PANDION ENERGY

PANDION ENERGY

Interim Financial Statements
(unaudited)

Fourth Quarter 2020

Disclaimer

The information given in this presentation is meant to be correct, reliable and adequate, and is compiled by Pandion Energy AS's competent team. You may use the information for your own purpose. However, if the information is found to be incomplete, inaccurate or even wrong. Pandion Energy AS is not responsible and does not cover any costs or loss occurred related to the given information.

The information contained in this Presentation may include results of analyses from a quantitative model that may represent potential future events that may or may not be realized, and is not a complete analysis of every material fact relating to the Company or its business. This Presentation may contain projections and forward looking statements. The words “believe”, “expect”, “could”, “may”, “anticipate”, “intend” and “plan” and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in the Presentation, including, without limitation, those regarding the Financial information, the Company’s financial position, potential business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company’s actual results, performance, achievements and value to be materially different from any future results, performance, achievements or values expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future. No warranty or representation is given by the Company or any of the Managers as to the reasonableness of these assumptions. Further, certain forward-looking statements are based upon assumptions of future events that may not prove to be accurate. The contents of this Presentation are not to be construed as financial, legal, business, investment, tax or other professional advice. Each recipient should consult with its own financial, legal, business, investment and tax adviser as to financial, legal, business, investment and tax advice.

This Presentation is governed by Norwegian law. Any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts with Oslo District Court as exclusive legal venue.

Interim Financial Statements Q4 2020
Contents

PANDION ENERGY

Introduction

PANDION ENERGY

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.

Fourth Quarter 2020 Summary

PANDION ENERGY

Financial review

Total revenues was USD 15.3 (28.9 in Q4 19) million, related to sale of hydrocarbons from the Valhall and Hod fields. The reduced revenue was impacted by lower commodity prices with an average realised oil price before hedging of USD 45.5 (USD 66.2 in Q4 2019) per bbl together with lower sold volume due to lifting moved to January 2021 (274 kboe in Q4 2020 compared to 400 in Q4 2019). The production from the Valhall and Hod fields was however up from Q3 2020 to 5.9 kboed (5.8 in Q3 2020).

EBITDAX amounted to USD 11.7 million (51.1 in Q4 2019) with the decrease compared to Q4 2019 mainly driven by a USD 29.9 million after tax accounting gain of the sale of 10% share in the Duva field during the comparative periode. Profit from operating activities was USD - 31.1 million (40.1 in Q4 2019). In addition to the reduced EBITDAX the reduced profit is mainly driven by a USD 30.3 million write-down of technical goodwill in Q4 2020.

The operating expenses amounted to USD 2.9 (5.7 in Q4 2019) million.

Investments in fixed assets amounted to USD 10.5 million driven by investments in the Valhall field, mainly well stimulation at Flank West, and re-development of the Hod field.

The Company's interest-bearing debt was USD 157.6 million at the end of the fourth quarter compared to USD 174.7 million at the end of third 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 31.12.2021 with repayment in Q4 2022.

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 the second half of 2020 Pandion Energy received tax refunds of USD 31.7 million.

Fourth Quarter 2020 Summary

PANDION ENERGY

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 December 2020, Pandion Energy had put in place a hedging programme until end of 2021. The hedging program is based on a combination of put options and collar structures.

At the end of December, 52% of after tax (15% of pre tax) crude oil production volumes has been hedged for the period January – December 2021 at an average floor price of 37 USD/bbl (USD 34/bbl net of costs). 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 realised loss from hedging in Q4 2020 presented as other income. The loss amounted to USD 0.7 million in Q4 2020.

Fourth Quarter 2020 Summary

PANDION ENERGY

Operational review

Valhall & Hod fields

Production from the Valhall and Hod fields was 5.9 (5.8 in Q3 2020) thousand barrels of oil equivalents per day net to Pandion during fourth quarter, an increase of 2 per cent. Production efficiency was stable at 90 percent. Stimulation and intervention activities continued to bring the wells up to full production potential.

