants. Value in use is determined using a discounted cash flow model. The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the assets. Pandion uses an approach of regular updates of assumptions and economic conditions in establishing the long-term forecasts which are reviewed by corporate management and updated at least annually. For assets and CGUs with an expected useful life or timeline for production of expected reserves extending beyond 5 years, the forecasts reflect expected production volumes for oil and natural gas, and the related cash flows include project or asset specific estimates reflecting the relevant period.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Capitalized costs related to exploration and evaluation assets are temporarily capitalised pending the determination of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, capitalized costs are expensed. These costs are then written off as exploration expenses in the statements of income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer be relevant or may have decreased. If such an indication exists, previously recognised impairment loss is reversed.

Impairment losses and reversals of impairment losses are presented in the statements of income as Exploration expenses or Depreciation, amortisation and net impairment losses, on the basis of their nature as either exploration assets (intangible exploration assets) or development and producing assets (property, plant and equipment and other intangible assets), respectively.

Impairment of goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU, or group of units, to which the goodwill relates. Where the recoverable amount of the CGU, or group of units, is less than the carrying amount, an impairment loss is recognised. Once recognised, impairments of goodwill are not reversed in future periods.

Financial liabilities
Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs as well as discount or premium on settlement.

Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if these are held for the purpose of being traded.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of

the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest and other financial expenses in Net financial items.

Asset retirement obligations (ARO)
Provisions for ARO costs are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is determined using an estimated risk-free interest rate, adjusted for risk specific to the liability. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations, or be based on commitments associated with the company's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions are classified under Provisions in the balance sheet statements.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditures is reflected as an adjustment to the provision and the corresponding property, plant and equipment. When a decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of Depreciation, amortisation and net impairment losses in the statements of income. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in operating expenses in the statements of income.

Critical accounting estimates and judgements
The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing the financial statements and the uncertainty that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

Proven and probable oil and gas reserves
Proven and probable oil and gas reserves have been estimated on the basis of industry standards. The estimates are based on internal information and information received from the operators. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates.

Proven and probable reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of production methodology. Reserve estimates are also used as basis for allocation of purchases price in business acquisitions involving oil and gas licenses and impairment testing of licence-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Changes to reserve estimates can also be caused by updated production and reservoir information. Future changes to proven and probable oil and gas reserves can have a material effect on depreciation, life of field, impairment of licence-related assets, and operating results.

Carrying value of intangible exploration and evaluation assets
Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Goodwill
The Company tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use

calculations which require the use of assumptions. Where the recoverable amount of CGU, or group of units, is less than the carrying amount an impairment loss i recognised.

Asset retirement obligations

The Company has obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

Tax

The Company may incur significant amounts of income tax payable or receivable, and recognizes significant changes to deferred tax or deferred tax assets. These figures are based on management's interpretation of applicable laws and regulations, and on relevant court decisions. The amounts of taxes could change significantly as a result of new interpretations of the relevant tax laws and regulations or changes to such laws and regulations.

NOTE 3 FINANCIAL RISK MANAGEMENT

General information relevant to financial risks

Pandion Energy`s activities expose the company to market risk (including commodity price risk, currency risk and interest rate risk) liquidity risk and credit risk. The Company`s approach to risk management includes assessing and managing risk with focus on achieving the highest risk adjusted returns for the shareholders.

Commodity price risk

Pandion Energy will, going forward operate in the crude oil and natural gas market and will be exposed to fluctuations in hydrocarbon prices that can affect revenues. Commodity price risks will represent the Company`s most important market risk going forward. To manage this risk, Pandion Energy will secure cash flows from sale of crude oil through commodity price hedging. In January 2018 the Company has purchased put options for 2018 and first half year 2019.

Currency risk

Currency risk arise form multi-currency cash flows within the Company. Going forward revenues from sale of crude oil are mainly in USD while expenditures are mainly in NOK and USD. Sales and expenditures in the same currency contribute to mitigating some of the currency risk. The Company may, from time to time, seek to reduce the currency risk by entering into foreign currency instruments. No such instruments have been used in 2017.

Interest-rate risk

The Company`s interest rate risk arises from its interest-bearing borrowings. See note 15 for information about the floating interest rate conditions on the Revolving Exploration Loan Facility. Borrowings issued with floating interest rate conditions expose the Company to cash flow interest rate risk. The Company may, from time to time, seek to reduce its interestrate risk by entering into floating-to-fixed interest rate swaps. No such swaps have been used in 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that the Company has sufficient funds available at all times to cover its financial liabilities. To identify current and future financing needs, Pandion Energy carries out short-term (12 months) and long-term (five years) forecasts to plan the Company`s liquidity. These forecasts are updated regularly, for various scenarios and from part of the decision basis for the Company`s management and Board of Directors. The Company has commenced a process securing further external debt financing estimated to finalise early April 2018.

