Pandion Energy AS

Interim financial statements
(unaudited)

Third 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 became a wholly owned subsidiary of Pandion Energy and the name of the company was changed to Pandion Energy Norge AS (“Pandion Energy Norge”). These interim financial statements are a consolidated report including financial figures from Pandion Energy Norge in the period from 1 July 2022 to 30 September 2022. The transaction was recognised as an asset acquisition under IAS 16 “Property, Plant and Equipment” in the consolidated financial statements. In accordance with conditions set forth in the approval by the Norwegian Ministry of Petroleum and Energy, the two companies were merged with Pandion Energy as surviving entity. The merger was completed with effect from 1 November 2022.

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

Accounting principles

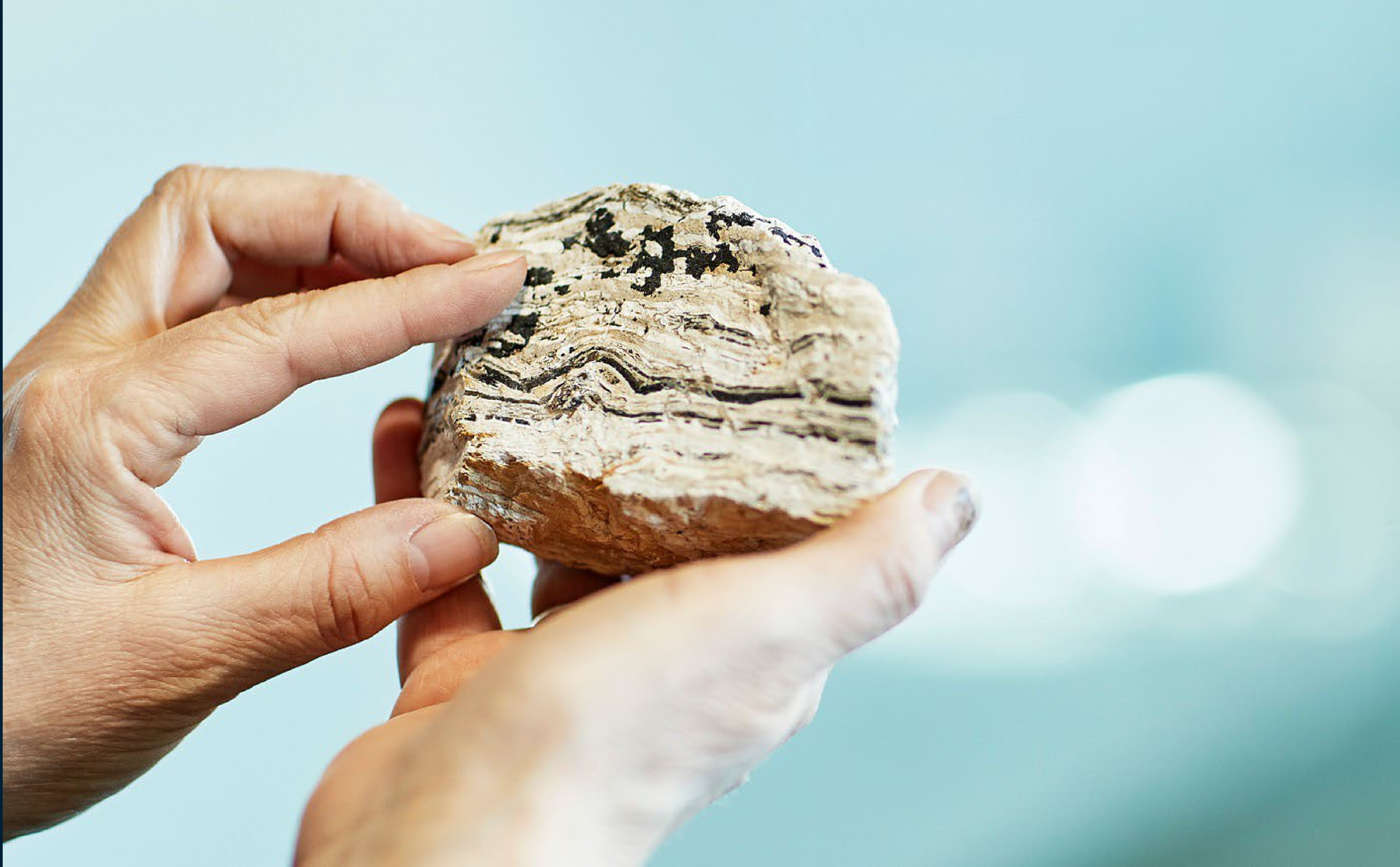
These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include 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 accounting policies adopted are in all aspects consistent with those followed in the preparation of the financial statements of the company for the year ending 31 December 2021.

