– A SHARP EYE FOR NCS OPPORTUNITIES –

ANNUAL REPORT 2022

PANDION ENERGY

Pandion Energy is an independent, full-cycle oil and gas company driving value by maturing resources to reserves in high quality assets on the Norwegian continental shelf.

INTRODUCTION

About Pandion Energy

Pandion Energy is an independent, full-cycle oil and gas company, participating in the discovery, appraisal, development and production of oil and gas resources on the Norwegian continental shelf (NCS).

The company was established in November 2016 on the basis of the operational platform and six licences acquired from Tullow Oil Norge AS.

Pandion Energy's strategy is to be an active and responsible non-operator partner driving value in high-quality assets based on a full-cycle investment mandate. Its business model is to be a full-cycle exploration and production company, participating in the discovery, appraisal, development and production of oil and gas resources on the NCS, targeting upsides in and around proven assets with access to existing infrastructure.

The current portfolio comprises a 10 per cent interest in the producing Valhall and Hod fields, a 10 per cent interest in the producing Nova field, as well as interests in 19 exploration and appraisal licences. The company's current production level averages at about 7,500 barrels of oil equivalent per day (boepd).

Pandion Energy seeks attractive growth opportunities through mergers and acquisitions, farm-ins and participation in licensing rounds, and devotes continuous attention to the development of the opportunities in its existing portfolio.

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

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

Since its inception, Pandion Energy has committed to maintaining a low carbon footprint – as demonstrated by carbon intensity levels amongst the lowest in the Norwegian and global E&P industry, ranging from 1.1 – 3.4 kilograms of CO_2 per barrel of oil equivalent. In 2020, Pandion Energy became one of the first exploration and production (E&P) companies in Norway to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2.

Highlights of 2022

2022 represents a strong year of growth for Pandion Energy, with the acquisition of ONE-Dyas Norge AS, production start on two fields (Hod and Nova), two successful discoveries, and the company's fourth PDO submission.

ONE-Dyas acquisition
In March, Pandion Energy signed an agreement to acquire ONE-Dyas Norge AS, which included a 10% interest in the Nova field and 10 exploration licenses. The transaction was completed in June and the merger was completed in November. With Nova, Pandion Energy's daily production is set to double ones it reaches the full production potential.

Hod B production start
Hod B in the southern North Sea started production in May, marking a significant milestone in revitalizing the Valhall area and increasing production on the NCS.

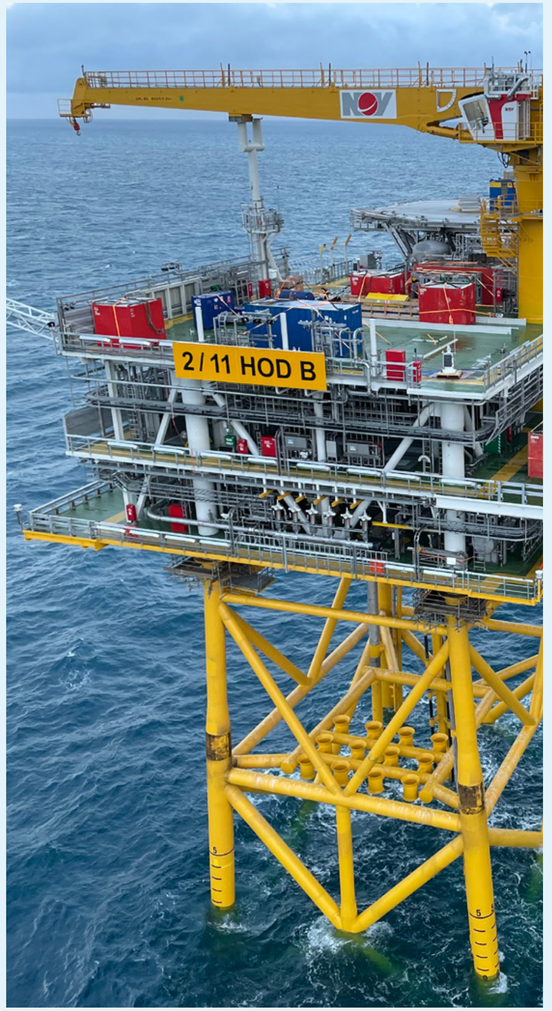
Slagugle appraisal
In May, the Slagugle appraisal well was drilled in PL891, Norwegian Sea. Pandion Energy sees multiple exploration opportunities in the Slagugle area and will continue working towards potential resource development.

Successful refinancing
In June, Pandion Energy successfully completed a debt refinancing process under unusually volatile market conditions and raised USD 75 million in a 4-year senior unsecured bond. The company also signed an amendment and restatement agreement for its RBL facility, increasing its size to USD 200 million and a tenor of 7 years.

Ofelia discovery
In August, Pandion Energy announced a commercial discovery in the Ofelia well, which will be considered for development as a tie-back to the Gjøa platform. This demonstrates the company's focus on opportunities near existing infrastructure and commitment to a Net Zero Carbon strategy.

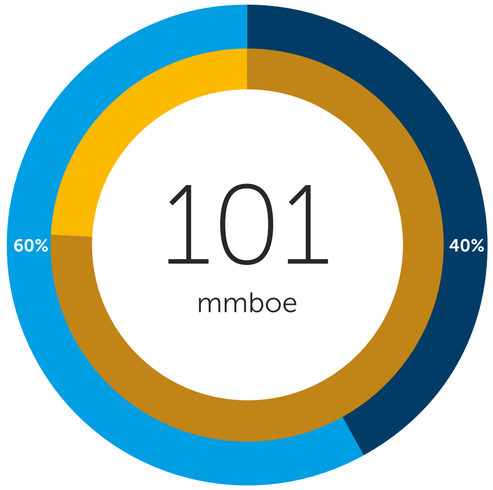
Calypso discovery
In November, Pandion Energy announced another discovery with commercial potential in the Calypso prospect in PL 938, Norwegian Sea. This is the fifth consecutive discovery for the company, all in mature areas on the Norwegian continental shelf.

Valhall PDO
In December, Aker BP and Pandion Energy submitted a revised Plan for Development and Operations for the Valhall field, estimating total recoverable resources at 70 mmboe. The development leverages Valhall's existing ultra-low-emission, onshore power supply, and will enable production of the remaining Valhall reserves from 2029 onwards.



Key figures end 2022

Reserves & Resources[1]



2P reserves[2]
~40 mmboe net

2C resources[3]
~61 mmboe net

Liquids
76%

Gas
24%

Key figures

	2022	2021
Production in boepd	5,236	5,152
Net sales in boepd	5,515	5,516
Average realised oil price (USD/boe)	101.8	71.5
Average realised gas price (USD/boe)	151.8	62.4
(USD` 000)		
Revenues	213,137	137,939
EBITDAX	168,075	100,786
Total assets	782,850	615,519
Total equity	143,334	133,196
Total interest bearing debt	191,500	135,841

1) Operator data and company estimates
2) Net proven and probable (2P) reserves for Valhall and Hod, Nova based on operators estimates. The company has a higher reserve estimate on Nova, bringing 2P reserves to 44 mmboe net and total reserves & resources to 105 mmboe net
3) Net contingent resources (2C) for Valhall and Hod, Nova, including reported estimates for the discoveries in Slagugle (PL 891), Sierra (PL 263), Ofelia (PL 929) and Calypso (PL 938)

Letter from our CEO

In 2022, our company experienced its strongest year of growth to date. We achieved several significant milestones, including the acquisition and integration of the Norwegian operations of ONE-Dyas, first oil at Hod B and Nova, and two discoveries with commercial potential. Additionally, we partnered in our fourth PDO at the end of the year.

In March, the acquisition of ONE-Dyas Norge, which is set to double the size of our company, was announced. This was followed by the refinancing of our RBL facility with an increase in size to USD 200 million and the placement of a USD 75 million bond, as well as the milestone of first oil on the Hod field towards the summer.

For Pandion Energy, 2022 stands out as the strongest year of growth in our relatively short and eventful history.

In the second half of the year, we achieved first oil on the Nova field and made two new discoveries – Ofelia in the Greater Gjøa area and Calypso in the Norwegian Sea. Towards the end of the year, we partnered in our fourth Plan for Development and Operations (PDO) since the company's inception. The PDO relates to a

joint development project with a new centrally located production and wellhead platform at Valhall where Pandion Energy is partner and the Fenris field. During this period we were also awarded five new licences under the 2021 and 2022 Norwegian APA (Awards in Pre-defined Areas) licensing rounds.

With this as the backdrop, I would like to thank our partners and our team for their impressive work in 2022. Our highly motivated team has made tremendous efforts this year, by both integrating ONE-Dyas and delivering great value creation in our ongoing business. This has resulted in our best year, with a turnover of over USD 200 million. 2022 was also the year that we finally returned to business as usual after the Covid-19 pandemic, and I would like to thank the team for their invaluable contribution during this challenging period.

Though this year has been one of growth for Pandion, 2022 will be remembered for the brutal Russian invasion of Ukraine. While the human suffering is clearly our main concern, we must also acknowledge that the new security situation and ongoing energy crisis in Europe has had direct effects on oil and gas prices, thus impacting our financial results. The war may continue to have an impact on our business and markets going forward.

With this as the backdrop, I would like to thank our partners and our team for their impressive work in 2022.

Operationally, 2023 looks set to be another exciting year for the company, with further production growth.

Doubling our size
In March, we signed an agreement to acquire ONE-Dyas Norge AS, which included a 10 percent share of the Nova field and a total of 10 exploration licences. The transaction was completed in June, after approval was granted by the Norwegian Ministry of Petroleum and Energy (MPE) and the merger was finally completed on 1 November 2022. This acquisition was a significant milestone for us, as it represents a new leap forward in the Pandion Energy story and secured the company a solid foundation for further growth. Once Nova reaches its full production potential, this transaction will increase our daily production to more than twice the current level.

Strong financial position
During the year we completed a refinancing process, thereby ensuring a sound and diversified capital structure. Pandion Energy is now fully financed and ready to meet its commitments and pursue future growth opportunities. This refinancing concluded our capital structure optimization process after the acquisition of ONE-Dyas Norge AS. The acquisition was performed without raising any new equity capital.

In May, we successfully raised USD 75 million in a 4-year senior unsecured bond issue that received strong interest from both Norwegian and international investors. In June, we increased our reserve-based lending (RBL) facility to USD 200 million with a 7-year tenor. We are grateful for the continuing support of our investors and are pleased to have been able to complete this refinancing.

Fourth PDO
IIn December 2022, we partnered in our fourth PDO when Aker BP submitted a revised PDO for the Valhall field for a joint development with the Fenris field. This was the second largest PDO project in 2022 and Pandion holds a 10 per cent interest in the Valhall field. The joint development involves a new, centrally located production platform with 24 well slots at Valhall. The project is estimated to recover 70 mmboe gross on Valhall, with 15 wells planned to be drilled and first oil expected in the second quarter of 2027.

Though this year has been one of growth for Pandion, 2022 will be remembered for the brutal Russian invasion of Ukraine.

The development leverages Valhall's existing power from shore system with minimal emissions, which is in line with Pandion Energy's net zero carbon strategy. We would like to extend a special thank you to our partner, Aker BP, for their excellent project planning, and congratulate everyone involved in the Hod B development project for achieving first oil this year. Both projects qualified for temporary tax measures

introduced during the Covid-19 pandemic and have created substantial activity within the Norwegian oil service industry.

Electrification and net zero carbon
Pandion Energy is committed to maintaining a low carbon footprint and has been a proponent of electrification since its inception. At below two kilograms of CO_2 per barrel of oil equivalent in 2022, our carbon intensity levels per barrel are amongst the lowest in the Norwegian and global E&P industry. All of the producing fields in our portfolio are powered by electricity from on shore.