The Maersk Invincible drilling unit remained at the field centre throughout the quarter to plug and abandon (P&A) the remaining wells at the old Drilling Platform (DP) which is subject to removal. The P&A operations are progressing well and are expected to continue into the first quarter.

The Hod project is progressing as planned at the Aker Solutions yard in Verdal. A milestone was reached when the Ministry of Petroleum and Energy (MPE) approved the Plan for Development (PDO) on 8 December. Production start is planned for first quarter 2022, and the recoverable reserves are estimated at around 40 million barrels of oil equivalents. In conjunction with the PDO approval the Hod production license (PL033) was granted an extension through 2035.

Exploration

On 22 December, Pandion Energy announced a significant oil discovery in exploration well 6507/5-10 S in PL 891. Pandion holds a 20 % interest in the discovery. The well encountered a total oil column of 270 metre in the Åre formation and Grey Beds. Sandstone layers of 90 meters were encountered within the oil column with generally very good reservoir properties. Preliminary estimates place the size of the discovery between 75 and 200 million barrels oil equivalent.

On 31 December Pandion Energy entered into an agreement with Wintershall DEA Norge AS to acquire a 2.5 % interest in PL 820S – Iving Discovery and a 15% interest in PL 617. Pandion Energy increases its interest in PL 820S to 12.5 %. The transaction is subject to customary conditions for completion. Effective date for the transaction is 1 January 2021.

In January 2021, Pandion Energy AS was awarded five licences under the 2020 APA (Award in Pre-defined Areas) licence round on the Norwegian Continental Shelf. That includes two new licences and three additional acreages in the licences already existing in the portfolio. In addition to expanding the exploration portfolio with two new licenses Pandion has, with the awards of additional acreages secured strategically important acreage surrounding discoveries Pandion has taken part in during 2020, and strengthened the position in areas where the Company see additional upside potential.

Fourth Quarter 2020 Summary

PANDION ENERGY

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. 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 fourth quarter involved in other offshore activities by the drilling of an exploration well Slagugle in PL 891. No virus-related disruption to the Slagugle drilling was reported.

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 2020, Pandion Energy has performed a buyback of own bonds with the par value of NOK 11 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).

Fourth Quarter 2020 Summary

PANDION ENERGY

Other activities cont.

In January 2021 Pandion launched its Strategy to Net Zero Carbon Emissions.

The Company`s carbon intensity per produced barrel is one of the lowest in the global E&P industry – ranging from 1.2-3.4 CO2e/boe for its net production, and the commitment to carbon neutrality has been achieved initially by offsetting CO2 emissions through programmes that are aligned with the UN Sustainable Development Goals.

The Company`s future approach to maintain its low carbon impact is set out in its Strategy to Net Zero Carbon document and includes:

- Pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources
- Incorporating the GHG emissions and the potential for future carbon reduction as a new investment criterion for Development and Production assets
- Incorporating the cost of carbon in evaluating new investments

Statement of income
31 December 2020

Quarterly				Full year	
Q4 2020	**Q4 2019**	**(Amounts in USD`000)**	**Note**	**2020**	**2019**
15 273	28 897	Revenues		76 675	103 489
	29 909	Gains from sale of assets		35 951	29 909
(672)	(2 087)	Other income		4 554	(8 327)
14 601	**56 719**	**Total revenues and income**	8	**117 180**	**125 070**
(2 866)	(5 656)	Operating expenses		(27 436)	(34 576)
(38 179)	(6 458)	Depreciation, amortisation and net impairment losses	1,3	(90 941)	(21 936)
(4 700)	(4 501)	Exploration expenses		(20 868)	(24 078)
(45 745)	(16 615)	Total expenses		(139 245)	(80 591)
(31 143)	**40 104**	**Profit from operating activities**		**(22 065)**	**44 480**
(2 111)	(6 082)	Net financial items	7	(15 248)	(18 780)
(33 254)	**34 023**	**Profit before taxes**		**(37 313)**	**25 700**
19 347	(730)	Income tax		30 359	329
(13 908)	**33 293**	**Net income**		**(6 954)**	**26 029**

