Pandion Energy AS

Interim financial statements (unaudited)

Second quarter 2022

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Content

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 amended and restated reserve based lending facility (“RBL”) agreement dated 2 June 2022
- Bond terms for senior unsecured bond dated 2 June 2022

Pandion Energy completed the acquisition of ONE-Dyas Norge AS on 30 June 2022. Following completion of the transaction, ONE-Dyas Norge AS has become a wholly owned subsidiary of Pandion Energy and the name of the company has been changed to Pandion Energy Norge AS (“Pandion Energy Norge”). These interim financial statements are not a consolidated report including Pandion Energy Norge, but information regarding estimated effects on the balance sheet items as at 30 June 2022 has been prepared, please refer to note 11. In accordance with conditions set forth in the approval by the Norwegian Ministry of Petroleum and Energy the two companies will be merged with Pandion Energy as surviving entity. The merger is expected to be completed within year end 2022.

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

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 financial statements of the company for the period ending 31 December 2021.

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 2021, there have been no significant changes to the accounting policies adopted for financial year 2021 compared to those followed in the financial statements for 2020.

The company has not adopted certain new accounting standards and interpretations which have been published, but are not mandatory as of 31 December 2021. These standards and interpretations are not expected to have a material impact on the entity, neither in the current or future reporting periods, or foreseeable future transactions.

For further detailed information on accounting principles, please refer to the financial statements for 2021.

Summary of the quarter

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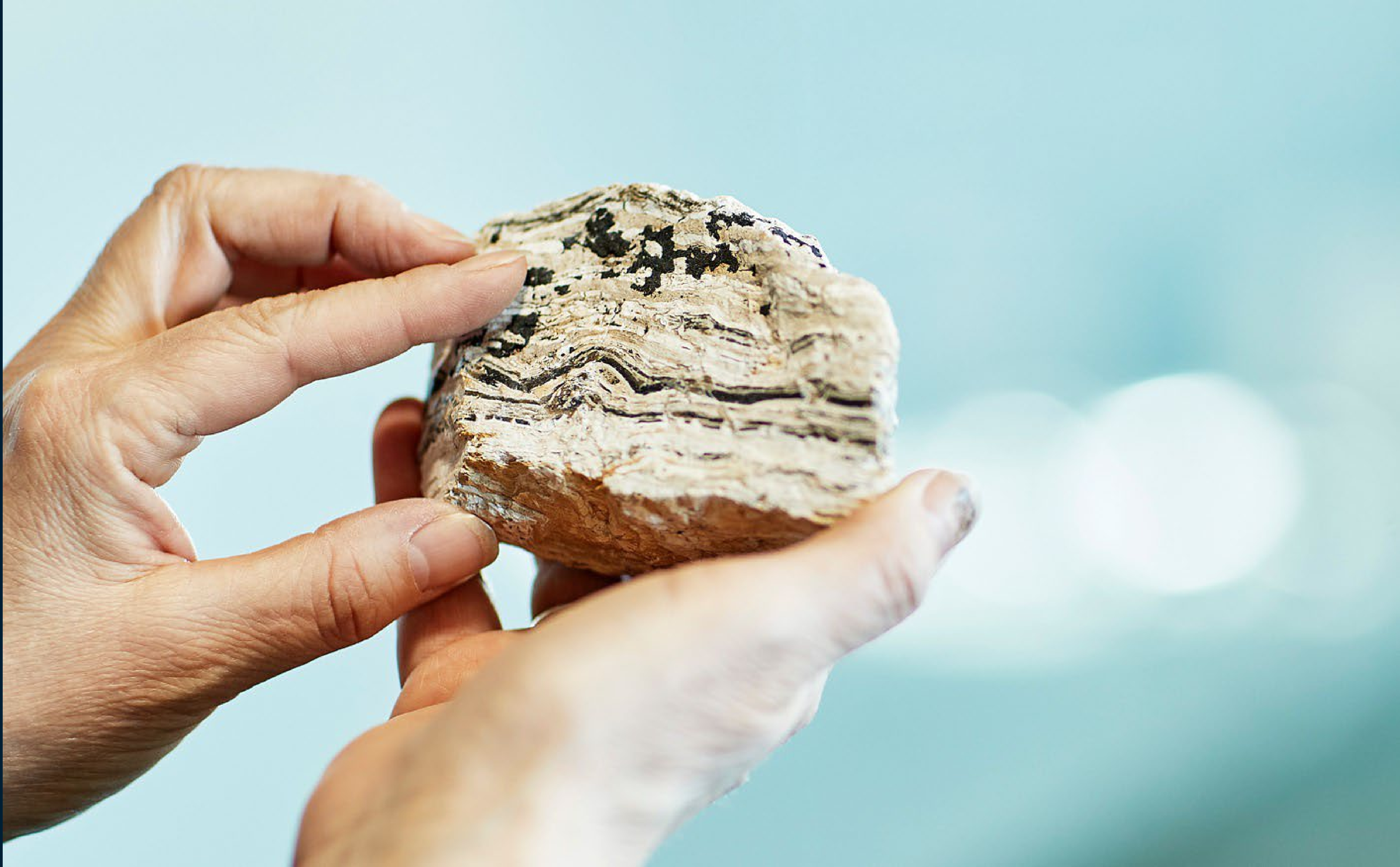