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

Summary of the quarter



Financial review

This is the first quarter after the acquisition of ONE-Dyas Norge AS. These interim financial statements are a consolidated report including Pandion Energy Norge (fka ONE-Dyas Norge AS).

Total revenues was USD 54.5 (34.0 in Q3 21) million, related to sale of hydrocarbons from the Valhall and Hod fields. Due to an obligation to compensate for deferred production to Gjøa, no revenue has been recognised from Nova in Q3 2022, see operational review for more details. The revenues increased due to higher commodity prices. The average realised oil price before hedging was USD 105.0 (USD 74.4 in Q3 2021) per boe, and the average realised gas price was USD 206 (USD 58 in Q3 2021) per boe.

EBITDAX amounted to USD 42.6 million (25.0 in Q3 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 27.5 million (17.2 in Q3 2021).

The operating expenses amounted to USD 11.9 (9.0 in Q3 2021) million. The increase is related to additional activities on the Nova field, higher power prices and well intervention activities on Valhall and Hod.

Investments in fixed assets amounted to USD 17.0 million. The amount includes USD 10.8 million invested in Valhall and Hod fields which is mainly related to well interventions and stimulation. In addition, USD 6.2 million was invested in the recently acquired Nova field.

The company's interest-bearing debt was USD 248 million at the end of the third quarter, up from USD 237 million at the end of second quarter 2022. The debt consists of bond debt of USD 75 million, RBL drawdown of USD 157.5 million and EFF drawdown of USD 15.5 million. Final repayment under the EFF facility will take place in Q4 2022 after which it will expire.

The company has a low leverage ratio with a net debt / EBITDAX of 1.7x and is in a strong financial position. At the end of third quarter 2022, the company had a total available liquidity of USD 97.5 million including USD 81 million in committed but not injected equity.

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 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 September, 48% of the after tax (13% of pre tax) crude oil production volumes up to the end of Q2 2023 had 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 Q3 2022 presented as other income. The loss amounted to USD 0.2 million.

Exploration

On 26 August, Pandion Energy announced a commercial oil discovery in exploration well 35/6-3 S, Ofelia in PL 929. Pandion Energy holds a 20 per cent participating interest in the production license 929 where Neptune Energy is the operator.

The Ofelia well, 35/6-3 S encountered oil in the Agat formation. The preliminary estimate of recoverable oil volume is in the range 16-39 million barrels of oil equivalent (mmboe). An additional upside of around 10 mmboe recoverable gas in the shallower Kyrre formation north of the well, brings the total estimated recoverable reserves in the range of 26 to 49 mmboe.

The discovery is located 15 kilometres north of the Gjøa platform, also operated by Neptune Energy. Ofelia will be considered for development as a tie-back to the Gjøa semi-submersible platform in parallel with the recent Hamlet oil and gas discovery. Gjøa is electrified with power from shore and produces at less than half the average carbon intensity of Norwegian continental shelf fields.

Operational review

Valhall and Hod fields

Production from Valhall was 5.6 thousand barrels of oil equivalents per day net to Pandion, which is higher than the previous quarter due to completion of planned maintenance in June and ramp-up of production from Hod. The production efficiency was 87 percent.

The Hod Field Development (HFD) project was completed according to plan. All six wells have been stimulated and put on production. All offshore modifications have also been finalised. HFD started up 22 months after the final investment decision was made and all wells were on production within five months of pipeline commissioning.