Pandion Energy has a clear strategy in place to maintain our net-zero carbon status in our operations. This involves active portfolio management pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources. We incorporate greenhouse gas (GHG) emissions and the potential for future carbon reduction as a key investment criterion for developments and producing assets. In addition, we consider the future cost of carbon emissions when evaluating new investments.

7 wells, 6 discoveries
Pandion Energy has built a highly competent team, with extensive subsurface expertise in exploration. Last year, the company participated in two drilling campaigns resulting in commercial discoveries – Calypso in the Norwegian Sea and Ofelia in the greater Gjøa area, both as a 20 per cent partner and both with Neptune as operator. Over the company's six years, we have made six discoveries out of seven drilling campaigns, representing a success rate above 85 per cent. The company's core focus remains in the mature areas close to existing infrastructure in the greater Valhall and Gjøa areas in the North Sea, and the Haltenbanken area in the Norwegian Sea.

Over the company's six years, we have made six discoveries out of seven drilling campaigns, representing a success rate above 85 per cent.

In May, the Slagugle appraisal well revealed recoverable volumes of 35-80 mmboe. Pandion holds a 20 per cent interest in Slagugle, with ConocoPhillips as operator. Multiple additional exploration opportunities have been identified in the area and Pandion Energy aims to actively contribute to the potential development of the resources.

Outlook
Looking ahead, Pandion Energy will focus on further integrating our new assets from the ONE-Dyas acquisition and developing our overall portfolio. Operationally, 2023 looks set to be another exciting year for the company, with expected production growth.

With a strong balance sheet, Pandion Energy is well-positioned for future consolidation activities on the Norwegian continental shelf. The company remains committed to its strategy of being an active, responsible partner and a full-cycle oil and gas company with long-term ambitions.

Jan Christian Ellefsen
CEO

Valhall and Hod

Production in the Valhall area marked its 40 years anniversary in 2022, over one billion barrels of oil equivalent has been produced since coming on stream in 1982, making it one of the largest oil producers in the Norwegian North Sea.

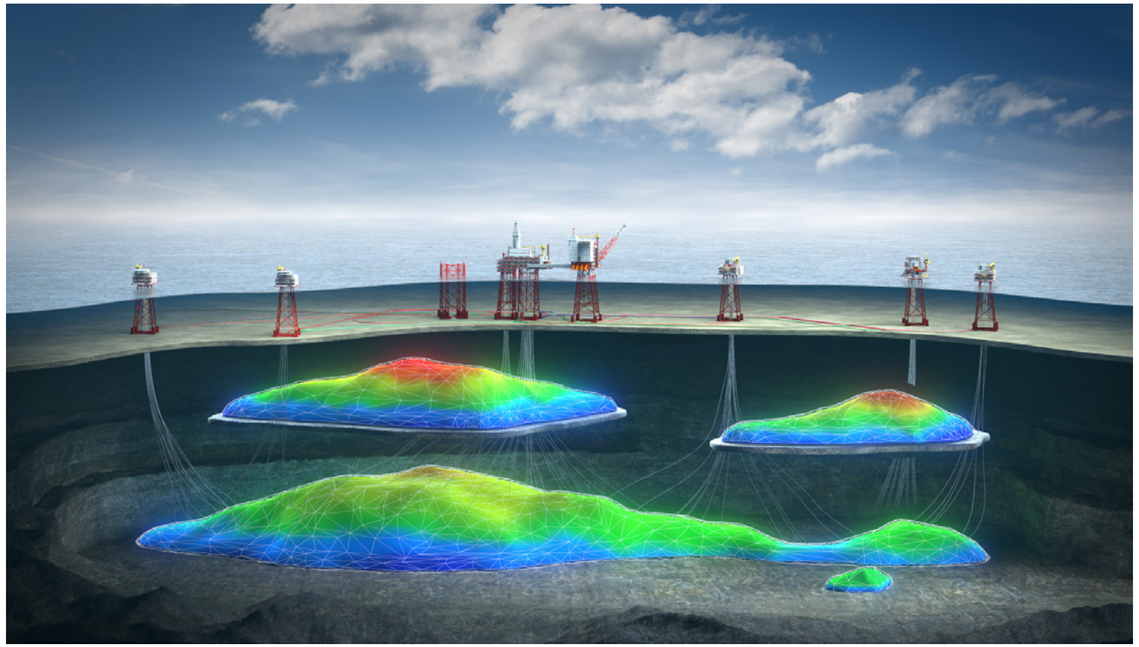
The Valhall area consists of the Valhall and Hod fields in the southern part of the Norwegian North Sea and is operated by Aker BP. The infrastructure currently consists of a field centre with three separate bridge-connected platforms, in addition to five unmanned flank platforms. The produced oil is exported via pipeline to Ekofisk and on to Teesside, while the gas is exported via Norpipe to Emden in Germany.

Production performance in 2022
Production from Valhall and Hod in 2022 averaged 5,051 boepd, net to Pandion. Production increased towards the end of the year, with an average production of 5,900 boepd in the second half of 2022.

Hod
The Hod field is located 13 kilometres south of Valhall. When it came on stream in 1990, the original Hod wellhead installation was the first unmanned platform in the Norwegian North Sea. All wells on the original Hod platform are shut in and are scheduled for plugging and abandonment. In recent years, this reservoir has been produced by wells drilled from the Valhall Flank South platform. The field has now been developed with a normally unmanned wellhead platform (Hod B), remotely operated from the Valhall field centre.

The Hod field development project was completed according to plan, and first oil was achieved in April 2022, only 22 months after the final investment decision was made and all wells were drilled, stimulated and put into production within five months of pipeline commissioning. All offshore modifications have also been finalised.

CO_2 emissions intensity amongst the lowest on the NCS
The Valhall area has been powered from shore since 2012, originally eliminating annual turbine emissions of approximately 320,000 tonnes of CO_2 and 600 tonnes of NO_x. The field centre also supplies power to the remotely operated flank platforms including Hod B, with close to zero CO_2 emissions during normal operations, and can also accommodate long-term rig hires with electricity.



Introduction

Modernisation of the area
Although Valhall and Hod have been in production for several decades, an enormous potential remains to be tapped. The work of modernising Valhall is well underway, enabling the ambition to produce another billion barrels in the future with minimal emissions.

Decommissioning
The Original Valhall Decommissioning project (OVD) progressed according to plan. An important milestone was reached in 2022 when the remaining original platforms DP and the PCP topsides were removed from the field centre.

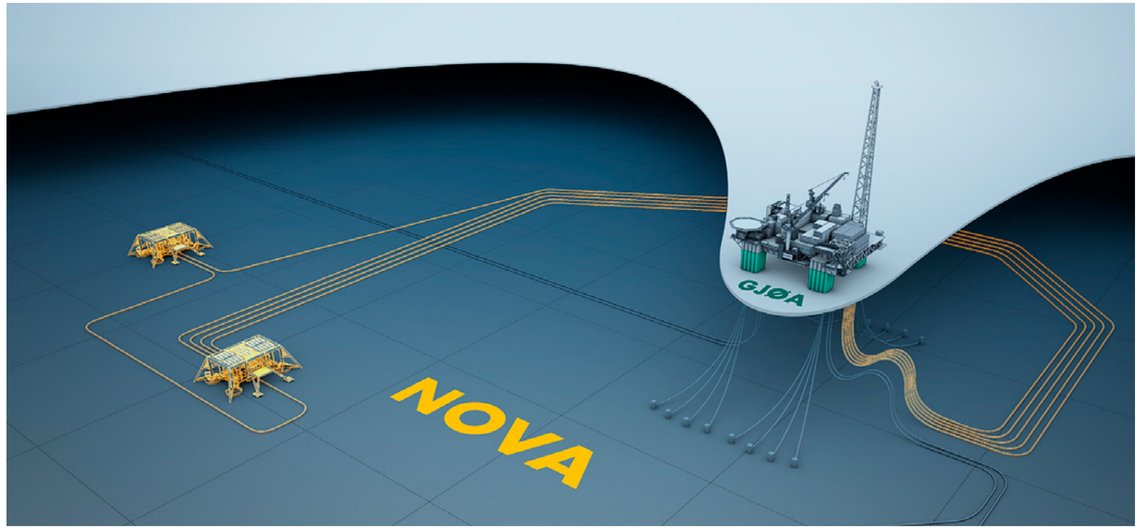
Revised plan for Development and Operation at Valhall
In December 2022, the Plans for Development and Operations for the joint Valhall PWP & Fenris development project (previously named Valhall NCP & King Lear) was submitted to the authorities. The joint development project comprises a new centrally located production and wellhead platform (PWP) with 24 slots and an unmanned installation at Fenris subsea tied back 50 kilometres to the PWP.

Expected total recoverable resources for Valhall PWP are estimated to 70 mmboe. The development plan includes 15 wells at Valhall PWP with production start planned for the second quarter 2027. The development leverages Valhall's existing ultra-low-emission, onshore power supply. The new platform will become an integrated part of the Valhall field as other facilities are phased out and will be bridge-linked to the Valhall central complex.

The project involves a modernisation of Valhall that ensures continued operation when parts of the current infrastructure are phased out in 2028, thus enabling production of the remaining Valhall reserves from 2029 onwards.

Nova

The Nova field is located in the northern part of the North Sea and consists of two subsea templates tied back to the Gjøa field, from which it is provided with renewable power from shore. The Nova field came on stream in July 2022 and is currently in its ramp-up phase. When fully operational, the production from Nova is set to double Pandion Energy's daily production.



The field was discovered in 2012 and approved for development in 2018. The Nova field consists of two four-slot subsea templates, one with three oil producers and one with three water injectors. The field is tied back to the Gjøa platform, located just 17 kilometers northeast of Nova, which provides gas lift, water injection and receives the Nova hydrocarbons. The Gjøa field is operated by Neptune Energy.

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

Production performance in 2022
The Nova field started production in July 2022. Net production from Nova for the half year 2022 was 234 thousand barrels of oil equivalent corresponding to 1,502 boepd. The production from Nova will double Pandion Energy's daily production when the field is fully operational.

A low carbon intensity project
Nova is one of the low carbon intensity projects on the NCS being provided with power from shore through the host platform Gjøa. The Gjøa facility is mainly supplied with power from shore and therefore generates low emissions and has a small CO_2 footprint. The host serves as a production hub for other fields as well.

Core area for Pandion Energy
The greater Gjøa area is one of the core areas for Pandion Energy, where it has long-standing relations to key players in the area and holds extensive experience dating back to the first discovery in Pandion Energy's portfolio, Cara, later renamed Duva. Pandion Energy divested its interest in the Duva field in 2020 and is currently partner in several neighbouring exploration licences. In August 2022, Pandion Energy announced a commercial discovery in the Ofelia well in PL 929 where Neptune Energy is the operator.

Pandion Energy holds a 10 per cent stake in the Nova field following the ONE-Dyas transaction in 2022.