Financial review

These interim financial statements are not a consolidated report including Pandion Energy Norge (fka ONE-Dyas Norge AS). Reference is made to note 11 “Investments in subsidiaries” and information regarding estimated effects of the ONE-Dyas acquisition on the balance sheet items as of 30 June 2022.

Total revenues was USD 39.4 (28.8 in Q2 21) million, related to sale of hydrocarbons from the Valhall and Hod fields. The increased revenue was impacted by higher commodity prices with an average realised oil price before hedging of USD 113.9 (USD 69.4 in Q2 2021) per bbl offsetting lower sold volume (287 kboe in Q2 2022 compared to 363 in Q2 2021) due to lower production.

EBITDAX amounted to USD 26.2 million (21.1 in Q2 2021). The increase compared to Q2 2022 was mainly driven by higher revenues, partly offset by higher operating expenses. Profit from operating activities was USD 20.0 million (13.5 in Q2 2021).

The operating expenses amounted to USD 13.1 (7.7 in Q2 2021) million. The increase compared to Q2 2022 is mainly attributable to increased power prices and well intervention activities.

Investments in fixed assets amounted to USD 14.2 million driven by investments in the Valhall & Hod fields, mainly related to drilling on the Hod development project and one infill well at Valhall Flank West.

The company’s interest-bearing debt was USD 237 million at the end of the second quarter, up from USD 138.9 million at the end of first quarter 2022 due to closing of ONE-Dyas acquisition.

The company has a low leverage versus EBITDAX and is in a strong financial position. At the end of second quarter 2022 the company had a total available liquidity of USD 150.1 million comprising USD 25.3 million in cash, USD 43.8 million in undrawn RBL facility and USD 81 million in committed but not injected equity.

During the second quarter of 2022 Pandion Energy received refunds from tax instalments of USD 7.2 million. The arrangement with negative tax instalment means that the refund of the tax value of losses incurred in 2020 and 2021 is refunded in advance of the tax assessment on a running basis through the instalment tax regime.

Financial review

Pandion Energy has a robust and diversified capital structure made up of committed equity and debt financing instruments. USD 190 million has been committed from Kerogen, of which USD 109 million had been injected as of 30 June 2022. In addition, Pandion Energy's management team and staff have injected approximately USD 5 million of equity capital.

Pandion Energy completed a debt refinancing process in June 2022. The company signed an amendment and restatement agreement for its reserve based lending facility ("RBL") with an increase in size to USD 200 million and a tenor of 7 years. The new facility has been structured by BNP Paribas, DNB and ING which alongside ABN AMRO Bank and Deutsche Bank form the Mandated Lead Arranger group. In addition a USD 75 million 4-year tenor senior unsecured bond was raised on 25 May. The purpose of this process has been to optimize the capital structure on the back of the acquisition of ONE-Dyas Norge.

In 2021, the company also utilised Exploration Finance facility ("EFF"). Final repayment under this facility will take place in Q4 2022 after which it will expire.

The new capital structure provides Pandion with substantial funding for ongoing investments in the company's high-quality asset portfolio, and flexibility to support the future growth opportunities.

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 June 2022, Pandion Energy had entered into hedging contracts for the period up to and including Q2 2023. The hedging program is based on put options.

At the end of June, 52% of the after tax (15% of pre tax) crude oil production volumes up to the end of Q2 2023 has been hedged at an average floor price of 50 USD/bbl (USD 47.1/bbl net of costs). Additional positions may be added to the program going forward, however, the structure, amounts and levels of any further hedging will depend on how the market for commodity derivatives develops.