Credit risk

The Company has no significant concentrations of credit risk. The Company is mainly exposed to credit risk related to trade receivable and overcall joint venture toward license partners in addition to cash and cash equivalents. The Company`s license partners are credit worthy oil companies and cash and cash equivalents are receivable from banks.

Measurement of financial instruments

Pandion Energy AS financial instruments mainly consists of trade and other payables and receivables that are measured at fair value or their carrying amounts reasonably approximate fair value except non-current financial liabilities measured at amortised cost.

NOTE 4 BUSINESS COMBINATION

On 22 December 2017, Pandion Energy AS finalized the acquisition of 10 per cent interest in the Valhall & Hod oil fields. The transaction was announced on 4 December 2017. Pandion Energy AS paid a cash consideration of USD 170 million (NOK 1 422 million) in addition to settlement of effective period adjustments of USD 1 million (NOK 8 million).

The closing of the transaction took place on 22 December 2017. For accounting purposes, the transaction date is set to 31 December 2017. For tax purposes, the effective date was 1 January 2017. The acquisition is regarded as a business combination and has been accounted for using the acquisition method of accounting in accordance with IFRS 3. A purchase price allocation (PPA) has been performed to allocate the consideration to fair value of assets and liabilities. The valuation is based on currently available information about fair values as of the acquisition date. If new information becomes available within 12 months from the acquisition date, the Company may change the fair value assessment in the PPA, in accordance with guidance in IFRS 3.

Each identifiable asset and liability is measured at its acquisition date fair value based on guidance in IFRS 3. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, the Company uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Acquired property, plant and equipment and intangible assets (value of licenses) have been valued using the income approach.

The recognized amounts of assets and liabilities assumed as at the date of the acquisition were as follows:

	2017
(Amounts in NOK`000)	
Assets	
Goodwill	1 023 861
Deferred tax assets	1 229 397
Non-producing oil fields	546 149
Producing oil fields	1 064 822
Current assets, excluding cash	133 789
Cash and cash equivalents	-
Total assets	**3 998 018**
Debt	
Purchase price	1 429 709
Deferred tax liability (oil fields)	970 106
Abandonment provision (ARO)	1 494 936
Current liabilities	103 267
Total debt	**3 998 018**

The goodwill of NOK 1 024 million arises principally because of the requirement to recognize deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination. Licenses on the NCS can only be sold in a market after tax, based on a decision made by the Norwegian Ministry of Finance pursuant to the Petroleum Taxation Act Section 10. The assessment of fair value of such licenses is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12 Sections 15 and 19, a provision is made for deferred tax corresponding to the tax rate multiplied with the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a technical effect of deferred tax (technical goodwill). If the acquisition had taken place at the beginning of 2017, year to date revenue would have increased by NOK 547 million while EBITDA have increased by NOK 352 million.

NOTE 5 ASSET ACQUISITIONS AND DISPOSALS

Acquisition of explorations interests from Tullow Oil Norge AS (Tullow)
In June 2017 Pandion closed an agreement with Tullow to acquire interests in the exploration licenses PL 636 (Cara discovery), PL 746 S, PL 776, PL 786, PL 791 and PL 826 on the Norwegian continental shelf (NCS). The assignment of participating interests in this license purchase has been accounted fo as an acquisition of assets. The consideration is recognized as an intangible asset in balance sheet statements of Pandion Energy AS.

Acquisition interests in Valhall & Hod from Aker BP ASA (Aker BP)
In December 2017 Pandion closed an agreement with Aker BP to acquire 10% interest in Valhall & Hod fields, including licences PL006B, PL033 and PL033B on the Norwegian continental shelf (NCS). See note 4 for further information.

Disposals of exploration licenses
In June 2017 PL 791 was relinquished.

NOTE 6 INVESTMENTS IN JOINT VENTURES

Interests in production licenses on the Norwegian Continental Shelf as of:

Licence source	Licence portfolio	Jan-18	Dec-17
Acquisitions	PL006 Valhall	10,00 %	10,00 %
Acquisitions	PL033 Hod	10,00 %	10,00 %
Acquisitions	PL033B	10,00 %	10,00 %
Acquisitions	PL636 Cara	20,00 %	20,00 %
Acquisitions	PL746 S	30,00 %	30,00 %
Acquisitions	PL776	40,00 %	40,00 %
Acquisitions	PL786	50,00 %	50,00 %
Acquisitions	PL826	30,00 %	30,00 %
APA 2017	PL912	30,00 %	0,00 %
APA 2017	PL929	20,00 %	0,00 %

In the APA 2017, the Company was awarded ad additional two licenses, bringing the total numbers of licenses in the portfolio to ten. The licenses were awarded in January 2018.