Licence overview

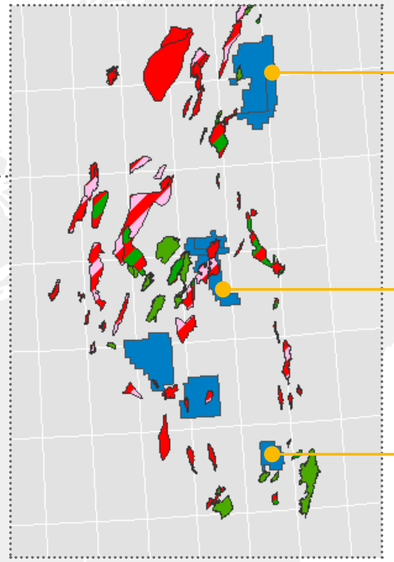
Core areas

Halten Terrace
Norwegian Sea

Slagugle discovery
20% WI

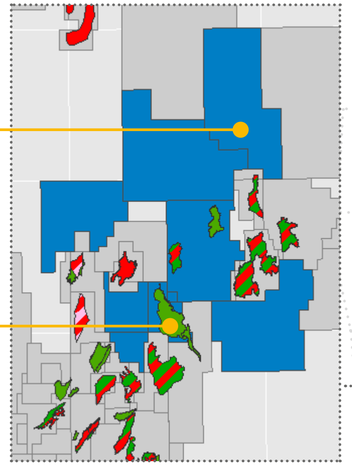
Sierra/Solberg discovery
49% WI

Calypso discovery
20% WI



Ofelia discovery
20% WI

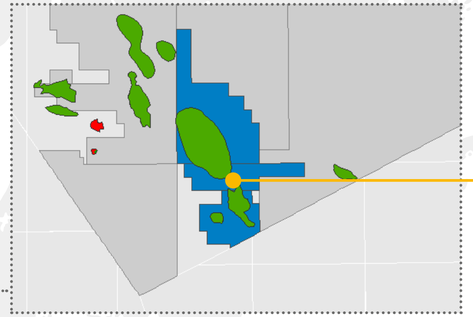
Nova
10% WI



Greater Gjøa Area
North Sea

Valhall area
South North Sea

Valhall & Hod
10% WI



The board of directors

Alan Parsley
Chairman

Dr Alan Parsley is an advisory board member and chair of the technical committee at Kerogen. He has more than 40 years of industry experience, predominantly at Shell, where he held senior positions including global head of exploration, head of new business ventures, and chair of Shell Australia. He formerly served as a member of the board at Woodside Petroleum Ltd.

Jan Christian Ellefsen
CEO/Executive director

Jan Christian Ellefsen leads the Pandion Energy team with more than 30 years of managerial, commercial and technical experience from the oil and gas industry. His background includes a broad range of managerial positions in both oil services and exploration and production companies, mainly in development and operations.

Helge L. Nordtorp
Deputy CEO and VP BD / Executive director

Helge Nordtorp has more than 20 years of experience in the E&P industry from managing regulatory processes as a civil servant at the Ministry of Petroleum and Energy, and from strategy and business development projects as a management consultant. He also has experience with M&A and capital market transactions as a director at DNB Markets, a leading Norwegian investment bank.

The board of directors

Anish Patel
Non-executive director

Anish is a partner and a senior member of the Investment and portfolio management team at Kerogen. He has over 15 years' experience in investments and corporate finance in the energy industry. He joined Kerogen in 2011 and has worked on several of the firm's largest investments to date. He formerly worked in J.P. Morgan Cazenove's Investment Banking group in London.

Jason Cheng
Non-executive director

Jason Cheng is the CEO and Managing Partner of Kerogen, he co-founded Kerogen and its predecessor Ancora Capital in 2007. He has around 30 years' commercial experience across investing, operations and investment banking. He was formerly Managing Director of Jade International Capital Partners Limited in Beijing, and had previously worked in energy investment banking at J.P. Morgan and Schroders.

Roberta Wong
Non-executive director

Roberta Wong is a managing director on the Investment and portfolio management team at Kerogen. Before joining Kerogen, she worked with members of the Kerogen team at J.P. Morgan's Energy and natural resources group in Hong Kong since 2008, specialising in energy M&A and capital raisings including advising Asian NOCs in relation to their international acquisition strategies.

The management team

Jan Christian Ellefsen
CEO
MSc Mechanical Offshore Engineering

Jan Christian Ellefsen leads the Pandion Energy team with more than 30 years of managerial, commercial and technical experience with the oil and gas industry. He has held a broad range of managerial positions in both oil service and exploration and production companies, mainly in development and operations.

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

Helge L Nordtorp has more than 20 years of experience with the E&P industry from managing regulatory processes as a civil servant in the Ministry of Petroleum and Energy, and from strategy and business development projects as a management consultant. He also has vast experience with mergers and acquisitions and capital market transactions.

Hege Peters
VP Finance & Business Support
MSc Accounting and Auditing

Hege Peters has more than 25 years of diversified experience with managing finance functions, accounting, budgeting, liquidity, tax and compliance processes, in both oil and gas and other industries. She initially qualified as a senior auditor at Arthur Andersen.

The management team

Bente Flakstad Vold
VP Exploration & Appraisal
MSc Applied Geophysics

Bente Flakstad Vold has more than 25 years of managerial and technical experience from the oil and gas industry on the NCS. Her extensive background covers all aspects of subsurface portfolio management, including prospect generation and maturation, as well as business development and management of exploration and appraisal activities in licences.

Kjetil Steen
VP Development & Production
MSc Mechanical Engineering

Kjetil Steen has more than 25 years of experience in upstream development projects in Norway and internationally, as well as production and asset management. His expertise lies in taking discoveries to final investment decision, with a concentration on technical feasibility, concept selection and engineering design through to execution.

Oksana Karpenko Hillervik
VP HSE & Operations
MSc Industrial Economics & Technical Management

Oksana Karpenko Hillervik has more than 15 years of experience holding various advisory and managerial positions in HSE and quality for the oil and gas industry on the NCS. She has broad experience with planning and execution of operational activities on NCS, risk and HSE management, as well as a wide remit of ESG, compliance and regulatory processes.

DIRECTORS' REPORT & FINANCIAL STATEMENTS

Directors' report

Pandion Energy is entering 2023 stronger than ever. The company delivered a strong financial result in 2022, with record operating profit of USD 117.7 million (2021: USD 23.5 million) on the back of high oil and gas prices and new fields coming on stream. 2022 was a year of growth, with the acquisition and merger of ONE-Dyas Norge AS, production start on the Nova and Hod fields, two successful discoveries, the company's fourth PDO and a successful refinancing process that puts the company in a solid position for further growth.

The company expects to more than double its daily production following the acquisition of a 10 per cent interest in the Nova field through the ONE-Dyas Norge transaction. In line with Pandion Energy's Net Zero Carbon strategy, the combined Valhall and Nova production will have among the lowest CO_2 intensity levels on the Norwegian Continental Shelf.

ABOUT PANDION ENERGY AS

Business and location

Pandion Energy AS (Pandion Energy or the company) is a Norwegian company with its head office at Lysaker, Oslo. Pandion Energy is an independent, full-cycle oil and gas company, participating in the discovery, appraisal, development and production of oil and gas resources on the Norwegian Continental Shelf (NCS). The company was established in November 2016 on the basis of the operational platform and licences acquired from Tullow Oil Norge AS.

The company is owned by Pandion Energy Holding AS, a holding company owned by the management team and Kerogen Capital, an independent private equity fund manager specialising in the international energy sector.

Pandion Energy's current portfolio comprises of 23 licences and daily production of over 7,500 barrels of oil equivalent (boe). The portfolio includes 40 million barrels of oil equivalent (mmboe) of net proven and probable (2P) reserves and 61 mmboe of net contingent resources (2C), including reported estimates for the discoveries in Slagugle (PL 891), Sierra (PL 263), Ofelia (PL 929) and Calypso (PL 938).

Business model and strategy

Pandion Energy's business model is to be a full-cycle exploration and production company, participating in the discovery, appraisal, development and production of oil and gas resources on the NCS. Its strategy is to be an active and responsible non-operator partner, driving value in high-quality assets.

The company targets upsides in and around proven assets with access to processing and transport capacity. Pandion Energy has an ambitious growth strategy, supported by a solid capital structure. It will pursue attractive growth opportunities, including exploration and appraisal, further development of its producing fields, mergers and acquisitions, farm-ins and participation in future licensing rounds.

The company's ability to create long-term, lasting value rests on maintaining high standards of governance, safe operations, and sustainable business practices. Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint – as demonstrated by carbon intensity levels per barrel which are amongst the lowest in the Norwegian and global E&P industry. In 2022, for example, a carbon intensity level of 1.9 kilograms of CO_2 per barrel of oil equivalent was achieved. Pandion Energy has an established strategy to achieve net zero carbon emissions. This includes reducing the carbon footprint of its operations by pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources, incorporating greenhouse gas (GHG) emissions and the potential for future carbon reduction as a key investment criterion for developments and producing assets, and incorporating the future cost of carbon emissions when evaluating new investments. Pandion Energy sees the use of offsets as part of an overall plan to reach carbon neutrality for the remaining balance of its equity-based Scope 1 and Scope 2 CO_2e emissions.

OPERATIONAL REVIEW

Production and field development

Valhall and Hod fields

The Valhall area consists of the Valhall and Hod fields in the southern part of the

Directors' report & financial statements

Norwegian sector of the North Sea. Since 2013, the Valhall area has received electrical power from on shore via Lista in the south of Norway, which keeps emissions to the air very low during normal operations. Pandion Energy holds a 10 per cent interest in the Valhall area, where Aker BP is operator.

Production in the Valhall area marked its 40 years anniversary in 2022, with over one billion barrels produced since its start-up in 1982. Production from Valhall and Hod averaged 5,051 barrels of oil equivalent per day (boepd), net to Pandion, in 2022, down from an average of 5,160 boepd in 2021. The reduction in produced volume was a result of downtime related to chalk influx in several wells, which necessitated well intervention activities.

During the first quarter of 2022, the Noble Integrator jack-up rig replaced the Maersk Reacher rig on Valhall. It continued to support the stimulation and intervention campaign through the year and brought more wells up to their full production potential. The campaign has been successful and has significantly reduced the intervention back-log. It has also improved flexibility to handle and recover well instabilities going forward. Towards the end of the first quarter of 2023, the rig will relocate to Hod to embark on the first phase of a campaign to permanently plug and abandon eight wells on the old Hod A platform.

An additional well on Valhall Flank West was drilled by the Noble Invincible drilling rig and put into production in the third quarter of 2022. This was the final well drilled by Noble Invincible on Valhall and marks the end of a five-year contract comprising drilling and P&A operations on the field.

The work of modernising Valhall is well underway, and involves removing old platforms, plugging old wells and investing in new wells and infrastructure in the area.

The Old Valhall decommissioning project progressed according to plan, and 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, with more than 95 per cent of the material being recycled.

Current infrastructure on Valhall comprises a field centre with three bridge-connected platforms. There are also three unmanned flank platforms (North, South and West).

The Hod field development project was completed according to plan, and first oil was achieved in April 2022, only 22 months after the final investment decision was made. From 1990 to 2012, the original Hod development produced via a remotely operated wellhead platform tied back to Valhall. In recent years, Hod has been produced by wells drilled from the Valhall Flank South platform. The field has now been developed with a normally unmanned wellhead platform (Hod B), remotely operated from the Valhall field centre. All six wells were drilled, stimulated and put into production within five months of pipeline commissioning. All offshore modifications have also been finalised. The Hod project demonstrates the positive impact of the temporary changes in the petroleum tax regime and shows how companies have responded to the expectation of creating activity for the supply industry across the country. The project is expected to produce 40 mmboe, and marks a significant milestone in revitalising the Valhall area and further increasing production on the NCS. For Pandion Energy, this was the company's third successful Plan for Development and Operations (PDO).

The development of a new, centrally located production and wellhead platform (PWP) on Valhall progressed as planned during 2022. In December, the operator, Aker BP, submitted a revised PDO for the Valhall field as a joint development with the Fenris field (formerly King Lear). Total recoverable resources for Valhall are estimated at 70 mmboe. The development leverages Valhall's existing ultra-low-emission, onshore power supply. The new platform will become an integrated part of the Valhall field as other facilities are phased out and will be bridge-linked to the Valhall central complex. The project involves a modernisation of Valhall that ensures continued operation when parts of the current infrastructure are phased out in 2028, thus enabling production of the remaining Valhall reserves from 2029 onwards.