Current hedging positions is sufficient to cover the current hedging requirements in the RBL agreement.

The company has recognised a realised loss from hedging in Q2 2022 presented as other income. The loss amounted to USD 0.2 million.

Exploration

The Slagugle discovery in PL891 was matured further with a new appraisal well 6507/5-11 drilled during the quarter. The preliminary evaluation of the newly collected data in the well constrains the recoverable hydrocarbon volume of the main segment to 6–13MSm3 (35–80mmboe). Analysis of the newly collected data will inform on options for future appraisal and potential development. Pandion Energy holds a 20 per cent interest in in PL891, where ConocoPhillips is the operator (80 per cent). Pandion Energy sees multiple exploration opportunities in the Slagugle area which are expected to add to the resources confirmed by this appraisal well. The company now looks forward to continuing its close cooperation with the operator and contribute to maturing and potentially developing the resources in the area.

Operational review

Valhall and Hod fields

Production from Valhall was 3.3 thousand barrels of oil equivalents per day net to Pandion. The decrease from the previous quarter was mainly driven by a shutdown for planned maintenance in June.

The Hod Field Development project progressed according to plan and started production in April. All subsea and drilling activities have been completed, and three wells have been put on production. Intervention and stimulation work is ongoing for the remaining three wells.

An additional infill well on Valhall Flank West was drilled by the Maersk Invincible drilling rig in the second quarter. The well will be stimulated and put on production in the third quarter. This was the last well to be drilled by Maersk Invincible on Valhall for now, marking the completion of a successful five-year contract comprising drilling and P&A operations at the field. The Maersk Integrator rig will continue to support stimulation and intervention activity.

The Old Valhall decommissioning project (OVD) progressed according to plan during the second quarter. An important milestone was reached when the DP platform and PCP topsides were removed from the Valhall field centre. These installations will be demolished at Aker Solutions Stord, and more than 95 percent will be recycled.

Planning of the joint Valhall NCP & King Lear project (New Central Platform) progressed well during the second quarter. The project will add new slots for further development of the Valhall area. The project remains on track for PDO submission by end 2022.

Interim financial statements

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Income statement

30 June 2022

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2022	**Q2 2021**	(USD`000)	**Note**	**2022**	**2021**	**2021**
39 534	29 629	Revenues	8	81 915	60 976	137 939
(172)	(786)	Other income	8	(519)	(1 391)	(2 016)
39 362	**28 843**	**Total revenues and income**		**81 397**	**59 585**	**135 922**
(13 140)	(7 717)	Operating expenses		(22 547)	(17 512)	(35 137)
(5 465)	(6 705)	Depreciation, amortisation and net impairment losses	1,3	(13 655)	(14 418)	(32 521)
(721)	(946)	Exploration expenses		(3 158)	(9 148)	(44 731)
(19 326)	**(15 368)**	**Total expenses**		**(39 360)**	**(41 078)**	**(112 390)**
20 035	**13 475**	**Profit from operating activities**		**42 036**	**18 507**	**23 533**
(9 646)	(4 074)	Net financial items	7	(14 266)	(9 904)	(16 917)
10 389	**9 401**	**Profit before taxes**		**27 770**	**8 603**	**6 616**
(26 734)	(5 468)	Income tax	10	(37 828)	(4 918)	(1 321)
(16 345)	**3 933**	**Net income**		**(10 058)**	**3 685**	**5 295**

Interim financial statements

Statement of comprehensive income

30 June 2022

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2022	**Q2 2021**	(USD`000)	**Note**	**2022**	**2021**	**2021**
(16 345)	3 933	Net income		(10 058)	3 685	5 295
13 468	(525)	Net gain/losses arising from hedges recognised in OCI		14 126	(298)	(1 332)
(11 812)	849	Net amount reclassified to profit and loss		(11 728)	1 077	3 393
(364)	(71)	Tax on items recognised over OCI		(527)	(171)	(453)
1 292	253	Other comprehensive income		1 871	608	1 607
(15 053)	**4 185**	**Total comprehensive income**		**(8 187)**	**4 293**	**6 902**