NOTE 7 EXPLORATION

	2017
(Amounts in NOK`000)	
Expensed cost, seismic and studies	32 513
Expensed cost, general and administrative	51 871
Expensed previously capitalised other exploration cost	944
Total	**85 328**

NOTE 8 REMUNERATION

	2017
(Amounts in NOK`000)	
Salaries	15 754
Bonuses	9 059
Social security tax	2 533
Pension expenses	1 430
Other remuneration	911
Total payroll expenses	**29 688**

The Company had an average of 10.8 employees in 2017. The number of employees as of year-end was 15.

Salaries include bonuses in addition to base salary and vacation pay. The employees will, if certain objectives are met, each year be granted a bonus as a percentage of the total base salary in the range of 0-50%. It will be up to the BoD to decide whether to pay bonuses on the previous years performance. For 2017, the bonus will be disbursed in April 2018.

In addition management team and key employees take part in a long term incentive plan offering rewards by an eventual exit event of the Company`s main shareholder Kerogen.The company has a defined contribution plan for its employees. With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Compensation to the board of directors (BoD) and Chief Executive Officer (CEO)

	CEO	BoD
(Amounts in NOK`000)		
Salaries/board fee	1 658	-
Pension expenses	119	-
Other remuneration	140	-

The CEO is part of a bonus scheme with annual benefits ranging from 0-50% of base salary, pending certain performance related criteria. It will be up to the BoD to decide whether to pay bonuses on the previous years' performance. For 2018, the bonus will be disbursed in April 2018.

In addition, the CEO takes part in a long term incentive plan offering rewards by an eventual exit event of the Company`s main shareholder Kerogen.

The CEO has the right to severance pay of 6 months if certain conditions should occur.

No loans have been granted by Pandion Energy and no guarantees have been issued to the CEO or any member of the Board of Directors

See note 18 for details on shares in the Company owned by the CEO.

NOTE 9 RESTRICTED BANK DEPOSITS

	2017
(Amounts in NOK`000)	
Restricted bank deposits	
Withheld employee taxes	1 557

NOTE 10 AUDITORS' REMUNERATION

	2017
(Amounts in NOK`000)	
Audit fee	-
Other attestation services	39
Total	**39**

NOTE 11 FINANCIAL ITEMS

	2017
(Amounts in NOK`000)	
Net foreign exchange gains	15 909
Interest income	430
Interest income and other financial items	16 339
Interest expenses	(1 389)
Other financial expenses	(212)
Interest expenses and other financial expenses	(1 601)
Net financial items	**14 739**

NOTE 12 INCOME TAXES

	2017
(Amounts in NOK`000)	
Tax receivable from exploration refund	88 832
Change in deferred tax balance sheet	224 341
Change in deferred tax from acquisition recorded directly to balance sheet	(259 291)
Income tax expense	**53 882**

Reconciliation of Norwegian statutory tax rate to effective tax rate	**2017**
(Amounts in NOK`000)	
Loss before tax	75 205
Calculated income taxes at Statutory tax rate 24% (25% in 2016)	18 050
Petroleum surtax at statutory tax rate 54% (53% in 2016)	40 613
Tax effect of:	
Tax effect related to permanent differences	(37)
Effect of financial items allocated onshore	(5 016)
Effect changed tax rates	(91)
Effect related to interest on losses carry forward	250
Effect related to uplift carry forward	113
Total	**53 882**
Effective tax rate	71,6 %

When computing the petroleum tax of 54% (55% from 2018) on income from the Norwegian continental shelf, a tax-free allowance, or uplift, is granted at a rate of 5.4% per year (5.3% per year from 2018). The uplift is computed on the basis of the original capitalised cost of offshore production installations. The uplift may be deducted from taxable income for a period of four years, starting in the year in which the capital expenditure is incurred. Unused uplift may be carried forward indefinitely. At year end 2017 unrecognised future uplift credits related to capitalised cost amounted to NOK 0 million, and recognised future uplift amounted to NOK 19 million.