Nova field

The Nova field started production on 29 July 2022. The field, which was discovered in 2012 and approved for development in 2018, was developed with two subsea templates tied to the Gjøa semi-submersible production and processing unit. Pandion Energy holds a 10 per cent stake in the Nova field following the ONE-Dyas Norge transaction in 2022. The field is operated by Wintershall Dea Norge AS. The resources from Nova are being extracted with minimal impact on the environment, due to the use of existing infrastructure partially powered from on shore. The Nova field is located approximately 120 km northwest of Bergen and 17 km southwest of the Gjøa platform, which provides gas lift, water injection and oil transportation.

Directors' report & financial statements

Net production from Nova for the half year 2022 was 234 thousand barrels of oil equivalent (kboe) (1,502 boepd) part of which (167 kboe) was transferred to Gjøa as compensation.

Production from Nova was lower than expected due to issues with the water injection wells. Some of the issues were resolved rapidly by a well-planned and executed Inspection Maintenance Repair Vessel campaign completed in December. A side-track drilling operation is planned for the second quarter of 2023 to improve the location of one of the injector wells and increase its effect on production. Further actions to improve water injection on the field are under evaluation. The issues with the water injectors may limit the field's output until the end of 2023. There are no indications that these issues will impact recoverable reserves from the field. The production from Nova will double Pandion Energy's daily production when the field is fully operational.

Appraisal
In May, the Slagugle appraisal well was drilled in PL 891 in the Norwegian Sea. Based on the evaluation of the data collected from the appraisal well, the recoverable hydrocarbon volume in the main segment was reported between 35 and 80 mmboe. Pandion Energy sees multiple exploration opportunities in the Slagugle area, which could add to the resources confirmed by the appraisal well. Pandion Energy will continue working towards the potential development of the resources.

In August, Pandion Energy farmed down a 5 per cent participating interest in PLs 820S and 820SB, the Iving discovery, to Vår Energi, with effect from 1 January 2022. The transaction is one of multiple transactions with the licence partners and brings Vår Energi's total participating interest in these licences to 30 per cent. It also resulted in Vår Energi being appointed operator. Following the transaction, Pandion Energy's participating interest is 7.5 per cent in both licences.

Exploration
In January 2022, Pandion Energy AS was awarded three licences under the 2021 APA (Awards in Predefined Areas) licensing round on the NCS. The areas awarded included two new licences, PL 1139 (20 per cent participating interest) and PL 1166 (30 per cent participating interest) and one licence with additional acreage to PLs 263D/E/F, which were already in the portfolio.

In August, Pandion Energy announced a commercial discovery in the Ofelia well in the Norwegian sector of the North Sea. The company holds a 20 per cent interest in the discovery in PL 929, which is operated by Neptune Energy. Initial estimates of recoverable hydrocarbons are between 26 and 49 mmboe including 16 to 39 mmboe of oil. During the fourth quarter of 2022, the partners in PL 929 prepared for appraisal of the Ofelia discovery, and secured the semi-submersible drilling rig Deep Sea Yantai for drilling an appraisal well in 2023. The discovery will be considered for development as a tie-back to the Gjøa platform and demonstrates Pandion Energy's focus on opportunities near existing infrastructure and commitment to a Net Zero Carbon strategy.

In November, Pandion Energy announced another discovery with commercial potential, following drilling on the Calypso prospect in PL 938 in the Norwegian Sea. The company holds a 20 per cent participating interest in the licence, which is operated by Neptune Energy. The preliminary volume estimates are between 6 and 22 mmboe. This is the fifth consecutive discovery for Pandion Energy, all in mature areas on the Norwegian continental shelf. The partners in the Calypso licence will proceed with evaluating options to develop the discovery utilising nearby infrastructure.

FINANCIAL REVIEW
The going concern assumption
Pursuant to section 3-3a of the Norwegian Accounting Act, the board has performed a robust assessment of the company's cash flows and its financial and liquidity positions, including several downside scenarios, and confirms that the conditions for continued operation as a going concern are present and that the annual financial statements have been prepared on that basis. The board confirms that the annual financial statements represent a true and fair view of the company's financial position and that it is not aware of any factors that would materially affect the assessment of the company on 31 December 2022.

The company's financial statements are prepared in accordance with the simplified IFRS, pursuant to section 3-9 of the Norwegian Accounting Act and regulations regarding the simplified application of the IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

Statement of income

Revenue and other income

Total revenues and other income for 2022 amounted to USD 215.5 million (2021: USD 135.9 million) and comprised net sales of oil and gas, gain/loss from hedging positions and change in estimates of contingent consideration.

The increase in revenue mainly reflects higher commodity prices combined with the first oil revenue from the Nova field during the fiscal year. Net sales of oil and gas for the year amounted to USD 213.1 million (2021: USD 137.9 million).

Before hedging, the average oil price achieved by Pandion Energy in 2022 for its net sales of oil was USD 102 (2021: USD 72) per boe. This was consistent with Brent benchmark movements. Average realised gas price was USD 152 (2021: USD 62) per boe.

Average net production for Pandion Energy was 5,236 boepd, compared with an average of 5,152 boepd in 2021. Valhall and Hod production net to Pandion was 5,051 boepd, down from 5,152 boepd in 2021. This was mainly due to downtime related to chalk influx in several wells, which necessitated well intervention activities. Nova production net to Pandion was 185 boepd.

Average net sales for Pandion Energy amounted to 5,515 boepd (2021: 5,516 boepd). Sales quantities during a period can differ from production quantities, mainly because of differences in the timing of cargo liftings compared with production (inventory movements).

A loss of USD 1.2 million (2021: loss of USD 2 million) in other income for the year related to losses from hedging positions owing to the rise in crude oil prices during 2022. Other income in 2022 also comprised a change in the estimated contingent additional consideration linked to realised oil prices associated with the acquisition of ONE-Dyas Norge AS.

Expenses

Operating expenses, including inventory movements, amounted to USD 47.4 million for 2022, significantly higher than the 2021 level of USD 35.1 million. This increase is mainly attributable to additional activities on the Nova field, higher electricity prices and well intervention activities on the Valhall and Hod fields. The increase in operating expenses was partly offset by inventory movements. Valued at production cost, including tariffs and depreciation, the change in inventory amounted to a gain of USD 6.2 million (2021: an expense of USD 3.2 million) over the year, owing to timing differences between cargo liftings and production.

The per-barrel cost of operations for the year amounted to USD 19 per boe (2021: USD 12 per boe).

Exploration expenses in the income statement for 2022 amounted to USD 15.1 million (2021: USD 44.7 million). Exploration and appraisal costs are capitalised as they are incurred. When exploration and appraisal drilling is unsuccessful or licences are relinquished owing to lack of prospectivity, the capitalised costs are expensed. In addition to previously capitalised exploration costs, exploration expenses in the income statement comprise costs related to new-venture activities (licensing rounds, farm-in activities and digitalisation). Further details may be found in Note 5. The lower exploration expenses for 2022 were mainly attributable to the write-down of the Iving discovery in 2021.

The company recorded net financial expenses of USD 26.8 million for 2022, compared with USD 16.9 million for 2021. Details are provided in Note 11. Net financial expenses mainly comprised interest expenses of USD 13.1 million (2021: USD 10.4 million), which is related to the company's unsecured bond, the reserve-based lending (RBL) facility and the exploration finance facility (EFF), as well as accretion expenses of USD 7.5 million (2021: USD 6.1 million) related to asset retirement obligations. The increase in interest expenses in 2022 was due to increased borrowings following the debt refinancing process completed in June 2022, combined with higher interest rates.

Results

The company generated a profit on operating activities of USD 117.7 million and an EBITDAX* of USD 168.1 million in 2022, up from a profit of USD 23.5 million and an EBITDAX* of USD 100.8 million. The increase from 2021 is mainly a reflection of higher oil and gas prices and lower exploration expenses during the year.

Pandion Energy recorded a profit before income tax of USD 90.9 million for 2022, compared with a profit before income tax of USD 6.6 million the year before. The

** For definitions of Alternative Performance Measures (APM), please refer to page 59.*

Directors' report & financial statements

income tax expense amounted to USD 82.6 million for the year, compared with USD 1.3 million in 2021. This resulted in a net profit of USD 8.3 million for 2021 (2021: net profit of USD 5.3 million).

Statement of financial position
The company's total assets at 31 December 2022 amounted to USD 782.9 million (2021: USD 615.5 million).

Property, plant and equipment came to USD 552.8 million (2021: USD 428.5 million), an increase of USD 124.2 million. This was driven by the acquisition of the Nova field as well as investments in Valhall and Hod – mainly drilling and well stimulation on the North and West flanks and Hod development project.

Intangible assets and goodwill amounted to USD 126.5 million at 31 December 2022 (2021: USD 106.1 million). The increase from 2021 is mainly attributable to the successful drilling of the Ofelia (PL 929) and Calypso (PL 938) prospects, and the Slagugle appraisal well in PL 891.

Pandion Energy has a robust and diversified capital structure, made up of committed equity and a debt financing package. A subscription agreement has been executed for an initial USD 190 million of equity to be injected into the company. To date, USD 109 million of this has been invested, with the remaining amount serving as an undrawn equity reserve for the company. In addition, about USD 5.7 million has been invested by the Pandion Energy team.

The debt financing package at the end of 2022 included an RBL facility of USD 200 million and a senior unsecured bond loan of USD 75 million. Pandion Energy completed a debt refinancing process in June 2022. The company signed an amendment and restatement agreement for its RBL facility, 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, together with 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 optimise the capital structure on the back of the acquisition of ONE-Dyas Norge AS. The EFF was drawn until 31 December 2021, with repayment in December 2022, after which it was expired. More details of debt financing are provided in Note 23.

Total equity at 31 December 2022 came to USD 143.3 million, up from USD 133.2 million a year earlier. The company's equity ratio at 31 December 2022 was 18.3 per cent. The total share capital issued at 31 December 2022 was USD 13.6 million.

The company's interest-bearing debt totalled USD 191.5 million at 31 December 2022, up from USD 135.8 million a year earlier. See Note 23.

Effective from 1 January 2022, the Norwegian Government has changed the Special Petroleum Tax (SPT) system, replacing the rules on depreciation and uplift with immediate expensing of capex (cash flow tax), although the combined tax-rate for corporation tax and SPT remained unchanged at 78 per cent. The main intention with the change was to improve the neutrality of the tax system in value terms. Where Pandion Energy is concerned, the new tax rules will increase near-term cash flow owing to accelerated capex depreciation and the annual refund of special petroleum tax losses.

Cash flow statement
Net cash flow from operating activities in 2022 was USD 153.7 million, up from USD 151.8 million in 2021. This increase was primarily driven by higher revenues partly offset by high tax refund in 2021. The difference between cash flow and profit from operating activities mainly reflects the effect of depreciation, amortisation and net impairment losses, as well as tax refunds received.

Investing activities in 2022 involved a net cash outflow of USD 220.0 million, compared with USD 127.3 million the year before. Investment activities in 2022 related to the acquisition of ONE-Dyas Norge AS and the consequent completion and commissioning activities on the acquired Nova field. Investments were also made in the further development of the Valhall and Hod area, mainly the Valhall Flank West and PWP projects, and drilling on the Hod field.

Net cash flow from financing activities in 2022 came to USD 65.6 million (2021: net outflow USD 19.5 million). This figure comprises (i) the net drawdown on the RBL facility of USD 49.5 million, (ii) the net EFF repayment of USD 19.6 million, and (iii) the net proceeds of USD 35.7 million from refinancing the unsecured bond.
Cash and cash equivalents decreased by USD 0.6 million during 2022 to USD 21.2 million at 31 December.

Directors' report & financial statements

Subsequent events
In January 2023, Pandion Energy was awarded two licences under the 2022 APA licensing round on the NCS. The areas awarded include one new licence PL 1180 (30 per cent participating interest) and one additional acreage for PL 1149, which was already in the portfolio. Both licences are located in the Greater Gjøa area, one of the company's core strategic areas, and fit well with the company's existing portfolio.

