



PANDION ENERGY

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Interim Financial Statements
(unaudited)

Third Quarter 2020





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Interim Financial Statements 3Q 2020

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Introduction



General information

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

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

Introduction



Accounting principles

These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with the Company annual financial statement as at 31 December 2019.

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

As described in the company's annual financial statements for 2019, The Company has, with effect from 1 January 2019, implemented the amendments to IFRS 9 Prepayment features with negative compensation, IAS 19 Plan amendment, curtailment or settlement, IAS 28 Long-term Interests in Associates and Joint Ventures, IFRIC 23 Uncertainty over income tax treatments and annual improvements to IFRSs 2015-2017. The implementation of these standards has not had a material impact on the entity in the current reporting period.

From 1 January 2019, the Company has applied IFRS 16 Leases using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For further detailed information on accounting principles, please refer to the Financial Statements for 2019.

Third Quarter 2020 Summary



Financial review

Total revenue was USD 21.3 (25.0 in Q3 19) million, and reported operating profit USD -3.4 (7.4 in Q3 19) million.

EBITDAX amounted to USD 15.9 million (17.5 in Q3 2019). Net income came in at USD 1.9 million (-1.5 in Q3 2019).

Revenue was related to oil sales from the Valhall and Hod fields, (450 kboe in Q3 2020 compared to 347.5 kboe in Q3 2019). The financial results in the quarter were impacted by lower commodity prices with an average realised oil price before hedging of USD 43.7 (64.4 in Q3 2019) per bbl.

The operating expenses amounted to USD 5.5 (7.5 in Q3 2019) million.

Investments in fixed assets amounted to USD 13.8 million driven by investments in the Valhall field, mainly well stimulation at Flank West and Flank South West, and re-development of the Hod field.

The Company's interest-bearing debt was USD 174.7 million at the end of the third quarter compared to USD 166.5 million at the end of second quarter 2020.

Financial review cont.

Pandion Energy has a robust and diversified capital structure made up of committed equity of USD 193 million (of which 112 million injected to date), a Reserve Based Lending Facility of USD 150 million (the "RBL facility"), and a senior Unsecured Bond Loan of NOK 400 million (the "Unsecured Bond"). The current borrowing base in the RBL facility is USD 150 million. The Company has also extended the Exploration Finance facility ("EFF") of NOK 400 million by one year. The EFF can be drawn until 31.12.2020 with repayment in Q4 2021.

Provisional tax changes to stimulate investments in the petroleum sector were sanctioned by Norway's parliament on 12 June and provide Pandion Energy with a significant liquidity boost. The arrangement with negative tax instalment means that the refund of the tax value of losses incurred in 2020 and 2021 will be refunded in advance of the tax assessment on a running basis through the instalment tax regime, and during third quarter Pandion Energy received tax refunds of USD 10.5 million.

Third Quarter 2020 Summary



Hedging

In order to reduce the risk related to oil price fluctuations, the Company has established an oil price hedging programme. At the end of September 2020, Pandion Energy had put in place a hedging programme until end of Q2 2021. The hedging program is based on a combination of put options and collar structures.

At the end of September, 109% of estimated after tax (31% of pre tax) oil production volumes in the period October – December 2020 had been hedged. The average floor in the hedging instruments is 32 USD/bbl. The hedging of more than 100% of estimated after tax oil production volumes is solely based on put options and is established in order to protect liquidity. For the period January – June 2021, 48% of after tax (14% of pre tax) oil production volumes has been hedged at an average floor price of 34 USD/bbl. Additional positions may be added to the program going forward, however, the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

The Company has recognised a loss from hedging presented as other income. The loss amounted to USD 0.7 million in Q3 2020, of which USD 1.2 million was realised gain.

Third Quarter 2020 Summary



Operational review

Valhall & Hod fields

Production from the Valhall and Hod fields was 5.8 (5.2 in Q2 2020) thousand barrels of oil equivalents per day net to Pandion during third quarter, an increase of 11 per cent.