Statement of financial position

30 June 2022

Assets

(USD`000)	Note	30.06.2022	30.06.2021	31.12.2021
Tax receivable	10	29 166	16 740	-
Goodwill	2,3	63 138	63 138	63 138
Intangible assets	2,3	56 435	71 027	42 933
Property, plant and equipment	1,3	449 803	362 352	428 526
Prepayments and financial receivables		120	140	136
Right-of-use assets	9	1 104	626	506
Investments in subsidiaries	11	58 024	-	-
Non-current interest-bearing receivables from subsidiaries	11	79 145	-	-
Total non-current assets		**736 934**	**514 023**	**535 239**
Inventories		6 551	9 186	8 394
Trade and other receivables		10 238	19 754	21 325
Financial assets at fair value through profit or loss		-	933	222
Tax receivable - short term	10	15 547	45 323	28 501
Cash and cash equivalents		25 290	25 775	21 839
Total current assets		**57 625**	**100 972**	**80 279**
Total assets		**794 559**	**614 995**	**615 519**

Statement of financial position
30 June 2022

Equity and liabilities

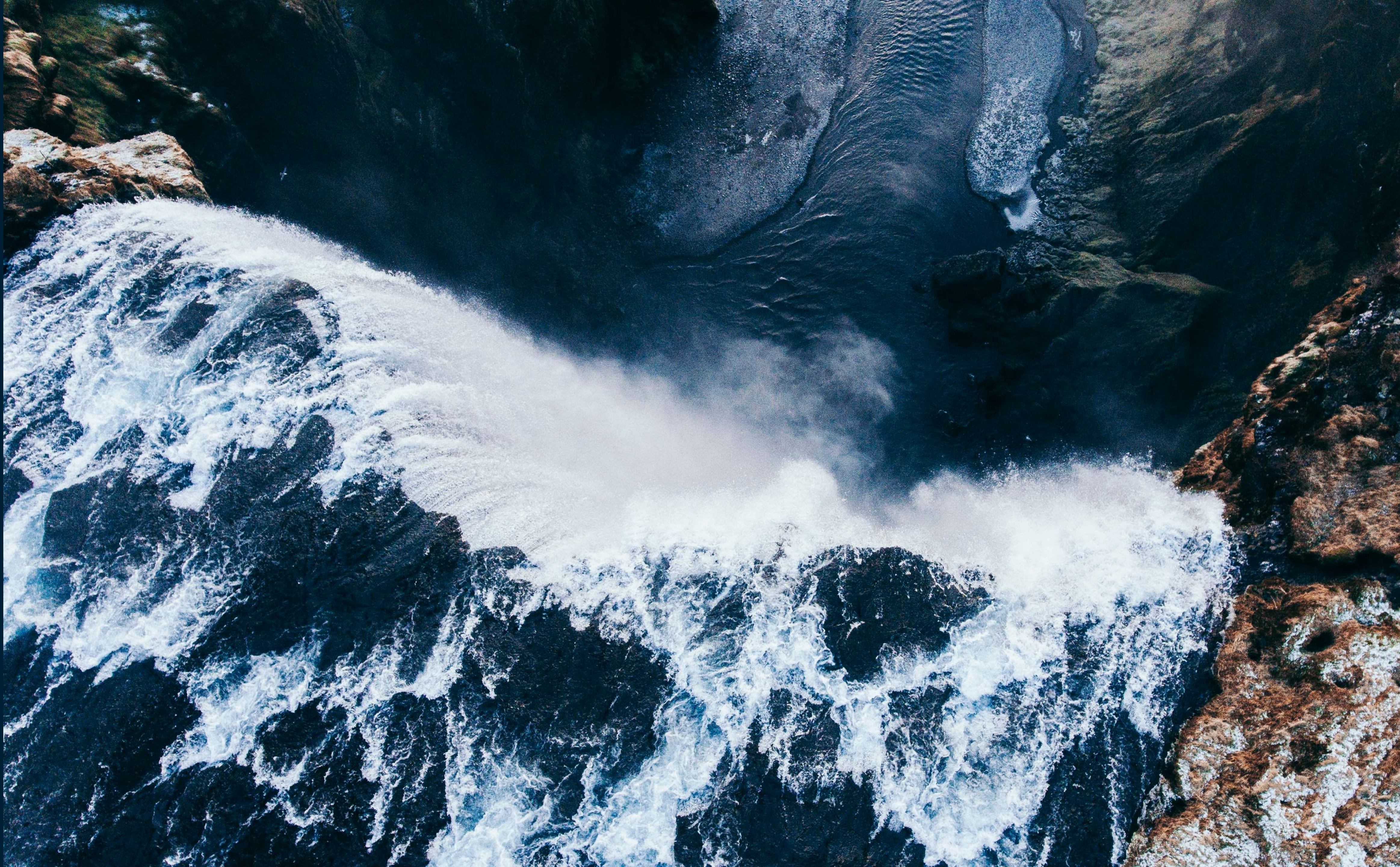
(USD`000)	Note	30.06.2022	30.06.2021	31.12.2021
Share capital		13 591	114 230	11 110
Other paid-in capital		100 640	-	103 120
Other equity		10 779	16 357	18 966
Total equity	4	**125 009**	**130 587**	**133 196**
Deferred tax liability	10	192 110	113 847	124 431
Asset retirement obligations	5	181 595	152 439	181 362
Borrowings	6	216 101	133 596	44 889
Hedging derivatives		-	8 759	-
Long term lease debt	9	846	443	264
Long term provision	12	20 919	-	-
Total non-current liabilities		**611 571**	**409 084**	**350 946**
Asset retirement obligations - short term	5	8 451	8 368	10 099
Trade, other payables and provisions		30 534	33 052	27 904
Borrowings - short term	6	16 924	33 042	84 602
Hedging derivatives		-	-	8 064
Financial liabilities at fair value through profit or loss		1 904	1 647	468
Short term lease debt	9	168	214	240
Total current liabilities		**51 981**	**75 324**	**131 377**
Total liabilities		**669 553**	**484 408**	**482 323**
Total equity and liabilities		**794 559**	**614 995**	**615 519**