Statement of comprehensive income
31 December 2020

Quarterly		Statements of comprehensive income	Full year	
Q4 2020	**Q4 2019**	**(Amounts in USD`000)**	**2020**	**2019**
(13 908)	33 293	Net income	(6 954)	26 029
		Items that may be subsequently reclassified to the Statement of income		
(4)	1 854	Net gain/losses arising from hedges recognised in OCI	(2 019)	(3 018)
470	(1 180)	Net amount reclassified to profit and loss	1 977	1 904
(103)	(148)	Tax on items recognised over OCI	9	245
363	526	Other comprehensive income	(32)	(869)
(13 544)	**33 819**	**Total comprehensive income**	**(6 987)**	**25 160**

Statement of financial position
31 December 2020

Assets

(Amounts in USD`000)	Note	31.12.2020	31.12.2019
Goodwill	2,3	63 138	124 785
Intangible assets	2,3	57 984	52 583
Property, plant and equipment	1,3	345 298	285 593
Prepayments and financial receivables		140	135
Right-of-use assets	9	731	1 212
Total non-current assets		**467 291**	**464 308**
Inventories		9 376	3 864
Trade and other receivables		8 469	14 889
Assets classified as held for sale		-	17 563
Financial assets at fair value through profit or loss		2 451	-
Tax receivable - short term	10	59 086	20 296
Cash and cash equivalents		16 846	46 557
Total current assets		**96 228**	**103 170**
Total assets		**563 520**	**567 478**

Statement of financial position
31 December 2020

Equity and liabilities

(Amounts in USD`000)	Note	31.12.2020	31.12.2019
Share capital		114 230	113 492
Other equity		14 542	21 529
Total equity	4	**128 773**	**135 021**
Deferred tax liability	10	73 499	14 455
Asset retirement obligations	5	160 936	156 875
Borrowings	6	127 501	176 027
Hedging derivatives		8 793	9 941
Long term lease debt	9	555	901
Total non-current liabilities		**371 285**	**358 199**
Asset retirement obligations - short term	5	12 737	16 734
Trade, other payables and provisions		25 689	33 849
Borrowings - short term	6	24 168	23 071
Financial liabilities at fair value through profit or loss		653	252
Short term lease debt	9	215	352
Total current liabilities		**63 462**	**74 258**
Total liabilities		**434 747**	**432 457**
Total equity and liabilities		**563 520**	**567 478**

PANDION ENERGY

Statement of cash flows
31 December 2020

PANDION ENERGY

(Amounts in USD`000)	Note	Full year 2020	Full year 2019
Profit (loss) before taxes		(37 313)	25 700
Depreciation, amortisation and net impairment losses	1,3	91 018	22 021
Expensed capitalised exploration expenses	2	9 574	14 831
Accretion of asset removal liability	5,7	6 176	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		(4 554)	8 327
(Increase) decrease operational financial asset		5 460	
Net financial expenses	7	9 072	12 793
Interest and fees paid		(11 420)	(14 050)
(Increase) decrease in working capital		(10 723)	14 520
Income tax received		50 158	8 513
Net cash flow from operating activities		**71 498**	**68 732**
Payment for removal and decommissioning of oil fields	5	(16 737)	(7 279)
Capital expenditures and investments in furniture, fixtures and office machines	1	(18)	(169)
Capital expenditures and investments in oil and gas assets	1	(62 995)	(126 060)
Capital expenditures and investments in exploration and evaluation assets	2	(30 482)	(36 388)
Cash flow from divestments		59 428	51 324
Net cash flow from investing activities		**(50 805)**	**(118 571)**
Increase interest bearing obligations, loans and borrowing		42 676	94 443
Decrease interest bearing obligations, loans and borrowing		(93 818)	(17 179)
Proceeds from capital distribution		738	-
Net cash flow from financing activities		**(50 404)**	**77 264**
Net change in cash and cash equivalents		(29 711)	27 424
Cash and cash equivalents at the beginning of the period		**46 557**	**19 133**
Cash and cash equivalents at the end of the period		**16 846**	**46 557**