During the first quarter of 2023, one rig agreement has been entered into by the operator on the Nova field to be used for a potential new water injection well in 2024.

ALLOCATION OF NET PROFIT/LOSS
Pandion Energy AS recorded a net profit of USD 8.3 million for the 2022 fiscal year. The board proposes to allocate the net profit to retained earnings.

RISKS AND RISK MANAGEMENT
Pandion Energy is subject to various controllable and uncontrollable risks associated with the nature of oil and gas business operations. Companies operating in this industry, including Pandion Energy, are exposed to a variety of operational, financial and external risks which it may not be entirely possible to eliminate even with robust risk management routines and experience.

Pandion Energy's board of directors works with the company to develop risk management strategies and processes which enable management to prevent potential incidents and to handle them efficiently. The board is also responsible for overseeing the implementation of such strategies by making sure that the framework for identification, control and monitoring in all risk areas accords with industry standards, and that adequate systems and procedures are in place to address these risks. Pandion Energy's approach to risk management includes assessing and managing risk with the focus on achieving the highest risk-adjusted returns for its shareholders.

Directors' and officers' liability insurance has been secured by the company to cover the possible personal liability of a director or the CEO in accordance with applicable law.

Operational risks
The board recognises the risks associated with the company's operational assets.

Regulation of activities on the NCS provides a sound framework for handling these risks, and the company takes an active and responsible approach as a partner. Future production of oil and gas is dependent on the company's ability to find or acquire reserves and to develop them.

The risk of major operational incidents is always present, since drilling, production and decommissioning activities will never be completely risk-free. In addition, there are risks associated with the integrity of the company's assets, the reported reserves and resources, and third-party contractors or operators, since the company is not the operator of its assets. Development and exploration costs are also uncertain.

As a result of these risks, the company may incur costs which could adversely affect its financial position or its reputation as a licensee on the NCS. The company intends to act as a sound, responsible and technically competent partner across the whole spectrum of activities in all its operations. Pandion Energy works actively with operators and has established processes and mitigating measures to reduce the probability of operational incidents. The company's risk management also includes contingency plans to minimise the potential impact should an operational incident occur.

Financial risks
The company is exposed to market fluctuations in commodity prices, foreign exchange rates and interest rates. These fluctuations could affect the company directly or indirectly, since they may influence the appetite of banks and investors to lend to or invest in the company. The company considers its credit risk to be low since its licence partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Pandion Energy engages in active risk management through hedging, as well as a focus on liquidity and insurance. The company has insured its pro-rata liability on the NCS in line with the best industry practices, and has offshore insurance programmes covering the following risks (non-exhaustive):
- loss of production income
- physical damage to assets
- well control
- third-party liability.

Commodity price risk
Pandion Energy operates in the crude oil and natural gas market. Fluctuations in hydrocarbon prices may therefore affect its revenue. Commodity price risks represent the company's most important market risk going forward. To manage this, Pandion Energy secures cash flows from the sale of crude oil through commodity price hedging. However, a downturn in oil prices could still dampen market players' enthusiasm for investing in exploration and new developments. That, in turn, could adversely affect the company's growth ambitions.

To reduce risk related to oil price fluctuations, Pandion Energy has established an oil-price hedging programme. At year-end 2022, the hedging programme was based on a mix of put options and collar structures.

At 31 December 2022, 51 per cent of after-tax (14 per cent of pre-tax) crude oil production volumes had been hedged for January–December 2023 at an average floor price of USD 52 per boe (USD 49.8 per boe net of costs). Additional positions may be added to the programme in the future. However, the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

Currency risk
Currency risks arise from multi-currency cash flows in Pandion Energy. The company is exposed to foreign exchange risk on its purchases and sales, including financing costs denominated in currencies other than USD. After the refinancing of the senior unsecured bond and repayment of the EFF in 2022, the company's debt portfolio comprises only borrowings in USD.

The company's functional and presentation currency is the USD, based on an evaluation of the company's primary economic environment and related cash flows. Cash flows from ordinary sales and financing activities are mainly generated in USD. The currencies which influence costs are a mix of NOK and USD, where the NOK is the main currency. To reduce the risk associated with exposure to USD/NOK fluctuations, the company has purchased forward contracts where the underlying transaction is to sell USD and buy NOK.

Interest-rate risk
The company's interest-rate risk arises from its interest-bearing borrowings. Borrowings at floating interest rates expose the company to interest-rate risk. The new senior unsecured bond was issued at fixed-rate terms, thereby reducing the company's interest-rate risk exposure.

Liquidity risk
Pandion Energy's future capital requirements depend on many factors, and the company may need additional funds to fulfil its commitments and further develop exploration and development programmes to support its strategic direction.

Liquidity risk is the risk that the company will be unable to meet its financial liabilities when they fall due. Pandion Energy develops short-term (12 months) and long-term forecasts to plan its liquidity. These forecasts are updated regularly for various scenarios, and form part of the decision basis for the company's management and board.

External risks
The business landscape in which the company operates can change rapidly. The risk of fluctuations in commodity prices is addressed under financial risks, but the company also faces other external risks which could affect its financial position over time. There can be no assurance, for instance, that legislation, including tax regulations, will not change in a manner that could adversely affect the company.

The Russian invasion of Ukraine at the end of February 2022 had immediate implications for commodity prices and may represent a risk of potential interruptions to supply chains and third-party services. Several countries have condemned the invasion and severe sanctions have been imposed. While the human suffering is clearly the main concern, the board must acknowledge that economic uncertainty, despite no direct exposure to the particular regions or sanctions, may have an impact on the company's business and its markets in the future. The extent to which the invasion impacts the company's results will depend on future developments, which are highly uncertain and difficult to predict, and new information which may emerge on an ongoing basis. Pandion Energy is committed to complying with relevant sanctions and trade control legislation, and is monitoring developments in order to mitigate the potential impact on the company's operations.

Climate-related risk
Society's response to climate change is also a source of potential risk. The company is likely to become exposed to risks related to the anticipated transition to a lower-carbon economy. This is likely to affect both market fluctuations and behaviour, as well as associated financial risks. It may also affect external risks related to regulatory and policy changes, either directly through costs and taxes or indirectly from technology developments. In addition, negative public opinion about oil and gas companies may have reputational effects.

In the long term, the company's assets may become exposed to physical climate risk. These include an increase in the frequency or strength of extreme weather events, potentially resulting in more frequent operational disturbances/disruptions or posing a physical threat to the technical integrity of offshore installations. These risks are currently managed through applicable design and regulatory requirements.

In order to minimise the exposure to climate change risk, Pandion Energy has committed to sustaining its low-carbon-impact position in the industry and to remaining carbon neutral. The company has a strategy for net zero carbon. A key part of this strategy involves aligning the company's investment criteria to ensure that new growth opportunities are evaluated with regard to CO_2 aspects and climate change risk in order to sustain a resilient asset portfolio.

Although the above mitigating actions could limit the exposure, the company's financial reporting may be significantly impacted by the transition risk. To illustrate the potential impact on some of the financial reporting elements, the company has included sensitivity analysis. See Note 3.

HEALTH, SAFETY AND THE ENVIRONMENT
Health, safety and environment (HSE) issues are of paramount importance to Pandion Energy. The company operates in the oil and gas industry, where operations can have a profound impact on the environment and on communities, and where the workforce is exposed to safety risks. Taking account of HSE issues is therefore strategically important and a prerequisite for the company.

Pandion Energy's board of directors has adopted an HSE policy for all the company's employees and contractors. Its objective is to ensure that all activities are carried out in a responsible manner, without harm to the people involved and in accordance with the principles of sustainable development, which aim to minimise the impact on the environment.

A comprehensive HSE management system has been established by the company. This calls for competent employees and contractors to deliver compliant operations through rigorous planning and execution. It also provides a system for effective risk management. Technical, economic and HSE considerations are an integrated part of Pandion Energy's decision-making and operational processes, to achieve the long-term sustainability of the business and to reduce risk. The company constantly strives to manage HSE risk by understanding what can go wrong, minimising the probability of this occurring and reducing the potential consequences. Effective management of HSE risk is about embedding HSE practices in the company's culture and operating procedures.

The board has established an environmental, social and governance (ESG) committee which is responsible for ensuring that ESG risks and opportunities (including impacts on the community, climate change and environment) are proactively identified and addressed at appropriate levels in the company's risk management activities. The ESG committee is also responsible for ensuring that the company's policies and practices are in alignment with its values, purposes and culture, and for integrating climate change and other sustainability factors in the company's strategy and business plan.

Pandion Energy has no operated assets in its portfolio, and the company works closely with the operators of its assets to identify, control and monitor risks. It provides a proactive and constructive challenge to the HSE policies, procedures and activities of the operators.

Pandion Energy places great emphasis on ensuring that operations in which the company participates are safe for the people involved, and aims to minimise their impact on the environment. This is enforced through the company's established processes and procedures, which drive regular interaction with the operators and continuous identification of follow-up issues. For those issues, action plans are established in order to seek additional information or clarification from the operator(s), perform third-party verification work or pursue Pandion Energy's internal work on technical or operational recommendations to the operator(s).

Directors' report & financial statements

No major accidents or any environmental claims involving any of the operating assets in which Pandion Energy participated occurred during the reporting period. Furthermore, the company experienced no injuries or incidents during the reporting period.

In 2020, Pandion Energy was one of the first E&P companies on the NCS to achieve carbon neutrality for Scope 1 and Scope 2 emissions, as defined in the GHG Protocol. The company launched its Net Zero Carbon strategy in 2021.

All of Pandion Energy's producing fields receive electrical power from on shore, resulting in some of the lowest CO_2 intensities in the E&P industry. In 2022, the combined CO_2 intensity was 1.9 kilograms of CO_2 per boe produced. The company's exploration and appraisal licences with offshore activities performed in 2022 or planned in 2023 fulfil the criteria set in its Net Zero Carbon strategy, since they are located in areas with existing or plausible future access to renewable energy sources. The company's equity-based Scope 1 and Scope 2 GHG emissions from activities in 2022 are reported in the sustainability section of the combined annual report.

GOVERNANCE AND SUSTAINABILITY

Pandion Energy is committed to rigorous corporate governance practices that create confidence in the company and thereby contribute to good long-term value creation for shareholders and other stakeholders. The objective of corporate governance is to regulate the division of roles between shareholders, the board and executive management more comprehensively than is required by legislation.

The company is currently owned by funds managed by Kerogen Capital and by the management team. The company has a bond listed on the Nordic alternative bond market (Nordic ABM). This is a list of registered bonds, the rules for which are determined by the Oslo Stock Exchange (Oslo Børs) in consultation with market participants. The company encourages transparency and aims for fair and equal treatment of all existing and future shareholders. It will seek to provide all existing and future investors with the necessary details to assess the fair value of the company and the risks it faces.

In 2022, Pandion Energy focused its efforts on meeting the company and its suppliers' obligations under the new Norwegian Transparency Act, which came into force in July 2022. The requirement for risk assessment is an important step in order to increase transparency and gain an insight into all stages of the company's supply chain, with the aim of safeguarding people who may be impacted by the company's business. Pandion Energy has conducted due diligence at a strategic company level, identified risk-reducing measures and areas to be further assessed. Concerning the reporting requirements of the Transparency Act, more information about the process and findings will be made available on our website by 30 June 2023.

For further details of governance practices and sustainability results, reference is made to the sustainability section of the combined annual report.

RESEARCH AND DEVELOPMENT

The company invested USD 1.4 million (2021: USD 3.0 million) in research and development in 2022.

In addition to contributions to general and specific R&D activities undertaken by the operators of the fields in which it has an interest, Pandion Energy has been working on the digitalisation of its subsurface capabilities through the application of digital solutions to geological and geophysical data.