Statement of cash flows

30 June 2022

(USD`000)	Note	YEAR TO DATE Q2 2022	Q2 2021	FULL YEAR 2021
Income before taxes		27 770	8 603	6 616
Depreciation, amortisation and net impairment losses	1,3	13 681	14 448	32 585
Expensed capitalised exploration expenses	2	11	6 003	38 252
Accretion of asset removal liability	5,7	3 624	3 040	6 098
(Increase) decrease in value of operational financial asset		(234)	2 587	(265)
Net financial expenses	7	10 642	6 864	10 819
Interest and fees paid		(10 305)	(5 153)	(10 127)
(Increase) decrease in working capital		(2 776)	(5 692)	(8 341)
Net income tax received		10 917	29 810	76 181
Net cash flow from operating activities		**53 331**	**60 509**	**151 817**
Payment for removal and decommissioning of oil fields	5	(5 039)	(15 907)	(20 121)
Capital expenditures and investments in furniture, fixtures and office machines	1	(56)	(21)	(45)
Capital expenditures and investments in oil and gas assets	1	(34 901)	(31 481)	(80 140)
Capital expenditures and investments in exploration and evaluation assets	2	(13 513)	(19 046)	(27 018)
Investments in subsidiaries	11	(30 811)	-	-
Net cash flow from investing activities		**(84 321)**	**(66 454)**	**(127 325)**
Proceeds from borrowings	6	224 080	22 374	28 463
Repayments of borrowings	6	(110 494)	(7 500)	(47 963)
Payments of borrowings to subsidiaries	11	(79 145)	-	-
Net cash flow from financing activities		**34 441**	**14 874**	**(19 500)**
Net change in cash and cash equivalents		3 451	8 929	4 993
Cash and cash equivalents at the beginning of the period		**21 839**	**16 846**	**16 846**
Cash and cash equivalents at the end of the period		**25 290**	**25 775**	**21 839**

Notes to the interim financial statements



Note 1

Property, plant and equipment

(USD`000)	Oil and gas assets	Tools and equipment*	Total
Carrying amount at 1 January 2021	**345 224**	**74**	**345 298**
Additions	80 140	45	80 185
Asset removal obligation - new or increased provisions	14 016	-	14 016
Asset removal obligation - change of estimate	17 795	-	17 795
Transfers from intangible assets	3 817	-	3 817
Depreciation	(32 521)	(63)	(32 585)
Carrying amount at 31 December 2021	**428 471**	**55**	**428 527**
Additions	34 901	56	34 957
Depreciation	(13 655)	(26)	(13 681)
Carrying amount at 30 June 2022	**449 717**	**86**	**449 803**
Estimated useful lives (years)	UoP	3-10	

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

* Depreciation of tools and equipment is allocated to development, operational and exploration activities based on registered time writing.