Notes to the interim financial statements

PANDION ENERGY

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	62 995	18	63 013
Disposals	-	(20)	(20)
Asset removal obligation - change of estimate	10 625	-	10 625
Transfers from intangible assets	15 457	-	15 457
Depreciation	(29 294)	(76)	(29 371)
Carrying amount at 31 December 2020	**345 224**	**74**	**345 298**
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

PANDION ENERGY

NOTE 2 INTANGIBLE ASSETS

(Amounts in USD`000)	Goodwill	Exploration and evaluation assets	Total
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**
Acquisition	-	1 251	1 251
Capitalised licence costs	-	30 217	30 217
Expensed exploration expenditures previously capitalised	-	(9 574)	(9 574)
Impairment	(61 647)	-	(61 647)
Disposals	-	(1 036)	(1 036)
Transfers to tangible assets	-	(15 457)	(15 457)
Carrying amount at 31 December 2020	**63 138**	**57 984**	**121 122**

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 31 December 2020 amounted to USD 63.1 million and consists of 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 Q4 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 an impairment is required at 31 December 2020, Pandion Energy has used a combination of Brent forward curve from the beginning of 2021 to the end of 2022, a mean of market participant view from 2023 to 2026 and a 2% inflation of the 2026 market participant view from 2027 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.

Following the low oil price environment in 2020 and high uncertainty with regards to the magnitude of the implications going forward the Company has recognised a further impairment of technical goodwill in Q4 2020 amounting to USD 30.3 MUSD. The remaining goodwill as at 31 December 2020 amounts to USD 63.1 million. Total impairment of technical goodwill in 2020 amounts to USD 61.7 million.

Notes to the interim financial statements

PANDION ENERGY

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	738	-	-	**738**
Net income for the period	-	-	(6 954)	**(6 954)**
Other comprehensive income (loss) for the period	-	(32)	-	**(32)**
Shareholders' equity at 31 December 2020	**114 230**	**(3 478)**	18 021	128 773

Share capital of NOK 918,578,319.45 comprised 911,921,294 of shares at a nominal value of NOK 1.0073.

Pandion Energy Holding AS owns all 911,921,294 shares as at 31 December 2020. 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.

A Subscription and Investment Agreement between Pandion Energy Holding 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.

Notes to the interim financial statements

PANDION ENERGY

NOTE 5 ASSET RETIREMENT OBLIGATIONS

	Asset retirement obligations
(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**
New or increased provisions	6 486
Asset removal obligation - change of estimate	4 139
Amounts charged against asset retirement obligations	(16 737)
Accretion expenses	6 176
Asset retirement obligations at 31 December 2020	**173 673**
Non-current portion 31 December 2020	*160 936*
Current portion 31 December 2020	*12 737*

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 31 December 2020	NOK	24 529	22 350	NIBOR + 1.75 %	Dec 2021	24 168
At 31 December 2019	NOK	23 208	22 348	NIBOR + 1.25 %	Dec 2020	23 071

The total credit limit for the Company at 31 December 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 Company has extended the availability period by one year during Q4 2020. The EFF can be drawn until 31.12.2021 with repayment in Q4 2022.

Unsecured Bond

	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
(Amounts in USD'000)					
At 31 December 2020	NOK	49 566	10.61%	April 2023	45 077
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 31 December 2020	USD	83 500	66 500	LIBOR + 3.5%	July 2026	81 424
At 31 December 2019	USD	133 100	16 900	LIBOR + 3.5%	April 2025	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.