An additional infill well on Valhall Flank West was put on production in the third quarter. This was the final well drilled by Maersk Invincible on Valhall and marks the end of five-year programme comprising drilling and P&A operations at the field.

Planning of the joint Valhall PWP & Fenris development project (previously named Valhall NCP & King Lear) progressed well during the third quarter. The selected development concept consists of a new process and wellhead platform (PWP). The project will be connected to the existing power from shore solution at Valhall, resulting in close to zero emissions in the production phase. The project remains on track for PDO submission in the fourth quarter 2022. Production start is scheduled for 2027.

Operational review cont.

Nova field

The ONE-Dyas Norge transaction included a 10% share of the Nova field, developed with two subsea templates tied back to the existing Gjøa platform, which is electrified with power from shore. The Nova field came on stream late July 2022. The project is in its ramp-up phase and commissioning of services to be delivered from the host platform is ongoing.

The Nova field licence group is obligated to compensate the Gjøa licence group for deferred production due to the tie-in operations. The compensation shall be paid in kind by the Nova group's own production, so no revenue has been recognised from the Nova field in Q3 2022. First oil revenue from the Nova field is estimated to be recognised in December 2022.

The Nova oil will be transported via Gjøa through the Troll Oil Pipeline II to Mongstad, associated gas will be exported via the Far North Liquids and Associated Gas System (FLAGS) pipeline to St Fergus in the UK, supplying the European energy market.

Other activities

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), and/or to seek business combinations that may cater for further, profitable growth.

Interim financial statements

Income statement

30 September 2022

QUARTERLY				YEAR TO DATE		FULL YEAR
Q3 2022	**Q3 2021**	(USD`000)	**Note**	**2022**	**2021**	**2021**
54 527	34 478	Revenues	8	136 443	95 454	137 939
11	(451)	Other income	8	(507)	(1 842)	(2 016)
54 539	**34 027**	**Total revenues and income**		**135 935**	**93 612**	**135 922**
(11 915)	(9 019)	Operating expenses		(34 463)	(26 530)	(35 137)
(9 375)	(6 275)	Depreciation, amortisation and net impairment losses	1,3	(23 030)	(20 693)	(32 521)
(5 784)	(1 548)	Exploration expenses		(8 942)	(10 696)	(44 731)
(27 074)	**(16 841)**	**Total expenses**		**(66 434)**	**(57 919)**	**(112 390)**
27 465	**17 185**	**Profit from operating activities**		**69 501**	**35 693**	**23 533**
(8 827)	(3 674)	Net financial items	7	(23 094)	(13 578)	(16 917)
18 638	**13 512**	**Profit before taxes**		**46 408**	**22 115**	**6 616**
(25 332)	(10 813)	Income tax	10	(63 159)	(15 731)	(1 321)
(6 693)	**2 699**	**Net income (loss)**		**(16 751)**	**6 384**	**5 295**

Statement of comprehensive income

30 September 2022

QUARTERLY				YEAR TO DATE		FULL YEAR
Q3 2022	Q3 2021	(USD`000)	Note	2022	2021	2021
(6 693)	2 699	Net income (loss)		(16 751)	6 384	5 295
-	(663)	Net gain/losses arising from hedges recognised in OCI		14 126	(961)	(1 332)
-	1 667	Net amount reclassified to profit and loss		(11 728)	2 744	3 393
-	(221)	Tax on items recognised over OCI		(527)	(392)	(453)
-	783	Other comprehensive income		1 871	1 391	1 607
(6 693)	**3 482**	**Total comprehensive income**		**(14 880)**	**7 775**	**6 902**