Stimulation activities continued at Valhall Flank West, with two new wells brought on stream during the quarter. However, the production ramp-up has been slower than initially expected. A more conservative strategy when starting production from the new wells has been required in order to mitigate chalk influx.

A shallow gas pilot, confirming no gas, was drilled by the Maersk Invincible drilling rig in preparation for the Hod Field Development. The rig has now been moved to the field centre for plugging of wells at the old DP platform.

The Hod field will be developed with a normally unmanned installation remotely controlled from the Valhall field centre. The construction of the Hod facilities is well underway at the Kværner yard in Verdal. The Subsea Alliance has completed the first offshore campaign by preparing for a hot tap operation that will take place next year. The Modification Alliance has commenced detailed engineering and will be ready to start offshore work by the end of the year. Production start is planned for first quarter 2022, and the recoverable reserves are estimated at around 40 million barrels of oil equivalents.

Exploration

During Q3 2020, Pandion Energy entered into an agreement with ConocoPhillips Skandinavia AS ("ConocoPhillips") to swap half of its 20 per cent interest in PL 1047 in the North Sea in exchange for ConocoPhillips' 20 percent interest in PL 938, containing the Calypso prospect. An exploration well is planned to be drilled in the license in 2021 or 2022. The transaction is subject to approval by the Norwegian Ministry of Petroleum and Energy.

In October 2020, the drilling of an exploration well Appolonia in PL 263 D/E was completed with a small gas discovery. The licence is operated by Equinor Energy AS, with Pandion Energy AS and Lime Petroleum AS as partners. The costs of the exploration well have been expensed as at 30.09.2020.

Third Quarter 2020 Summary



Covid-19 measures and consequences

Pandion Energy continue to closely monitor the Covid-19 situation with the objective of making sure necessary measures are taken to protect staff and operations.

Pandion Energy is a non-operator and not directly involved in the execution of offshore operations on a day-to day basis. However, as partner in the Valhall & Hod fields the Company is actively in dialogue with the operator to ensure that all necessary steps are taken to protect offshore personnel against the pandemic. Extensive measures have been implemented by the operator at Valhall area to ensure safe and reliable operations and during second quarter mandatory testing for all offshore personnel has been implemented by Aker BP. To date no virus-related disruption to the Valhall & Hod operations have been reported.

Except for the operations at Valhall & Hod fields, the Company was during third quarter involved in other offshore activities by the drilling of an exploration well Appolonia in PL 263 D/E. No virus-related disruption to the Appolonia drilling was reported.

In the low oil price environment and the unknown time for recovery to previous scenarios the Company continues to take necessary steps to ensure that the Company remains financially sound also in a scenario with low oil prices for an extended period of time.

Other activities

Pandion is monitoring the pricing of its senior unsecured bond loan and considers, subject to market conditions, to take advantage of opportunities to repurchase bonds at value-accretive prices. Potential investments in the Company's own bond debt have been permitted by the lenders under the RBL facility. In September 2020, Pandion Energy has performed a buyback of own bonds with the par value of NOK 5 million.

Pandion Energy will continue to be an active and responsible partner in driving value in high quality assets on the Norwegian Continental Shelf. As part of this, the company actively searches for and evaluates opportunities to make value-accretive investments (e.g. through acquisitions, farm-ins, licencing rounds, swaps or other) and to divest assets to realise value created in its existing portfolio (e.g. through sale, farm-downs, swaps or other).