PAYMENTS TO GOVERNMENTS

According to section 3-3d of the Norwegian Accounting Act and section 5-5a of the Norwegian Securities Trading Act, companies engaged in activities in the extractive industries must annually disclose payments to governments, by country and by project. The Ministry of Finance has issued a regulation (F20.12.2013 no 1682) stipulating that the reporting obligation only applies to reporting entities above a certain size and to payments above a certain threshold amount. Pandion Energy interprets the Act and the regulation such that only payments made directly by the company to governments are to be reported.

Pandion Energy is a non-operator licensee, and all payments by non-operators in licences will be cash calls transferred to the operator. As such, no payments will be made to governments by Pandion Energy.

The company made no payments to governments other than application fees for the APA licensing round, and no payments were above the threshold of NOK 800,000.

Directors' report & financial statements

ORGANISATION

At 31 December 2022, the company had 25 employees. In addition, 7 employees were serving their notice following an employee consultation process and the agreement in Pandion Energy Norge AS (former ONE-Dyas Norge AS) relating to the office relocation from Stavanger to Oslo.

The working environment at Pandion Energy is considered good. Sickness absence in 2022 was 1.8 per cent, compared with 1.38 per cent the year before. Since Pandion Energy has relatively few employees, sickness absence by just one or two people could significantly affect the percentage.

Pandion Energy seeks to keep sickness absence low by constantly improving working conditions. The company aims to maintain a working environment with equal opportunities for all, based on performance and irrespective of gender, age, culture, nationality, ethnicity, physical ability, political or religious beliefs, sexual orientation or any other attribute.

At 31 December 2022, 36 per cent of the employees were female. This is the same as one year before. Women made up 50 per cent of the management team, while one of six directors is female.

In close cooperation with the management team, Pandion Energy's board of directors has drawn up a code of conduct which sets out requirements for everyone who works for or on behalf of Pandion Energy. The code applies to the board, senior management and all employees and consultants. Pandion Energy also expects all business partners and suppliers to act in a manner which is consistent with the principles of the code. The code is available on the company's website at www.pandionenergy.no.

OUTLOOK

Pandion Energy has a robust capital structure and a strong balance sheet, which allows for further merger and acquisition (M&A) activities in the future. The refinancing of the bond and RBL during the year ensures a sound and diversified capital structure and means that the company is fully financed and ready to meet commitments and pursue future growth opportunities.

Operationally, delivering on production targets and driving value creation on the Nova, Valhall and Hod fields continues to be a strong priority for Pandion Energy and the board. Important milestones will include the side-track drilling operation on Nova planned for second quarter of 2023 and the joint development of Valhall and Fenris following the PDO in December 2022. The company will proceed with the maturing of the discoveries on Slagugle, Calypso, Sierra and Ofelia. Pandion Energy will continue to invest in proven high-quality assets with access to existing infrastructure, while aiming to maintain a low carbon footprint.

The board considers Pandion Energy to be well positioned for further growth. The company remains committed to its strategy of being an active and responsible partner on the NCS.

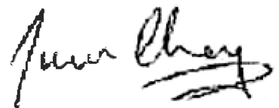
As part of this, the company actively searches for and evaluates new investment opportunities (through acquisitions, farm-ins, licensing rounds and swaps, etc.) and to divest assets to realise value created in its existing portfolio (through sale, farm-downs and swaps, etc.), and/or to seek business combinations that may cater for further, profitable growth.

Directors' report & financial statements

Oslo, Norway, 20 April 2023

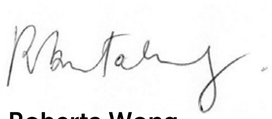
The Board of directors and CEO of Pandion Energy AS

Alan John Parsley
Chairman of the board



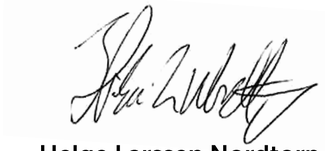
Jason Aun Minn Cheng
Board member

Jan Christian Ellesen
CEO/Board member



Roberta Wong
Board member

Anish Patel
Board member



Helge Larssen Nordtorp
Board member

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2022 have been prepared in accordance with the simplified IFRS, pursuant to section 3-9 of the Norwegian Accounting Act and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities, financial position and results of Pandion Energy AS.

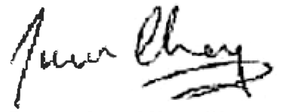
The notes form an integral part of the financial statements.

We also confirm that, to the best of our knowledge, the directors' report provides a true and fair overview of the development, performance and financial position of Pandion Energy AS, together

Oslo, Norway, 20 April 2023

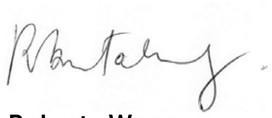
The Board of directors and CEO of Pandion Energy AS

Alan John Parsley
Chairman of the board



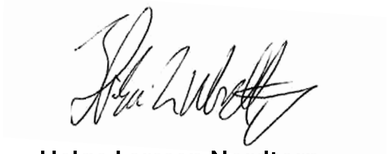
Jason Aun Minn Cheng
Board member

Jan Christian Ellesen
CEO/Board member



Roberta Wong
Board member

Anish Patel
Board member



Helge Larssen Nordtorp
Board member

Statement of income

Statement of income

(USD `000)	Note	2022	2021
Revenues		213,137	137,939
Other income		2,368	(2,016)
Total revenues and income	4	**215,505**	**135,922**
Operating expenses	5	(47,430)	(35,137)
Depreciation, amortisation and net impairment losses	6, 7, 8	(35,275)	(32,521)
Exploration expenses	5	(15,111)	(44,731)
Total expenses		**(97,816)**	**(112,390)**
Profit from operating activities		**117,689**	**23,533**
Net financial items	11	(26,836)	(16,917)
Profit before income tax		**90,854**	**6,616**
Income tax	12	(82,588)	(1,321)
Net profit		**8,266**	**5,295**

Statement of comprehensive income

(USD `000)	Note	2022	2021
Net profit		8,266	5,295
Items that may be subsequently reclassified to the Statement of income			
Net gain (loss) arising from hedges recognised in OCI	13	14,126	(1,332)
Net amount reclassified to profit and loss	13	(11,728)	3,393
Tax on items recognised over OCI	12, 13	(527)	(453)
Other comprehensive income		**1,871**	**1,607**
Total comprehensive income		**10,137**	**6,902**

Statement of financial position

Assets

(USD`000)	Note	2022	2021
Goodwill	7	63,138	63,138
Intangible assets	7	63,339	42,933
Property, plant and equipment	6	552,770	428,526
Prepayments and financial receivables		122	136
Right-of-use assets	16	982	506
Total non-current assets		**680,351**	**535,239**
Inventories		9,914	8,394
Trade and other receivables	18	19,005	21,325
Financial assets at fair value through profit or loss	19	951	222
Tax receivable - short term	12	51,433	28,501
Cash and cash equivalents	20	21,197	21,839
Total current assets		**102,499**	**80,280**
Total assets		**782,850**	**615,519**

Equity and liabilities

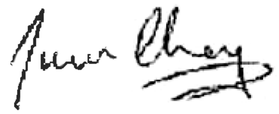
(USD`000)	Note	2022	2021
Share capital		13,591	11,110
Other paid-in capital		100,640	103,120
Other equity		29,104	18,966
Total equity	21	**143,334**	**133,196**
Deferred tax liability	12	225,903	124,431
Asset retirement obligations	22	154,751	181,362
Borrowings	23	188,324	44,889
Long term lease debt	16	729	264
Long term provision	24	3,512	-
Total non-current liabilities		**573,218**	**350,946**
Asset retirement obligations - short term	22	7,840	10,099
Trade, other payables and provisions	24	57,477	27,904
Borrowings - short term	23	-	84,602
Hedging derivatives	13	-	8,064
Financial liabilities at fair value through profit or loss	19	786	468
Short term lease debt	16	197	240
Total current liabilities		**66,300**	**131,377**
Total liabilities		**639,518**	**482,323**
Total equity and liabilities		**782,850**	**615,519**

Directors' report & financial statements

Oslo, Norway, 20 April 2023

The Board of directors and CEO of Pandion Energy AS

Alan John Parsley
Chairman of the board



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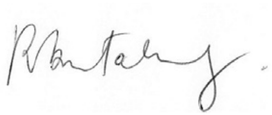

Roberta Wong
Board member

Anish Patel
Board member

Helge Larssen Nordtorp
Board member

Statement of cash flows

(USD`000)	Note	2022	2021
Income before tax		90,854	6,616
Depreciation, amortisation and net impairment losses	6, 7	35,327	32,585
Expensed capitalised exploration expenses	7	3,472	38,252
Accretion of asset removal liability	11, 22	7,484	6,098
(Increase) decrease in value of financial assets		(15,534)	(265)
Net financial expenses	11	19,352	10,819
Interest and fees paid		(19,583)	(10,127)
(Increase) decrease in working capital		5,776	(8,341)
Net income tax received		26,553	76,181
Net cash flow from operating activities		**153,701**	**151,817**

(USD`000)	Note	2022	2021
Payment for removal and decommissioning of oil fields	22	(7,284)	(20,121)
Investments in furniture, fixtures and office machines	6	(87)	(45)
Investments in oil and gas assets	6	(66,469)	(80,140)
Investments in exploration and evaluation assets	7	(36,155)	(27,018)
Acquisition of oil and gas assets		(109,956)	-
Net cash flow from investing activities		**(219,951)**	**(127,325)**
Proceeds from borrowings		241,080	28,463
Repayments of borrowings		(175,472)	(47,963)
Net cash flow from financing activities		**65,608**	**(19,500)**
Net change in cash and cash equivalents		**(642)**	**4,992**
Cash and cash equivalents - beginning of period		21,839	16,846
Cash and cash equivalents - end of period		21,197	21,839

Notes to the financial statements

NOTE 1 ORGANISATION

Pandion Energy AS ("Pandion Energy" or "the company") was established in November 2016 on the basis of the operational platform and licences acquired from Tullow Oil Norge AS. The company is incorporated and domiciled in Norway and has its registered office at Lilleakerveien 8, 0283 Oslo, Norway. Pandion Energy AS is a private oil and gas company focusing on exploration, appraisal, development and production opportunities on the Norwegian Continental Shelf (NCS).

The company's financial statements for the period ending 31 December 2022 were authorised for issue in accordance with a resolution of the Board of directors ("the Board") on 20 April 2023.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance
The financial statements of the company have been prepared in accordance with simplified IFRS, pursuant to Section 3-9 of the Norwegian Accounting Act and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

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

Expenses related to operating activities in the statement of income are presented as a combination of function and nature, in conformity with industry practice. Depreciation, amortisation and net impairment losses are presented on separate lines, based on their nature, while operating expenses and exploration expenses are presented on a functional basis. Operating expenses and exploration expenses, as presented in the statement of income include a share of salaries and related expenses reclassified using allocation keys based on time writing. Remuneration costs (salaries, pensions, etc.) are presented separately in the notes to the financial statements.

The statement of cash flows has been prepared in accordance with the indirect method.

Interests in joint operations (arrangements in which Pandion Energy and other participants have joint control, and each of the parties has rights to the assets and obligations for the liabilities in proportion to their respective share of the arrangement) and similar arrangements (licences) outside the scope of IFRS 11 are recognised on a line-by-line basis, reflecting the company's share of assets, liabilities, income and expenses.

There have been no significant changes to the accounting policies adopted for the 2022 financial year compared to those followed in the financial statements for 2021.

Certain new accounting standards and interpretations that have been published but are not mandatory for the reporting period ending 31 December 2022 have not been adopted early by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods, or on foreseeable future transactions.

Functional and presentation currency and foreign currency translations
Based on an evaluation of the company's primary economic environment and related cash flows, the company has adopted the United States dollar (USD) as its functional and presentation currency. Cash flows from ordinary sales and financing activities are mainly generated in USD. Costs are influenced by a mix of NOK and USD, with NOK as the main currency.