Statement of financial position

30 September 2022

Assets

(USD`000)	Note	30.09.2022	30.09.2021	31.12.2021
Tax receivable	10	63 456	21 484	-
Goodwill	2,3	63 138	63 138	63 138
Intangible assets	2,3	67 928	76 450	42 933
Property, plant and equipment	1,3	576 908	378 930	428 526
Prepayments and financial receivables		110	137	136
Right-of-use assets	9	1 043	564	506
Total non-current assets		**772 583**	**540 702**	**535 239**
Inventories		8 732	7 980	8 394
Trade and other receivables		28 372	20 202	21 325
Financial assets at fair value through profit or loss		-	444	222
Tax receivable - short term	10	13 841	45 336	28 501
Cash and cash equivalents		16 203	20 174	21 839
Total current assets		**67 149**	**94 135**	**80 279**
Total assets		**839 732**	**634 837**	**615 519**

Statement of financial position

30 September 2022

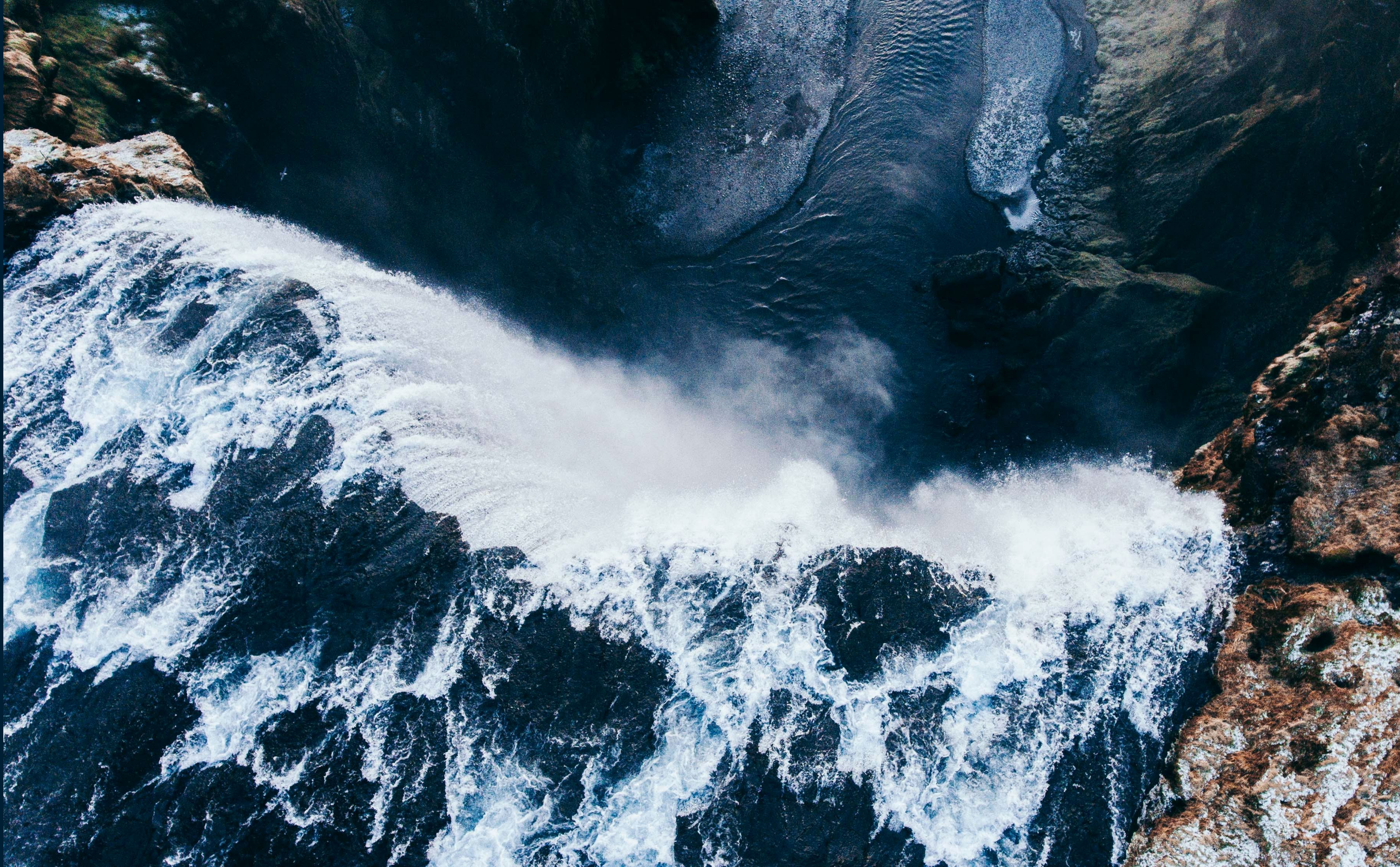
Equity and liabilities

(USD`000)	Note	30.09.2022	30.09.2021	31.12.2021
Share capital		13 591	114 230	11 110
Other paid-in capital		100 640	-	103 120
Other equity		4 086	19 839	18 966
Total equity	4	**118 317**	**134 069**	**133 196**
Deferred tax liability	10	218 497	136 982	124 431
Asset retirement obligations	5	193 131	153 109	181 362
Borrowings	6	228 764	132 335	44 889
Hedging derivatives		-	9 199	-
Long term lease debt	9	726	370	264
Long term provision		6 294	-	-
Total non-current liabilities		**647 413**	**431 994**	**350 946**
Asset retirement obligations - short term	5	7 628	6 184	10 099
Trade, other payables and provisions		48 244	28 201	27 904
Borrowings - short term	6	15 557	32 270	84 602
Hedging derivatives		-	-	8 064
Financial liabilities at fair value through profit or loss		2 416	1 910	468
Short term lease debt	9	159	209	240
Total current liabilities		**74 004**	**68 773**	**131 377**
Total liabilities		**721 417**	**500 768**	**482 323**
Total equity and liabilities		**839 732**	**634 837**	**615 519**

Statement of cash flows
30 September 2022

(USD`000)	Note	YEAR TO DATE Q3 2022	Q3 2021	FULL YEAR 2021
Income before taxes		46 408	22 115	6 616
Depreciation, amortisation and net impairment losses	1,3	23 068	20 739	32 585