Significant components of deferred tax assets and liabilities were as follows:

	2017
(Amounts in NOK`000)	
Deferred tax assets on	
Losses carry forward	35 868
Future uplift recognised in PPA	18 883
Uplift carry forward	16 512
Inventories	10 872
Asset retirement obligations	1 166 050
Other items	50 380
Total deferred tax assets	1 298 564
Deferred tax liabilities on	
Property, plant and equipment	(974 149)
Capitalised exploration expenditures and capitalised interest	(76 479)
Other items	(23 596)
Total deferred tax liabilities	(1 074 223)
Net deferred tax liabilities	**224 341**

The movement in deferred income tax

(Amounts in NOK`000)	2017
Deferred income tax at 1 January	-
Change deferred tax from acquisition recorded directly to balance sheet	259 291
Charged to the statement of income	(34 950)
Deferred income tax asset at 31 December	224 341

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK`000)	Oil and gas assets	Tools and equipment	Total
Additions	-	862	862
Acquisition	1 065 130	-	1 065 130
Transfers	-	-	-
Cost at 31 December 2017	1 065 130	862	1 065 992
Depreciation	-	(155)	(155)
Accumulated depreciation at 31 December 2017	-	(155)	(155)
Carrying amount at 31 December 2017	**1 065 130**	**707**	**1 065 837**
Estimated useful lives (years)	UoP	3-10	

Production plants oil and gas are depreciated according to unit of production method (UoP), see note 2 Significant accounting policies.

NOTE 14 INTANGIBLE ASSETS

(Amounts in NOK`000)	Goodwill	Exploration and evaluation assets	Total
Acquisition	1 023 861	613 692	1 637 552
Capitalised license costs	-	30 507	30 507
Carrying amount 31 December 2017	**1 023 861**	**644 199**	**1 668 060**

The amount of Goodwill entirety relates to the acquisition of interest in the Valhall & Hod oil fields. For more details see note 4.

NOTE 15 INTEREST BEARING LOANS AND BORROWINGS

CURRENT LIABILITIES

Revolving Exploration Loan Facility

(Amounts in NOK`000)	Currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 31 December 2017	NOK	48 591	351 409	NIBOR + 1.25 %	Dec 2018	46 093

The total credit limit for the Company at 31 December 2017 was TNOK 400 000.

The Company signed a revolving Exploration Finance Facility Agreement on 13 November 2017 of TNOK 400 000, with an accordion increase amount up to TNOK 200 000. The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The availability period of the new facility is up to and including 31 December 2018 with an option to extend the revolving period with one year up to 31 December 2019.

Maturity profile based on contractual undiscounted cash flows

(Amounts in NOK`000)	
Less than 12 months	**48 591**

Carrying amount of assets provided as security for the Revolving Exploration Loan Facility

(Amounts in NOK`000)	2017
Current tax receivable - exploration refund	88 352
Total	**88 352**

The Company`s obligations to the lenders are secured by a first priority charge over the pledge Bank Account, first priority assignment of the tax Refund and first priority assignments of any Insurances taken out from time to time with respect to the Borrower`s Licenses for which no plan for development and operation (PUD) has been submitted.

Current liabilities to related parties

In connection with closing of the Valhall transaction on 22nd December 2017 the Company secured interim financing from the Company`s indirect shareholders as listed below.

Shareholder loans

(Amounts in NOK`000)	Currency	Loand Amount in NOK	Interest	Maturity
Kerogen Investment no. 28 Holding limited	USD	352 674	3,88 %	19.03.18
Kerogen Investment no. 28A Holding limited	USD	164 998	3,88 %	19.03.18
Kerogen Investment no. 28B Holding limited	USD	467 975	3,88 %	19.03.18

The Company has executed the extension option of the final maturity date of one month to be able to finalise the process of securing external financing on satisfactory term, expected to close early April 2018. By extension the interest rate has increased to 8% until final payment.

NOTE 16 TRADE AND OTHER RECEIVABLES

(Amounts in NOK`000)	2017
Trade receivables	-
Other receivables	62 282
Trade and other receivables	**62 282**

Other receivables mainly consist of joint venture receivables, prepaid expenses and other receivables related to Pandion Energy AS's joint venture licenses.

NOTE 17 EQUITY AND SHAREHOLDERS

(Amounts in NOK`000)	2017
Share issue at incorporation 11.11.2016	30
Share issue	174 395
Share issue - unregistered	420 515
Net loss	(21 323)
Shareholders' equity at 31 December	**573 617**

Share capital of NOK 594 940 177 comprised 594 940 177 shares at a nominal value of NOK 1,00. The share issue amounting to NOK 420 514 998 was registered in the Register of Business Enterprises on 11, January 2018.

The Company`s Articles of Association set out Tag Along and Drag Along Rights for the shareholders, securing the right and obligations to sell shares under certain circumstances. For further information reference is made to the Company`s Articles of Associations registered in the Register of Business Enterprise.