Transactions in foreign currencies are translated into USD at the exchange rate in effect on the transaction date. Foreign exchange differences arising on translation are recognised in the statement of income as net financial items. Non-monetary assets that are measured at historical cost are translated using the exchange rate on the transaction date. Equity transactions are translated at the exchange rate on the transaction date. All foreign exchange differences resulting from equity transactions are recognised in other comprehensive income.

Business combination versus asset acquisition
Determining whether an acquisition meets the definition of a business combination requires discretionary judgement on a case-by-case basis.

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

The acquisition of upstream activities in the production phase will typically represent a business combination, whereas those at the exploration stage will typically represent an asset purchase. Projects still in the development stage are more difficult to judge and will require an assessment of the stage of development and other relevant factors.

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and substantive processes applied to these inputs that have the ability to create outputs. Amendments to IFRS 3 effective in January 2020 introduced a new optional "concentration test" which may result in a business combination being accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group or similar identifiable assets.

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the company obtains control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.

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

Revenue recognition
Revenues from the sale of petroleum products are recognised in the statement of income. Sales of oil and gas are recognised upon delivery of products and customer acceptance.

Lifting or offtake arrangements for oil and gas produced in the company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production after permanent differences less stock is underlift or overlift. Underlift and overlift are valued at production cost including depreciation, and presented as an adjustment to cost.

Income taxe
The components of income tax are current and deferred. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

With effect from 1 January 2022, the Norwegian government changed the Special Petroleum Tax (SPT) system, replacing the rules on depreciation and uplift with immediate expensing of capex (cash flow tax), although the rate of corporate tax and SPT combined remained unchanged at 78 per cent. Corporate tax (22%) is deductible from the special tax base (56%). In order to maintain the overall 78 per cent tax rate, the special tax rate was increased to 71.8 per cent [56% / (1-22%)]. The temporary 2020 rules have been upheld for qualified future investments with immediate deductions plus a 12.4 per cent uplift for special tax.

In addition, the exploration loss refund and cessation loss refund systems have been 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, the historical tax value of losses carried forward and unused uplift from 2019 are also refunded.

Current income tax
Current tax is tax that is to be paid or received for the year in question and also includes adjustments in current tax attributable to previous periods.

The tax rates and tax laws used to compute the amount payable are those that are enacted or substantially enacted at the reporting date.

Deferred income tax
Deferred tax is calculated using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax is a non-cash charge.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed

at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

Employee benefits

Pensions

The company is required to have an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pensions Act ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law. Contributions are paid according to pension insurance plans.

Management incentive plan

The Management Long-Term Incentive Plan offers rewards should an exit event occur in the company. A liability related to the Management Long-Term Incentive Plan is calculated at end of the reporting period and is recognised over the estimated vesting period. The fair value depends on several assumptions related to factors such as exit value, discount rate and estimated probability of each employee to remaining employed when the hypothetical exit event takes place.

Phantom shares

As part of the company's bonus scheme, employees may receive phantom shares which follow the pricing of the company's real shares. Phantom shares are accounted for as a cash-settled share-based payment. The fair value of phantom shares at the exit date is calculated on the basis of the fair value of mandatory shares on the grant date and the estimated probability of each employee remaining employed at the exit event. The amount is recognised over the estimated vesting period. The fair value of the liability for phantom shares, including employer's National Insurance Contributions (NICs) and holiday pay, is remeasured at the end of each financial year and at the date of settlement, based on a valuation prepared by Kerogen (the majority shareholder). Any changes in fair value are recognised in profit or loss for the period. When an exit event occurs, the value of the phantom shares will be paid as a cash settlement to the employees (as salary).

Oil and gas exploration, evaluation and development expenditures

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

Capitalised exploration costs and evaluation expenditures that relate to wells in which proved reserves are found are transferred from intangible assets to property, plant and equipment when the plan for development and operation (PDO) is approved by the Norwegian authorities, or by licence partners if no government approval is required. This also applies to expenditures to acquire mineral interests in oil and gas properties. All field development costs are capitalised as property, plant and equipment.

Property, plant and equipment

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

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

Oil and gas producing properties are depreciated individually using the unit-of-production

("UOP") method as proved and probable developed reserves are produced. The rate of depreciation is equal to the ratio of oil and gas production for the period to the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. Any changes in the reserve estimate that affect unit-of-production calculations are accounted for prospectively over the revised remaining reserves. Oil and gas-producing assets are depreciated on a field level. A field in the course of development would not be amortised until production from that field commences. The company includes undeveloped reserves (proved and probable reserves but not contingent resources) in the denominator, and consequently includes the future development expenditures necessary to bring those reserves into production in the basis for depreciation.

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

Leases

All leases are recognised in the statement of financial position as a right-of-use (ROU) asset with a corresponding lease liability, except for assets leased for a period of 12 months or less (short-term leases), or low-value assets. ROU assets represent a right to use an underlying asset for the term of the lease, and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets are depreciated in a straight line over the lifetime of the related lease contract. The depreciation of an ROU asset is recognised over the lease term, and interest expenses related to the lease liability are classified as financial items in the income statement.

Pandion Energy determines if an arrangement is a lease at the outset. The company leases office facilities and IT equipment. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Assets and liabilities arising from a lease are measured initially on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives. The company's incremental borrowing rate, based on the information available on the date of commencement, is used to determine the present value of lease payments. Extension options are included when management judges their exercise to be reasonably certain.

ROU assets are measured at cost and include the amount of the lease liability as initially measured, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. Payments associated with short-term leases and the lease of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise IT equipment and small items of office furniture.

Pandion Energy is a non-operator and recognises its proportionate share of a lease when the company is considered to share primary responsibility for a licence-committed liability. This includes contracts where Pandion Energy has co-signed a lease contract, or external lease contracts for which the operator has been given a legally binding mandate to sign 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. These commitments are not recognised in the company's statement of financial position. Please refer to Note 17 in the financial statements for further details.

Intangible assets and goodwill

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

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

Goodwill is measured initially as the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination on the acquisition date.

Goodwill is also recognised as the offsetting accounting entry for the deferred tax liability recorded on the differences between the assigned fair value of an asset and the related tax base acquired in a business combination.

Goodwill acquired is allocated to each cash-generating unit (CGU), or group of CGUs, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

The carrying amount of trade and other receivables and cash and cash equivalents is approximately equal to fair value, since these instruments have a short term to maturity.

Inventories
Inventories consists of raw materials (hydrocarbons) and the company's share of equipment for the drilling of exploration and production wells. Inventory is valued at the lower of cost price (based on weighted average cost) and net realisable value.

Impairment of property, plant and equipment and intangible assets other than goodwill
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on the lowest level of separately identifiable and largely independent cash inflows. Normally, separate cash-generating units (CGUs) are individual oil and gas fields or plants. For capitalised exploration expenditures, the CGUs are individual wells. In Pandion Energy AS's line of business, judgement is involved in determining what constitutes a CGU. Developments in production, infrastructure solutions, markets, product pricing, management actions and other factors may over time lead to changes in CGUs, such as the division of one original CGU into several.

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

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, but where classification of those reserves as proved depends on whether major capital expenditure can be justified or where the economic viability of that major capital expenditure depends on the successful completion of further exploration work, will remain capitalised during the evaluation phase for the exploratory finds. Thereafter, an impairment evaluation of the well may be triggered if no development decision is planned for the near future and there are no firm plans for future drilling in the licence.

At each reporting date, an assessment is made of whether there is any indication that previously recognised impairment losses may no longer be relevant or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised

impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

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

Financial liabilities
Interest-bearing loans and borrowings are recognised initially at cost and subsequently measured at amortised cost using the effective interest method. The calculation of amortised cost includes any issue costs as well as discount or premium on settlement.

Financial liabilities are presented as current if the liabilities are due to be settled less than 12 months after the reporting date, or if these are held for the purpose of being traded. The carrying amount of trade and other payables, liabilities to related parties and borrowings is approximately equal to fair value, since the effect of discounting is not significant.

Derivative financial Instruments
The company has entered into derivative contracts through the financial year. Most of the contracts are over-the-counter (OTC) transactions. OTC transactions consist of (i) contracts that are bilaterally negotiated and settled between Pandion Energy and the contractual counterparty, and (ii) contracts that are bilaterally negotiated and then cleared through a central counterparty.

Put options are entered into for the purpose of commodity price hedging. These derivative financial instruments are recognised initially at fair value on the date on which the contracts are entered into and are subsequently re-measured at fair value through profit or loss. The impact of these commodity-based derivative financial instruments is recognised in the income statement as other income.

Forward foreign exchange contracts are entered into for the purpose of currency exposure hedging. In order to reduce the risk related to exposure to USD/NOK fluctuations, the company has purchased forward contracts where the underlying transaction is to sell USD and buy NOK. These derivative financial instruments are recognised initially at fair value on the date on which the contracts are entered into and are subsequently re-measured at fair value through profit or loss, with any impact recognised in the income statement as a financial item.

Borrowing costs and capitalisation of interest
Interest expenses and arrangement fees on borrowings intended to finance the construction of property, plant and equipment are capitalised during the period that is required to complete and prepare the asset for its intended use, which is defined as the development phase. Other borrowing costs are expensed when incurred. The capitalisation of borrowing costs is recognised monthly on the basis of the company's annual average interest expense. The monthly capitalisation is based on the capitalised assets for each project.

Operating cost
The company allocates its payroll and administrative expenses to development, operational and exploration activities, based on registered time writing.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest and other financial expenses in net financial items.

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

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

Critical accounting estimates and judgements
Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as contingency disclosures. Actual results may ultimately differ from the estimates and assumptions used. The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised when new estimates can be determined with certainty.

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing the financial statements, and the uncertainty that could most significantly impact the amounts reported for operating profit/loss, financial position and cash flows.

Acquisition of ONE-Dyas Norge AS
Pandion Energy completed the acquisition of ONE-Dyas Norge AS on 30 June 2022. The transaction included a 10 per cent share of the Nova field. When determining the initial recognition of the transaction as a business combination versus an asset acquisition, the optional concentration test set out in amendments to IFRS 3 was applied. The transaction was recognised as an asset acquisition under IAS 16 "Property, Plant and Equipment", since it was concluded that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, the Nova field.

Proven and probable oil and gas reserves
Proven and probable oil and gas reserves have been estimated on the basis of industry standards. The estimates are based on internal information and information received from the operators. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date the estimates are prepared. Current market prices are used in the estimates, except for existing contractual future price changes. Proven and probable reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of-production method. Reserve estimates are also used as the basis for testing impairment of licence-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and, accordingly, the economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Changes to reserve estimates can also be caused by updated production and reservoir information.

Future changes to proven and probable oil and gas reserves can have a material effect on depreciation, field life, impairment of licence-related assets and operating results.

Carrying value of intangible exploration and evaluation assets
Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. The value of intangible exploration assets is inherently a matter of judgement. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off and recognised in the income statement as

exploration expenses, unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Goodwill
The company tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of each cash-generating unit (CGU) is determined on the basis of value-in-use calculations which require the use of assumptions. Where the recoverable amount of a CGU, or group of CGUs, is less than the carrying amount, an impairment loss is recognised.

Asset retirement obligations
The company has obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities must be revised, due to changes in current regulations and technology as well as relevant risks and uncertainties. Most of the removal activities will take place many years into the future, and removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy-lift vessels, which may vary considerably depending on the projected removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, require the application of significant discretionary judgement.

Tax
The company may incur significant amounts of tax payable or receivable, and recognises significant changes to deferred tax liabilities or deferred tax assets. These figures are based on management's interpretation of applicable laws and regulations, and on relevant court rulings. The quality of these estimates is highly dependent on management's ability to properly apply a complex set of rules and identify changes to the existing legal framework.