Expensed capitalised exploration expenses	2	159	6 013	38 252
Accretion of asset removal liability	5,7	5 452	4 556	6 098
(Increase) decrease in value of derivatives		(12 433)	3 326	(265)
Net financial expenses	7	17 642	9 022	10 819
Interest and fees paid		(12 876)	(7 371)	(10 127)
(Increase) decrease in working capital		(17 356)	(8 768)	(8 341)
Net income tax received		10 917	36 609	76 181
Net cash flow from operating activities		**60 981**	**86 241**	**151 817**
Payment for removal and decommissioning of oil fields	5	(5 580)	(18 937)	(20 121)
Capital expenditures and investments in furniture, fixtures and office machines	1	(87)	(38)	(45)
Capital expenditures and investments in oil and gas assets	1	(51 875)	(54 333)	(80 140)
Capital expenditures and investments in exploration and evaluation assets	2	(25 204)	(24 480)	(27 018)
Acquisition of oil and gas assets	1	(109 956)	-	-
Net cash flow from investing activities		**(192 703)**	**(97 787)**	**(127 325)**
Proceeds from borrowings	6	241 080	22 374	28 463
Repayments of borrowings	6	(114 994)	(7 500)	(47 963)
Net cash flow from financing activities		**126 086**	**14 874**	**(19 500)**
Net change in cash and cash equivalents		(5 636)	3 328	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		**16 204**	**20 174**	**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	51 875	87	51 963
Acquisition of Nova field	119 487	-	119 487
Depreciation	(23 030)	(39)	(23 068)
Carrying amount at 30 September 2022	**576 804**	**104**	**576 907**
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	-	25 154	25 154
Expensed exploration expenditures previously capitalised	-	(159)	(159)
Carrying amount at 30 September 2022	**63 138**	**67 928**	**131 066**

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 September 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 increased oil price environment during 2022, no impairment has been recognised in Q3 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	-	-	-	(16 751)	**(16 751)**
Other comprehensive income for the period	-	-	1 871	-	**1 871**
Shareholders' equity at 30 September 2022	**13 591**	**100 640**	**-**	**4 086**	**118 317**