The shares are owned by the following	**Shares**
Kerogen Investments No.28A (UK) Limited	72 156 945
Kerogen Investments NO. 28 Holding	54 109 933
Kerogen Investments No.28B (UK) Limited	25 709 702
Waterfront Invest AS 1)	5 198 622
Chickenhawk AS 2)	4 017 117
Wave Invest AS	4 017 117
Salpesto Invest AS	2 835 612
Momami AS	2 363 010
Others	4 017 121
Total	**174 425 179**

1) Waterfront Invest AS is controlled by the CEO of Pandion Energy
2) Chickenhawk AS is controlled by Helge Nordtorp, member of the Board of Directors

A Subscription and Investment Agreement between Pandion Energy AS and Kerogen has been executed for 190 USD million in equity, of which 68 USD million (572,5 NOK million) has been injected as of 31 December 2017 in addition to 3 USD million (22,5 NOK million) from the management team of Pandion.

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 but not an obligation to provide additional funds in an amount up to 110 USD million, resulting in an aggregate funding up to USD 300 million from Kerogen.

NOTE 18 ASSET RETIREMENT OBLIGATIONS

	2017
(Amounts in NOK thousand)	
Non-current portion at 31 December 2017	1 174 941
Current portion at 31 December 2017	319 995
Asset retirement obligations at 31 December 2017	**1 494 936**

The asset retirement obligations relate to the acquired 10 % interest in Valhall & Hod fields. As the transaction date is set to 31 December 2017, there has not been any movement in Pandion Energy`s obligation in 2017. See note 4 for further information.

NOTE 19 TRADE, OTHER PAYABLE AND PROVISIONS

	2017
(Amounts in NOK`000)	
Trade payables	39 672
Joint venture payables	54 119
Other non-trade payables, accrued expenses and provisions	15 441
Trade, other payables and provisions	**109 232**

NOTE 20 OPERATING LEASES

Pandion leases office buildings and certain office and IT assets. Certain contracts contain renewal options. The execution of such options will depend on future market development and business needs. The leases have no arrangement regarding contingent payment and do not contain any restriction on the company`s dividend policy or financing.

In addition, the company has lease commitments pertaining to its ownership in partner operated oil and gas fields.

The information in the table below shows future minimum lease payments due under non-cancellable operating leases as at 31 December 2017:

	Rig rent	Vessel	Supply leases	Other Total
(Amounts in NOK`000)				
2018	65 984	5 167	1 670	72 821
2019	65 984	5 167	1 670	72 821
2020	66 165	5 181	848	72 194
2021	65 984	5 167	30	71 181
After 2022	25 128	40 062	13	65 203
Total future minimum lease payment	**289 247**	**60 744**	**4 230**	**354 220**

NOTE 21 OTHER COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company is required to participate in the approved work programmes for the licenses.

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 as at 31 December 2017.

NOTE 22 RELATED PARTIES

For related party transactions, please see note 15 in the financial statements

NOTE 23 RESERVES (UNAUDITED)

The Company`s proved and probable oil and gas reserves (2P) have been at the end of 2017 estimated to approximately 29 mmboe. Reserves are calculated in accordance with Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE).

Reserves represent the Company`s share of reserves according to operator`s reserve estimate in Valhall & Hod fields.

NOTE 24 SUBSEQUENT EVENTS

In January 2018 Pandion Energy was awarded 2 licenses in the APA 2017 round. Following the award the Company now holds a total of 10 licenses.

Following the acquisition of 10% interest in Valhall & Hod fields the Company has commenced a process to secure external funding, with target completion early April 2018.

On 27 March 2018 an extraordinary General Meeting in Pandion Energy passed a resolution of share capital increase of NOK 317 million by way of shareholder loan conversion.

The Ministry of Petroleum and Energy approved the plan for development and operation (PDO) for Valhall Flank Vest on 23 March 2018, where Pandion Energy has a 10% interest. The project aim to continue the development of the Tor formation on the western flank of the Valhall field. Capital expenditures net to Pandion are estiamated to NOK 550 million over 2018-20.

Auditor´s report

Deloitte.

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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pandion Energy AS which comprise the balance sheet statements as 31 December 2017, statements of income, statements of comprehensive income and statements of cash flow 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 simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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.

Responsibilities 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 simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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.

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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 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 those charged with governance 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.

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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, 6 April 2018
Deloitte AS

Mette Herdlevær

Mette Herdlevær
State Authorised Public Accountant (Norway)

Quality is not an act, it is a habit.

Aristotle

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