PANDION ENERGY

NOTE 6 BORROWINGS (cont)

Non-current Liabillities to related parties

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

	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 Energy.

Maturity profile on total borrowings based on contractual undiscounted cash flows

	31.12.2020	31.12.2019
(Amounts in USD`000)		
Less than 12 months	24 529	23 208
1 to 5 years	49 566	50 967
Over 5 years	84 500	134 100
Total	**158 595**	**208 275**

Notes to the interim financial statements

PANDION ENERGY

NOTE 7 FINANCIAL ITEMS

	Quarterly		Full year	
	Q4 2020	**Q4 2019**	**2020**	**2019**
(Amounts in USD`000)				
Net foreign exchange gains (losses)	304	(1 743)	(59)	(101)
Foreign exchange gains/losses on derivative financial instruments	1 232	-	2 451	-
Interest income	246	93	314	192
Amortised loan costs	(235)	(22)	(988)	(678)
Accretion expenses	(1 483)	(1 476)	(6 176)	(5 987)
Interest expenses	(2 416)	(2 922)	(11 057)	(11 948)
Other financial items	242	(12)	266	(259)
Net financial items	**(2 111)**	**(6 082)**	**(15 248)**	**(18 780)**

Notes to the interim financial statements

PANDION ENERGY

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:

	Quarterly		Full year	
Revenues	**Q4 2020**	**Q4 2019**	**2020**	**2019**
(Amounts in USD`000)				
Oil	12 450	26 475	65 312	93 926
Gas	2 757	2 306	9 658	8 028
NGL	67	66	1 705	1 484
Other	-	50	-	50
Total revenues	**15 273**	**28 897**	**76 675**	**103 489**

	Quarterly		Full year	
Other income	**Q4 2020**	**Q4 2019**	**2020**	**2019**
(Amounts in USD`000)				
Realised gain/(loss) on oil derivates	(712)	(954)	4 955	(3 843)
Unrealised gain/(loss) on oil derivates	41	(1 133)	(401)	(4 484)
Total other income	**(671)**	**(2 087)**	**4 554**	**(8 327)**

Notes to the interim financial statements

PANDION ENERGY

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	30
New lease debt recognised in the period	12
Derecognition of lease liability	(234)
Lease payments	(383)
Interest expense	63
Currency adjustments	29
Total lease debt 31.12.2020	**770**

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

PANDION ENERGY

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	**31.12.2020**	**31.12.2019**
Within 1 year	234	533
1 to 5 years	564	1 040
After 5 years	-	-
Total	**798**	**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	**31.12.2020**	**31.12.2019**
Within 1 year	7 384	8 860
1 to 5 years	3 887	10 391
After 5 years	-	-
Total	**11 272**	**19 251**

On PL 820S, the Iving discovery, a lease agreement for a rig has been entered into by the operator on behalf of partners to be used for the appraisal program in 2021. This lease commitment is not included in the above overview.

Notes to the interim financial statements

PANDION ENERGY

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 per cent 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 of the temporary changes is included as of 31.12.2020 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. The Company has future contractual obligations related to development projects in non-operated licences of approximately USD 31.7 million, mainly related tot he Hod Development project.

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 31 December 2020.

NOTE 12 SUBSEQUENT EVENTS

In January 2021, Pandion Energy AS was awarded five licences under the 2020 APA (Award in Pre-defined Areas) licence round on the Norwegian Continental Shelf. That includes two new licences and three additional acreages in the licences already existing in the portfolio.

On 31 December 2020, Pandion Energy has entered into an agreement with Wintershall DEA Norge AS to acquire a 2.5 per cent interest in in PL 820 S - Iving Discovery and a 15 per cent interest in PL 617. The transaction is subject to customary conditions for completion. Effective date for the transaction is 1. January 2021

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

PANDION ENERGY

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

Visiting address:
Lilleakerveien 8
N-0283 Oslo, Norway

www.pandionenergy.no

Org. no. 918 175 334