Note 2
Intangible assets

(USD`000)	Goodwill	Exploration and evaluation assets	Total
Carrying amount at 1 January 2021	**63 138**	**57 984**	**121 122**
Acquisition	-	6 926	6 926
Capitalised licence costs	-	20 092	20 092
Expensed exploration expenditures previously capitalised	-	(38 252)	(38 252)
Transfers to tangible assets	-	(3 817)	(3 817)
Carrying amount at 31 December 2021	**63 138**	**42 933**	**106 071**
Capitalised license costs	-	13 513	13 513
Expensed exploration expenditures previously capitalised	-	(11)	(11)
Carrying amount at 30 June 2022	**63 138**	**56 435**	**119 573**

The amount of Goodwill entirely relates to the acquisition of interest in the Valhall and Hod oil fields.

Note 3
Impairments

The remaining goodwill as at 30 June 2022 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.

Following the increases oil price environment during 2022, no impairment indicators have been identified at the end of second quarter 2022 and the company has not recognised any impairment in Q2 2022.

Note 4

Equity and Shareholders

(USD`000)	Share Capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 1 January 2021	**114 230**	**-**	**(3 478)**	**15 542**	**126 294**
Share capital decrease – unregistered	(103 120)	103 120	-	-	-
Net income (loss) for the period	-	-	-	5 295	**5 295**
Other comprehensive income (loss) for the period	-	-	1 607	-	**1 607**
Shareholders' equity at 31 December 2021	**11 110**	**103 120**	**(1 871)**	**20 837**	**133 196**
Share capital decrease	2 481	(2 481)	-	-	**-**
Net income for the period	-	-	-	(10 058)	**(10 058)**
Other comprehensive income for the period	-	-	1 871	-	**1 871**
Shareholders' equity at 30 June 2022	**13 591**	**100 640**	**-**	**10 779**	**125 009**

Share capital of NOK 9,119,212.94 comprised 911,921,294 of shares at a nominal value of NOK 0.01. Pandion Energy Holding AS owns all 911,921,294 shares as at 30 June 2022.

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 has been injected as of 30 June 2022 in addition to capital from the Pandion Energy team.

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

Note 5
Asset retirement obligations

(USD`000)	
Asset retirement obligations at 1 January 2021	**173 673**
New or increased provisions	14 016
Asset removal obligation - change of estimate	17 795
Amounts charged against asset retirement obligations	(20 121)
Accretion expenses	6 098
Asset retirement obligations at 31 December 2021	**191 461**
Amounts charged against asset retirement obligations	(5 039)
Accretion expenses	3 624
Asset retirement obligations at 30 June 2022	**190 046**
Non-current portion 30 June 2022	181 595
Current portion 30 June 2022	8 451

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

Note 6
Borrowings

Revolving exploration loan facility

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 30 June 2022	NOK	16 963	NIBOR + 1.75 %	Dec 2022	16 924
At 31 December 2021	NOK	19 276	NIBOR + 1.75 %	Dec 2022	19 174

The company signed a Revolving Exploration Finance Facility Agreement (“EFF”) on 13 November 2017 of NOK 400 million . The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The EFF could be drawn until 31.12.2021 with repayment in Q4 2022.

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 30 June 2022	USD	75 000	9.75%	June 2026	73 500
At 31 December 2021	NOK	49 566	10.61%	April 2023	43 889

The company has accomplished a bond issue of USD 75 million with a tenor of 4 years during second quarter of 2022. The purpose of the new bond issue is refinancing of the NOK 400 million senior unsecured bond as well as general corporate purposes. The bond of USD 400 million has been redeemed in June 2022.

The financial covenants are as follows:

- Net debt to EBITDAX not to exceed 3.5x
- Minimum cash balance of USD 10 million

Note 6
Borrowings cont.