Statement of income

30 September 2020



Current quarter				Year to date		Last Year
Q3 2020	Q3 2019	(Amounts in USD'000)	Note	2020	2019	2019
22 027	24 406	Revenues		61 401	74 591	103 489
-	-	Gains from sale of assets		35 951	-	29 909
(715)	556	Other income		5 225	(6 240)	(8 327)
21 312	24 962	Total revenues and income	8	102 577	68 351	125 070
(5 473)	(7 479)	Operating expenses		(24 570)	(27 986)	(34 576)
(7 631)	(5 762)	Depreciation, amortisation and net impairment losses	1,3	(52 762)	(15 478)	(21 936)
(11 599)	(4 304)	Exploration expenses		(16 171)	(20 511)	(24 078)
(24 703)	(17 546)	Total expenses		(93 502)	(63 975)	(80 591)
(3 391)	7 416	Profit from operating activities		9 075	4 376	44 480
(2 035)	(4 290)	Net financial items	7	(13 137)	(13 102)	(18 780)
(5 426)	3 127	Profit (loss) before taxes		(4 062)	(8 726)	25 700
7 358	(4 658)	Income tax		11 012	1 059	329
1 932	(1 531)	Net profit (loss)		6 950	(7 667)	26 029

Statement of comprehensive income

30 September 2020



Current quarter		Statements of comprehensive income	Year to date	Last Year	
Q3 2020	Q3 2019	(Amounts in USD '000)	2020	2019	2019
1 932	(1 531)	Net profit (loss)	6 950	(7 667)	26 029
		<i>Items that may be subsequently reclassified to the Statement of income</i>			
328	(3 956)	Net gain/losses arising from hedges recognised in OCI	(2 014)	(4 872)	(3 018)
520	3 267	Net amount reclassified to profit and loss	1 507	3 084	1 904
(187)	151	Tax on items recognised over OCI	112	393	245
661	(537)	Other comprehensive income	(396)	(1 395)	(869)
2 593	(2 068)	Total comprehensive income	6 555	(9 062)	25 160

Statement of financial position

30 September 2020



Assets

(Amounts in USD'000)	Note	30.09.2020	30.09.2019	31.12.2019
Tax receivable from exploration refund		14 919	15 262	-
Goodwill	2,3	93 442	124 785	124 785
Intangible assets	2,3	46 843	40 580	52 583
Property, plant and equipment	1,3	331 668	288 578	285 593
Prepayments and financial receivables		126	130	135
Right-of-use assets	9	817	1 313	1 212
Total non-current assets		487 814	470 649	464 308
Inventories		5 877	3 256	3 864
Trade and other receivables		10 521	16 501	14 889
Assets classified as held for sale		-	-	17 563
Financial assets at fair value through profit or loss		1 220	1 835	-
Tax receivable - short term	10	41 134	8 702	20 296
Cash and cash equivalents		22 520	22 297	46 557
Total current assets		81 271	52 590	103 170
Total assets		569 085	523 239	567 478

Statement of financial position

30 September 2020



Equity and liabilities

(Amounts in USD '000)	Note	30.09.2020	30.09.2019	31.12.2019
Share capital		113 825	113 492	113 492
Other equity		28 084	(12 693)	21 529
Total equity	4	141 909	100 798	135 021
Deferred tax liability	10	53 851	19 012	14 455
Asset retirement obligations	5	158 333	148 001	156 875
Borrowings	6	148 007	185 932	176 027
Hedging derivatives		13 889	12 197	9 941
Long term lease debt	9	654	990	901
Total non-current liabilities		374 733	366 132	358 199
Asset retirement obligations - short term	5	14 104	13 199	16 734
Trade, other payables and provisions		21 502	34 495	33 849
Borrowings - short term	6	15 939	8 262	23 071
Financial liabilities at fair value through profit or loss		694	-	252
Short term lease debt	9	204	352	352
Total current liabilities		52 444	56 308	74 258
Total liabilities		427 177	422 440	432 457
Total equity and liabilities		569 085	523 239	567 478