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 September 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 September 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**
Acquisition of Nova field	9 427
Amounts charged against asset retirement obligations	(5 580)
Accretion expenses	5 452
Asset retirement obligations at 30 September 2022	**200 760**
Non-current portion 30 September 2022	193 132
Current portion 30 September 2022	7 628

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 September 2022	NOK	15 565	NIBOR + 1.75 %	Dec 2022	15 557
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 September 2022	USD	75 000	9.75%	June 2026	73 566
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 September 2022	USD	157 500	42 500	SOFR + 3.5%	April 2029	154 198
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 September 2022 is USD 158 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)	30.09.2022	31.12.2021
Less than 12 months	15 565	86 276
1 to 5 years *)	233 500	49 566
Over 5 years	-	1 000
Total	**249 065**	**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)	**Q3 2022**	**Q3 2021**	**2022**	**2021**	**2021**
Net foreign exchange gains (losses)	(375)	743	(2 217)	38	1 008
Foreign exchange gains/losses on derivative financial instruments	(1 777)	(33)	(3 300)	(209)	32
Interest income	56	2	139	5	7
Amortised loan costs	(511)	(272)	(2 364)	(677)	(1 056)
Accretion expenses	(1 828)	(1 516)	(5 452)	(4 556)	(6 098)
Interest expenses	(4 111)	(2 521)	(9 099)	(7 819)	(10 391)
Other financial items	(282)	(77)	(801)	(358)	(420)
Net financial items	**(8 827)**	**(3 674)**	**(23 093)**	**(13 578)**	**(16 917)**

The increase in interest expenses in Q3 is due to increased borrowings following debt refinancing process completed in June 2022.

The increase in amortised loan costs in year to date is explained by derecognition of capitalised loan costs in relation to refinancing of RBL and the senior unsecured bond debt in Q2 2022.

Note 8

Segment information and disaggregation of revenue

All revenues are generated from activities on the Norwegian continental shelf, and derives from sale of 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	**Q3 2022**	**Q3 2021**	**2022**	**2021**	**2021**
(USD`000)					
Oil	41 141	30 365	107 701	82 156	117 294
Gas	13 299	3 271	24 670	8 764	15 988
NGL	87	841	4 072	4 534	4 657
Total revenues	**54 527**	**34 478**	**136 443**	**95 454**	**137 939**

Other income	**Q2 2021**	**Q2 2020**	**2021**	**2020**	**2020**
(USD`000)					
Realised gain/(loss) on oil derivates	(222)	(188)	(625)	(586)	(2 202)
Unrealised gain/(loss) on oil derivates	233	(263)	118	(1 257)	185
Total other income	**11**	**(451)**	**(507)**	**(1 842)**	**(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 30.09.2022. 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	(227)
Interest expense	193
Currency adjustments	(240)
Total lease debt at 30 September 2022	**886**

Nominal lease debt maturity break down	**30.09.2022**	**31.12.2021**
(USD `000)		
Within 1 year	279	279
1 to 5 years	907	279
Total	**1 186**	**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 September 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. In January 2022, the operator on Valhall & Hod fields entered into a rig swap agreement where Maersk Reacher was 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	**30.09.2022**	**31.12.2021**
(USD '000)		
Within 1 year	1 131	3 887

A rig lease agreement has been entered into by the operator on behalf of partners in PL 938, to be used for exploration drilling of the Calypso prospect in Q4 2022. The lease commitment is not included in the above overview.

Note 10
Tax

Income taxes for third quarter 2022 is estimated to be USD 28.9 million, an increase from USD 10.8 million in third 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 year to date 2022 is 136% 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 (proposed to be changed to 12.4% from 01.01.2023).

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
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 5.4 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 Norwegian continental shelf on a par with other oil companies.

As of end 30 September 2022, the company was not subject to any legal disputes.

Note 12
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 PL 820 SB Iving. Following the transaction, Pandion Energy's participating interest will be 7.5 per cent in both licences. The transaction was approved by the Norwegian Ministry of Petroleum and Energy end of September 2022, and was completed on 31 October 2022. The effective date of the transaction is 1 January 2022.

In November 2022, an exploration well Calypso in PL 938 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