Reserve base lending facility agreement (RBL)

(USD'000)	Facility currency	Utilised amount	Undrawn facility*)	Interest	Maturity	Carrying amount
At 30 June 2022	USD	145 000	55 000	SOFR + 3.5%	April 2029	141 601
At 31 December 2021	USD	67 000	83 000	LIBOR + 3.25%	July 2026	65 429

The RBL facility was established in 2018 and is a senior secured seven-year facility. In June 2022, the company signed an amendment and extension of the facility with final maturity date defined as the earliest of 1 April 2029 and the date falling 6 months prior to the maturity date of the current bond debt. The facility is at USD 200 million with an additional uncommitted accordion option of USD 200 million. The interest rate is floating 1-6 months SOFR with 3.5% margin. 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 USD 10 million
- Exploration spending after tax on a yearly basis restricted to the higher of USD 20 million and 10% of EBITDAX unless such spending are funded by new cash equity, subordinated shareholder loan or within permitted distributions.

*)Calculated out of facility size of USD 200 million. Credit approved borrowing base as of 30 June 2022 is USD 189 million.

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 Energy.

Maturity profile on total borrowings based on contractual undiscounted cash flows

(USD`000)	30.06.2022	31.12.2021
Less than 12 months	16 963	86 276
1 to 5 years *)	221 000	49 566
Over 5 years	-	1 000
Total	**237 963**	**136 841**

*)The RBL facility is classified as a borrowing with maturity 1 to 5 years according to the final maturity date defined as the earliest of 1 April 2029 and the date falling 6 months prior to the maturity date of the current bond debt (5 December 2025) ("Spring maturity clause").

Note 7
Financial items

	QUARTERLY		YEAR TO DATE		FULL YEAR
(USD`000)	**Q2 2022**	**Q2 2021**	**2022**	**2021**	**2021**
Net foreign exchange gains (losses)	(1 612)	1 212	(1 842)	624	1 008
Foreign exchange gains/losses on derivative financial instruments	(1 768)	(572)	(1 523)	(1 506)	32
Interest income	80	2	83	3	7
Amortised loan costs	(1 620)	(202)	(1 853)	(405)	(1 056)
Accretion expenses	(1 807)	(1 509)	(3 624)	(3 040)	(6 098)
Interest expenses	(2 406)	(2 832)	(4 988)	(5 299)	(10 391)
Other financial items	(513)	(172)	(519)	(281)	(420)
Net financial items	**(9 646)**	**(4 074)**	**(14 266)**	**(9 904)**	**(16 917)**

The increase in amortised loan costs in Q2 is explained by derecognition of capitalised loan costs in relation to refinancing of RBL and the senior unsecured bond debt.

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		YEAR TO DATE		FULL YEAR
Revenues	**Q2 2022**	**Q2 2021**	**2022**	**2021**	**2021**
(USD`000)					
Oil	32 735	25 188	66 559	51 791	117 294
Gas	5 371	2 965	11 371	5 493	15 988
NGL	1 428	1 476	3 985	3 693	4 657
Total revenues	**39 534**	**29 629**	**81 915**	**60 976**	**137 939**

Other income	**Q2 2021**	**Q2 2020**	**2021**	**2020**	**2020**
(USD`000)					
Realised gain/(loss) on oil derivates	(230)	(223)	(403)	(397)	(2 202)
Unrealised gain/(loss) on oil derivates	57	(563)	(116)	(994)	185
Total other income	**(172)**	**(786)**	**(519)**	**(1 391)**	**(2 016)**

Note 9

Leasing and commitments

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 until 31.12.2026. The renewal option is considered reasonably certain to be executed, therefore the lease liability is extended with maturity 31.12.2026 and recognised accordingly as at 30.06.2022. In June 2020, Pandion Energy entered into an additional agreement for extra storage space running for five years. The lease does not contain any restriction on the company's dividend policy or financing.

(USD`000)	
Total lease debt at 1 January 2021	**770**
Remeasurement lease liability	20
Derecognition of lease liability	(9)
Lease payments	(307)
Interest expense	56
Currency adjustments	(26)
Total lease debt at 31 December 2021	**504**
Remeasurement lease liability	655
Lease payments	(154)
Interest expense	170
Currency adjustments	(161)
Total lease debt at 30 June 2022	**1 014**

Nominal lease debt maturity break down	**30.06.2022**	**31.12.2021**
(USD `000)		
Within 1 year	284	279
1 to 5 years	993	279
Total	**1 277**	**558**

Note 9

Leasing and commitments cont.

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. Pandion Energy has assessed the lease contracts in its licences and based on Pandion Energy's judgement no leases have been recognised in the balance sheet as of 30 June 2022.

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, ended in May 2022. In January 2022, the operator on Valhall & Hod fields entered into a rig swap agreement where Maersk Reacher is to be replaced by the Maersk Integrator. The contract period for lease of Maersk Integrator is estimated until beginning of September 2023.