Statement of cash flows

30 September 2020



(Amounts in USD '000)	Note	Year to date		Last year
		Q3 2020	Q3 2019	2019
Profit (loss) before taxes		(4 062)	(8 726)	25 700
Depreciation, amortisation and net impairment losses	1,3	52 824	15 539	22 021
Expensed capitalised exploration expenses	2	8 880	13 532	14 831
Accretion of asset removal liability	5,7	4 693	4 511	5 987
(Gains) losses on sales of assets		(35 951)	-	(29 909)
(Increase) decrease in value of financial asset at fair value through profit or loss	9	(5 225)	6 240	8 327
(Increase) decrease operational financial asset		5 163	-	-
Net financial expenses		8 444	8 590	12 793
Interest and fees paid		(7 909)	(8 808)	(14 050)
(Increase) decrease in working capital		(20 167)	4 939	14 520
Income tax received		10 514	-	8 513
Net cash flow from operating activities		17 203	35 817	68 733
Payment for removal and decommissioning of oil fields	5	(5 865)	(6 872)	(7 279)
Capital expenditures and investments in furniture, fixtures and office machines	1	(18)	(169)	(169)
Capital expenditures and investments in oil and gas assets	1	(52 533)	(72 225)	(126 060)
Capital expenditures and investments in exploration and evaluation assets	2	(11 819)	(27 983)	(36 388)
Cash flow from divestments		59 377	-	51 324
Net cash flow from investing activities		(10 859)	(107 248)	(118 571)
Increase interest bearing obligations, loans and borrowing		36 726	74 595	94 443
Decrease interest bearing obligations, loans and borrowing		(67 440)	-	(17 179)
Proceeds from capital distribution		333	-	-
Net cash flow from financing activities		(30 381)	74 595	77 264
Net change in cash and cash equivalents		(24 037)	3 165	27 424
Cash and cash equivalents at the beginning of the period		46 557	19 133	19 133
Cash and cash equivalents at the end of the period		22 520	22 297	46 557

Notes to the interim financial statements



NOTE 1 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets	Tools and equipment	Total
(Amounts in USD'000)			
Carrying amount at 31 December 2018	198 675	68	198 743
Additions	126 060	169	126 229
Disposals	(27 226)	-	(27 226)
Asset removal obligation - change of estimate	11 340	-	11 340
Transfers to Assets held for sale	(27 260)	-	(27 260)
Transfers from intangible assets	25 789	-	25 789
Depreciation	21 936	85	22 021
Carrying amount at 31 December 2019	285 441	152	285 594
Additions	52 533	18	52 552
Disposals	-	(20)	(20)
Transfers from intangible assets	15 024	-	15 024
Depreciation	21 419	62	21 481
Carrying amount at 30 September 2020	331 580	89	331 668
Estimated useful lives (years)	UoP	3-10	

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

Notes to the interim financial statements



NOTE 2 INTANGIBLE ASSETS

	Goodwill	Exploration and evaluation assets	Total
(Amounts in USD '000)			
Carrying amount at 31 December 2018	124 785	59 110	183 895
Acquisition	-	198	198
Capitalised licence costs	-	36 190	36 190
Expensed exploration expenditures previously capitalised	-	(14 831)	(14 831)
Disposals	-	(1 141)	(1 141)
Transfers to Assets held for sale	-	(1 154)	(1 154)
Transfers to tangible assets	-	(25 789)	(25 789)
Carrying amount at 31 December 2019	124 785	52 583	177 368
Capitalised licence costs	-	18 164	18 164
Expensed exploration expenditures previously capitalised	-	(8 880)	(8 880)
Impairment	31 343	-	31 343
Transfers to tangible assets	-	(15 024)	(15 024)
Carrying amount at 30 September 2020	93 442	46 843	140 285

The amount of Goodwill entirely relates to the acquisition of interest in the Valhall and Hod oil fields.
Expensed exploration expenditures previously capitalised is related to dry targets and relinquished licences.

Notes to the interim financial statements



NOTE 3 IMPAIRMENTS

The remaining goodwill as at 30 September 2020 is USD 93 million, all technical goodwill related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base by purchase of Valhall & Hod fields. Prior period impairment of goodwill is not subject to reversal.

Technical goodwill is tested for impairment separately for Valhall & Hod fields which gave rise to the technical goodwill. The carrying value of Valhall & Hod fields consists of the carrying values of the oil field assets plus associated technical goodwill. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more technical goodwill as a result is exposed for impairment.

Impairment tests of individual cash-generating units are performed when impairment triggers are identified and for goodwill impairment is tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In Q3 2020, two categories of impairment tests have been performed:

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

In the assessment of whether further impairment is required at 30 September 2020, Pandion Energy has used a combination of Brent forward curve from the beginning of Q4 2020 to the end of 2021, a mean of market participant view from 2022 to 2025 and a 2% inflation of the 2025 market participant view from 2026 and onwards, a future cost inflation rate of 2% per annum and a discount rate of 8% to calculate the future post tax cash flows.

No further impairments have been recognised in Q3 2020.

Notes to the interim financial statements



NOTE 4 EQUITY AND SHAREHOLDERS

(Amounts in USD '000)

	Share Capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 31 December 2018	113 491	(2 577)	(1 054)	109 861
Net income for the period	-	-	26 029	26 029
Other comprehensive income (loss) for the period	-	(869)	-	(869)
Shareholders' equity at 31 December 2019	113 491	(3 446)	24 975	135 021
Share capital increase	333	-	-	333
Net income for the period	-	-	6 950	6 950
Other comprehensive income (loss) for the period	-	(396)	-	(396)
Shareholders' equity at 30 September 2020	113 824	(3 842)	31 925	141 909

Share capital of NOK 914,930,634.27 comprised 911,921,294 of shares at a nominal value of NOK 1.0033.

A Subscription and Investment Agreement between Pandion Energy and Kerogen has been executed for 190 USD million in equity, of which 109 USD million (889,4 NOK million) has been injected as of 30 June 2018 in addition to 3 USD million (22,5 NOK million) from the management team of Pandion Energy.

The capital of 190 USD million is committed to Pandion Energy and can be drawn upon approval of the Board of Directors of the Company. Kerogen has further a right, however not an obligation to provide additional funds in an amount up to 110 USD million, resulting in an aggregate funding up to 300 USD million.

In 2018, Pandion Energy Holding AS was established and all shares in Pandion Energy AS were transferred to Pandion Energy Holding AS. Pandion Energy Holding AS owns all 911 921 294 shares as at 31 December 2018. The Company is included in the consolidated financial statements of the parent company Pandion Energy Holding AS. The consolidated financial statements of Pandion Energy Holding AS can be obtained at the company's registered address Lilleakerveien 8, 0283 Oslo.

Notes to the interim financial statements



NOTE 5 ASSET RETIREMENT OBLIGATIONS

	Asset retirement obligations
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(Amounts in USD '000)	
Asset retirement obligations at 31 December 2018	163 561
New or increased provisions	12 890
Asset removal obligation - change of estimate	(1 550)
Amounts charged against asset retirement obligations	(7 279)
Accretion expenses	5 987
Asset retirement obligations at 31 December 2019	173 609
<hr/>	
Amounts charged against asset retirement obligations	(5 865)
Accretion expenses	4 693
Asset retirement obligations at 30 September 2020	172 437
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Non-current portion 30 September 2020	158 333
Current portion 30 September 2020	14 104

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

Notes to the interim financial statements



NOTE 6 BORROWINGS

Revolving Exploration Loan Facility

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 30 September 2020	NOK	32 340	9 848	NIBOR + 1.25 %	Nov 2021	32 146
At 31 December 2019	NOK	23 208	22 348	NIBOR + 1.25 %	Nov 2020	23 071

The total credit limit for the Company at 30 September 2020 was TNOK 400 000.