Commitments partner licences rigs	**30.06.2022**	**31.12.2021**
(USD '000)		
Within 1 year	1 508	3 887

Lease agreements for rigs have been entered into by the operator on behalf of partners in PL 929 and PL 938 licences, to be used for exploration drilling of the Ofelia and Calypso prospects in 2022. These lease commitments are not included in the above overview.

Note 10
Tax

Income taxes for second quarter 2022 is estimated to be USD 26.7 million, an increase from USD 5.5 million in second quarter 2021 and USD 1.3 million for the full year 2021. The increase is mainly due to higher profits in 2022 following higher realised oil and gas prices. The effective tax rate in the first half year of 2022 is 125% compared to 20% for the full year 2021, with the weakening of NOK during the period as the main driver for the higher rate.

Certain temporary changes in the Norwegian Petroleum Tax Act 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 Ministry of Finance published a proposal for changes in the Norwegian Petroleum Tax Act on April 8, 2022, enacted in June 2022 with effect from 1 January 2022. The combined tax rate of 78% is maintained, but according to the new rules the special petroleum tax (56%) is converted into a cash based tax. When calculating the special petroleum tax for 2022 and onwards, companies can make immediate deductions for expenses incurred, but with no right for uplift. In addition the corporate tax (22%) is deductible in the special tax base (56%). In order to maintain the overall tax rate of 78%, the special tax rate is increased to 71.8% [56% / (1-22%)]. The temporary 2020-rules are upheld for qualified future investments with immediate deductions plus 17.69% uplift for special tax.

In addition, the exploration loss refund and cessation loss refund systems are terminated. Instead, the tax value of new losses (both exploration losses and other losses) in the special tax base is refunded. As part of the transition to the new tax regime, tax value of losses carried forward and unused uplift is also refunded.

Where Pandion Energy is concerned, the expected new tax rules will increase near-term cash flow owing to accelerated capex depreciation and the annual refund of special petroleum tax losses.

Note 11

Investments in subsidiaries

In March 2022, the company announced signing an agreement with ONE-Dyas Holdings B.V. to acquire ONE-Dyas Norge AS. The transaction included a 10 per cent share of the Nova field, operated by Wintershall Dea, and a total of 10 exploration licences. The Nova field has started production end July 2022. The transaction was completed on 30 June 2022. In accordance with conditions set forth in the approval by the Norwegian Ministry of Petroleum and Energy, a separate merger process will be initiated to combine the portfolio of the two companies. The merger is target to complete within year end 2022.

The transaction will be recognised as an asset acquisition under IAS 16 “Property, Plant and Equipment” in the consolidated financial statements and will have following estimated effect on the balance sheet as at 30.06.2022:

Assets

(USD`000)	30.06.2022
Tax receivable	33 222
Property, plant and equipment	121 374
Investments in subsidiaries	(58 024)
Non-current interest-bearing receivables from subsidiaries	(79 145)
Total non-current assets	**17 427**
Trade and other receivables	1 207
Total current assets	**1 207**
Total assets	**18 634**

Liabilities

(USD`000)	30.06.2022
Asset retirement obligations	9 427
Other provisions	2 642
Total non-current liabilities	**12 068**
Trade, other payables and provisions	6 566
Total current liabilities	**6 566**
Total liabilities	**18 634**

Note 12
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 5.9 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 is exposed to contingent additional considerations in relation to acquisition of ONE-Dyas Norge AS. The contingent considerations are recognised as investment in subsidiaries in the statement of financial position.

The company was not subject to any legal disputes at 30 June 2022.

Note 13
Subsequent events

On 30 June 2022, Pandion Energy has entered into an agreement with Vår Energy ASA to divest 5 per cent working interest in PL 820 S and 820 SB Iving. Following the transaction, Pandion Energy's participating interest will be 7.5 per cent in both licences. The transaction is subject to customary conditions for completion, including approval by the Norwegian Ministry of Petroleum and Energy.

In July 2022, an exploration well, Ofelia in PL 929 was spudded. The licence is operated by Neptune Norge AS. The drilling is ongoing.

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, amortization, impairment and exploration expenses
Net debt	Outstanding current and non-current interest-bearing debt less cash, cash equivalents, subordinated shareholder loans and Exploration loan
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