The Company signed a Revolving Exploration Finance Facility Agreement ("EFF") on 13 November 2017 of TNOK 400 000. The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The availability period of the facility was until 31.12.2019. The Company has extended the availability period by one year. The EFF can be drawn until 31.12.2020 with repayment in Q4 2021.

Unsecured Bond

	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
(Amounts in USD'000)					
At 30 September 2020	NOK	50 330	10.61%	April 2023	41 070
At 31 December 2019	NOK	50 967	10.61%	April 2023	44 607

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

Notes to the interim financial statements



NOTE 6 BORROWINGS (cont)

Reserve Base Lending Facility Agreement (RBL)

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(Amounts in USD'000)						
At 30 September 2020	USD	92 000	58 000	LIBOR + 3.5%	July 2026	89 814
At 31 December 2019	USD	133 100	16 900	LIBOR + 3.5%	July 2026	130 419

The RBL facility was established in 2018 and is a senior secured seven-year facility. In 2019 the RBL lenders approved to postpone the Final Maturity Date from 9 April 2025 to 1 July 2026. The facility is at USD 150 million with an additional uncommitted accordion option of USD 150 million. The interest rate is from 1-6 months LIBOR plus a margin of 3.5%. In addition, a commitment fee is paid for unused credits.

The financial covenants are as follows:

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

Notes to the interim financial statements



NOTE 6 BORROWINGS (cont)

Non-current Liabilities to related parties

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

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

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

Maturity profile on total borrowings based on contractual undiscounted cash flows

	30.09.2020	2019
(Amounts in USD'000)		
Less than 12 months	15 939	23 208
1 to 5 years	66 731	50 967
Over 5 years	93 000	134 100
Total	175 670	208 275

Notes to the interim financial statements



NOTE 7 FINANCIAL ITEMS

	Current quarter		Year to date		Last year
	Q3 2020	Q3 2019	2020	2019	2019
(Amounts in USD`000)					
Net foreign exchange gains (losses)	1 034	467	856	1 238	(101)
Foreign exchange gains/losses on derivative financial instruments	1 220	-	-	-	-
Interest income	2	32	68	99	192
Amortised loan costs	(308)	(212)	(752)	(656)	(678)
Accretion expenses	(1 568)	(1 477)	(4 693)	(4 511)	(5 987)
Interest expenses	(2 546)	(3 043)	(8 640)	(9 026)	(11 948)
Other financial items	131	(57)	24	(246)	(259)
Net financial items	(2 035)	(4 290)	(13 137)	(13 102)	(18 780)

Notes to the interim financial statements



NOTE 8 SEGMENT INFORMATION AND DISAGGREGATION OF REVENUE

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

The Company's revenue is disaggregated as follows:

Revenues	Current quarter		Year to date		Last year
	Q3 2020	Q3 2019	2020	2019	2019
(Amounts in USD '000)					
Oil	19 653	22 380	52 863	67 451	93 926
Gas	2 300	1 956	6 901	5 722	8 028
NGL	75	70	1 638	1 418	1 484
Other	-	-	-	-	50
Total revenues	22 027	24 406	61 401	74 591	103 489

Other income	Current quarter		Year to date		Last year
	Q3 2020	Q3 2019	2020	2019	2019
(Amounts in USD '000)					
Realised gain/(loss) on oil derivatives	1 183	(1 057)	5 667	(2 889)	(3 843)
Unrealised gain/(loss) on oil derivatives	(1 898)	1 613	(442)	(3 352)	(4 484)
Total other income	(715)	556	5 225	(6 240)	(8 327)

Notes to the interim financial statements



NOTE 9 LEASING AND COMMITMENTS

Pandion Energy adopted the accounting standard IFRS 16 Leases on 1 January 2019. The Company adopted the modified retrospective approach upon transition, which has resulted in all the transition impact being reported as adjustments to opening balances, and comparative periods have not been restated. Short term leases (less than 12 months) and low value leases have not been included. The lease does not contain any restriction on the company's dividend policy or financing. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. The incremental borrowing rate applied in discounting of the nominal lease debt is 7 per cent.

(Amounts in USD'000)

Operating lease debt after IFRS 16 at 01.01.2019	1 230
New lease debt recognized in the period	375
Lease payments	(367)
Interest expense	92
Currency adjustments	(77)
Total lease debt at 31.12.2019	1 253
Remeasurement lease liability	55
New lease debt recognised in the period	12
Derecognition of lease liability	(234)
Lease payments	(308)
Interest expense	45
Currency adjustments	35
Total lease debt 30.09.2020	858

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

- Right-of-use assets – increase by USD 1,230 thousand
- Long term lease liabilities – increase by USD 940 thousand
- Short term lease liabilities – increase by USD 289 thousand

Notes to the interim financial statements



NOTE 9 LEASING AND COMMITMENTS (cont)

Pandion Energy has recognised the lease related to office facilities as a lease after IFRS 16. The original contract runs for five years from 2018 and contains a renewal option for another three years. The company has entered into an additional agreement for extra office space running from June 2019. The lease has an arrangement with contingent payment if the Company brings the lease to an end after three years. The Contingent payment will then be equal to six months rental payment. The lease does not contain any restriction on the company's dividend policy or financing.

Nominal lease debt maturity break down	30.09.2020	31.12.2019
Within 1 year	261	533
1 to 5 years	601	1 040
After 5 years	-	-
Total	863	1 573

Pandion Energy is a non-operator and recognises its proportionate share of a lease when Pandion Energy is considered to share the primary responsibility for a licence committed liability. This includes contracts where Pandion has co-signed a lease contract, or contracts for which the operator has been given a legally binding mandate to sign the external lease on behalf of the licence partners.

The Company has commitments pertaining to its ownership in partner operated oil and gas fields where the operator has entered into lease agreements for rigs in the licence. For Valhall, the operator has entered into a lease agreement for Maersk Invincible, delivered in May 2017. The contract period is five years, with an additional two years option period.

Commitments partner-licences rigs	30.09.2020	31.12.2019
Within 1 year	7 885	8 860
1 to 5 years	5 156	10 391
After 5 years	-	-
Total	13 041	19 251

An exploration well in licence PL 891 will be drilled during 2020 where lease agreements for a rig have been entered into by the operator on behalf of partners. These lease commitments are not included in the above overview.

Notes to the interim financial statements



NOTE 10 TAX

Certain temporary changes in the Norwegian Petroleum Tax Law were enacted on 19 June 2020. These changes included a temporary ruling for depreciation and uplift, whereas all investments incurred for income years 2020 and 2021 including 24 percent uplift can be deducted from the basis for special tax in the year of investment. These changes also apply for all investments according to Plans for Development and Operation delivered within 31 December 2022 and approved within 31 December 2023. In addition, the tax value of any losses incurred in 2020 and 2021 will be refunded from the state. The tax effect for 2020 of the temporary changes is included as of Q3 and contributes to increase in deferred tax liabilities and increase in tax receivable – short term.

Notes to the interim financial statements



NOTE 11 CONTINGENT LIABILITIES AND ASSETS

The Company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is limited to approximately USD 5.5 million.

Pandion Energy is further required to participate in the approved work programmes for the licences. The Company's operations involve risk of damages, including pollution. The Company has insured its pro rata liability on the NCS on a par with other oil companies.

The Company was not subject to any legal disputes at 30 September 2020.

NOTE 12 SUBSEQUENT EVENTS

In October 2020, the drilling of an exploration well Appolonia in PL 263 D/E was completed with a small gas discovery . The licence is operated by Equinor Energy AS, with Pandion Energy AS and Lime Petroleum AS as partners. The costs of the exploration well have been expensed as at 30.09.2020.

Alternative performance measures



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

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

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

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



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