NOTE 3 FINANCIAL RISK MANAGEMENT

General information relevant to financial risks
Pandion Energy's activities expose the company to market risk (including commodity price risk, currency risk and interest-rate risk) liquidity risk and credit risk. The company's approach to risk management includes assessing and managing risk with a focus on achieving the highest risk-adjusted returns for its shareholders.

Commodity price risk
Pandion Energy operates in the crude oil and natural gas market. Fluctuations in hydrocarbon prices can therefore have an effect on the company's revenue. Commodity price risks represent the company's most important market risk going forward. To manage this, Pandion Energy secures cash flows from the sale of crude oil through commodity price hedging. However, a downturn in oil prices could still discourage market players from investing in exploration and new developments. That in turn could adversely affect the company's growth ambitions.

To reduce risk related to oil price fluctuations, Pandion Energy has established an oil-price hedging programme. At year-end 2022, the hedging programme was based on a mix of put options and collar structures.

At 31 December 2022, 51 per cent of after-tax (14 per cent of pre-tax) crude oil production volumes had been hedged for January–December 2023 at an average floor price of USD 52 per boe (USD 49.8 per boe net of costs). Additional positions may be added to the programme, but the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

Currency risk
Currency risks arise from multi-currency cash flows within Pandion Energy. The company is exposed to foreign exchange risk on its purchases and sales, including financing costs denominated in currencies other than USD. The company will therefore preferably raise funding in USD. After the refinancing of the senior unsecured bond and repayment of the EFF in 2022, the company's debt portfolio comprises only borrowings in USD.

Based on an evaluation of the company's primary economic environment and related cash flows, the company has adopted the USD as its functional and presentation currency. Cash flows from ordinary sales and financing activities are mainly generated in USD. The currencies which influence costs are a mix of NOK and USD, with NOK the main currency. To reduce the risk related to its exposure to USD/NOK fluctuations, the company has purchased forward contracts where the underlying transaction is to sell USD and buy NOK.

Interest-rate risk
The company's interest-rate risk arises from its interest-bearing borrowings. Borrowings at floating interest rates expose the company to interest-rate risk. The new senior unsecured bond was issued at fixed-rate terms, thereby reducing the company's interest-rate risk exposure. See Note 23 for information about the floating interest-rate conditions on the reserve-based lending (RBL) facility.

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its financial obligations when they fall due. The purpose of liquidity management is to make certain that the company always has sufficient funds available to cover its financial liabilities. To identify current and future financing needs, Pandion Energy develops short-term (12 months) and long-term forecasts to plan its liquidity. These forecasts are updated regularly for various scenarios, and are used to support the decisions of the company's management and Board.

At 31 December 2022, Pandion Energy's debt financing included a reserve-based lending (RBL) facility in the amount of USD 200 million, with an additional uncommitted accordion of USD 200 million, and a senior unsecured bond of USD 75 million. The final repayment of the revolving exploration finance facility in the amount of NOK 400 million was made in December 2022, after which it expired. Please refer to Note 23 in the financial statements for further details.

Credit risk
Credit risk arises from cash and cash equivalents; contractual cash flows from debt investments carried at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL); favourable derivative financial instruments; and deposits with banks and financial institutions. There is also a minor credit risk exposure related to trade receivables and overcall in licences. The company's licence partners are creditworthy oil companies, and cash and cash equivalents are receivables from banks.

Climate-related risk
Climate-related risk assessment is generally described in the company's sustainability section of the combined annual report. Climate-related risk can be divided into two major categories:

- Transition risk related to anticipated transition to a lower-carbon economy
- Physical risk related to the physical impacts of climate change

Pandion Energy assesses physical risks from climate change as less material to its business and more manageable and transition risk is deemed most relevant for financial reporting.

In order to minimise the exposure to transition risk, Pandion Energy has committed to sustaining its low-carbon-impact position in the industry and to remaining carbon neutral. The company has a strategy for net zero carbon. Pandion Energy's strategy to net zero carbon rests on four key pillars:

- working with industry to meet the GHG emission targets set by national regulators
- committing to net zero carbon operations by offsetting the remaining hard-to-abate CO_2 - equivalent emissions
- aligning investment criteria to maintain a low carbon footprint in its portfolio
- promoting transparency and accountability

Although the above mitigating actions could limit the exposure, the company's financial reporting may be significantly impacted by the transition risk. To illustrate the potential impact on some of the financial reporting elements, the company has included sensitivity analysis within the following areas:

- Impairment (Note 8): Transparency on carbon pricing and impairment sensitivity on oil and gas prices in selected IEA scenarios
- Asset retirement obligations (Note 22): The impact on book value of asset retirement obligations if cease of production on fields with estimated lifetime after 2040 were accelerated by 10 years

The results of the development of initiatives to limit climate changes, and the degree to which Pandion Energy's operations will be affected by them, are sources of uncertainty. Estimating global energy demand and commodity prices towards 2050 is a challenging task, as this comprises assessing the future development in supply and demand, technology change, taxation, tax on emissions, production limits and other important factors. The assumptions may change over time, which could materialise in different outcomes from the current projected scenarios.

NOTE 4 REVENUES AND OTHER INCOME

All revenues are generated from activities on the Norwegian Continental Shelf (NCS), and derive from the sale of oil, gas and NGL. Pandion Energy has therefore decided not to include segment information, as this would only state the same figures already presented in the statement of income and the statement of financial position.
The company's revenue is disaggregated as follows:

Revenues	**2022**	**2021**
(USD '000)		
Oil	171,036	117,294
Gas	37,098	15,988
NGL	5,004	4,657
Total	**213,137**	**137,939**

Other income	**2022**	**2021**
(USD '000)		
Realised gain/(loss) on oil derivaties	(853)	(2,202)
Unrealised gain/(loss) on oil derivates	(318)	185
Other*	3,539	-
Total	**2,368**	**(2,016)**

* "Other" comprises a change in the estimate of contingent additional consideration relating to the acquisition of the Nova field.

NOTE 5 OPERATING AND EXPLORATION EXPENSES

Operating expenses	**2022**	**2021**
(USD '000)		
Production costs	37,402	22,967
Change in inventories	65	3,190
Tariff and transportation costs	9,201	7,210
Other costs	762	1,770
Total	**47,430**	**35,137**

Exploration expenses	**2022**	**2021**
(USD '000)		
Expensed costs, seismic and studies	2,729	175
Expensed costs, general and administrative	8,909	6,304
Expensed exploration expenditures previously capitalised	3,472	38,252
Total	**15,111**	**44,731**

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets	**equipment assets**	**Total**
(USD '000)			
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 intagible assets	3,817	-	3,817
Depreciation	(32,521)	(63)	(32,585)
Carrying amount at 31 December 2021	**428,471**	**55**	**428 527**
Additions	66,469	87	66,556
Acquisition	119,233	-	119,233
Asset removal obligation - new or increased provisions	4,524	-	4,524
Asset removal obligation - change of estimate	(43,020)	-	(43,020)
Transfers from intagible assets	12,277	-	12,277
Depreciation	(35,275)	(52)	(35,327)
Carrying amount at 31 December 2022	**552,680**	**91**	**552,770**

Estimated useful live (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 on the basis of the registered technical and administrative assistance provided (so-called time writing).

Production plants for oil and gas are depreciated according to the unit-of-production method.

Pandion Energy completed the acquisition of ONE-Dyas Norge AS on 30 June 2022. The transaction included a 10 per cent share of the Nova field. The transaction was recognised as an asset acquisition under IAS 16 "Property, Plant and Equipment". 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 the acquiring entity. The merger was completed in November 2022, with effect from the acquisition date of 30 June 2022.

NOTE 7 INTANGIBLE ASSETS

	Technical goodwill	Exploration and evaluation assets	Total
(USD '000)			
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**
Acquisition	-	-	-
Capitalised licence costs	-	36,155	36,155
Expensed exploration expenditures previously capitalised	-	(3,472)	(3,472)
Impairment	-	-	-
Disposals	-	-	-
Transfers to tangible assets	-	(12,277)	(12,277)
Carrying amount at 31 December 2022	**63,138**	**63,339**	**126,477**

"Technical goodwill" relates entirely to the acquisition of interests in the Valhall and Hod oil fields.

Expensed exploration expenditures in 2022 related to licence relinquishment decisions and a lack of prospectivity in licences not yet relinquished.

NOTE 8 IMPAIRMENTS

Individual cash-generating units (CGUs) are tested for impairment when impairment triggers are identified. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Two categories of impairment tests have been performed as at 31 December 2022:
- Test for impairment of oil and gas assets and related intangible assets
- Test for impairment of goodwill

The amount of goodwill recognised in the statement of financial position as technical goodwill relates entirely to the acquisition of interests in the Valhall and Hod fields. Technical goodwill arises from the requirement to recognise a deferred tax liability for the difference between the assigned fair values and the related tax base. Technical goodwill was recognised as the counter-entry for deferred tax on oil fields deriving from the acquisition.

Technical goodwill is tested for impairment separately for the Valhall and Hod fields which gave rise to the technical goodwill. The carrying value of the Valhall and Hod fields consists of the carrying values of the oil field assets plus associated technical goodwill. When deferred tax liabilities from the acquisitions decrease as a result of depreciation, more technical goodwill is exposed to impairment. This may lead to future impairment write-downs even if other assumptions remain unchanged.

When assessing whether an impairment write-down is required at 31 December 2022, Pandion Energy has used a combination of Brent forward curve from the beginning of 2023 to the end of 2024, a mean of market participant view for 2025 and 2026 and 69 USD per boe in real terms from 2027 and onwards. An inflation rate of 2 per cent per annum and a discount rate of 10 per cent have been applied to calculate the future post-tax cash flows. No impairments of oil and gas assets and related intangible assets or technical goodwill were recognised in 2022. Below is an overview of the key assumptions applied for impairment testing purposes as at 31 December 2022.

Year	2023	2024	2025	2026	2027
Brent Oil price, USD/boe, in real 2022 terms	82	76	81	79	69
Currency rates, USD/NOK	9.8	9.6	9.5	9.4	9.3

Impairment of the Nova and Valhall and Hod fields, including technical goodwill, has been tested for sensitivity to changes in the various assumptions: a 10 per cent reduction of commodity prices, a 5 per cent reduction in production volume, a 1 percentage point increase in the discount rate, a reduction in the USD/NOK exchange rate of 1 NOK/USD, and a 1 percentage point reduction in inflation. A 10 per cent reduction of commodity prices resulted an impairment of USD 2 million on the Nova field. None one of the other changes in the assumptions resulted impairments, given that the other assumptions remain the same.

As described in note 3 on climate-related risk, sensitivity analysis have been performed towards various scenarios from the International Energy Agency (IEA) and have been included in a separate sensitivity test as presented below. The selected scenarios are generally described in the company's sustainability section of the combined annual report. The scenario price sets have been retrieved from IEA's dataset for World Energy Outlook 2022. Prices are adjusted for inflation and presented in real 2022. When preparing these illustrative scenario sensitivities, we have linearly interpolated between current prices and the price disclosed in the table below for the different scenarios:

Brent Oil price, USD/boe, in real 2022 terms	Management assumptions	NZE 2050	STEPS	SDS
2023	82	78	85	82
2030	69	38	89	65
2040	69	30	96	62
2050	69	26	103	59

Gas price, USD/mcf, in real 2022 terms	Management assumptions	NZE 2050	STEPS	SDS
2023	27	23	24	23
2030	11	5	9	5
2040	11	5	10	5
2050	11	4	10	5

The table below summarises how the impairment charge would increase (+) or decrease (-) using the oil and gas price assumptions in the different scenarios:

USD million	NZE 2050	STEPS	SDS
Technical goodwill	48	-	-
Valhall and Hod assets	-	-	-
Nova asset	10	-	-

NOTE 9 REMUNERATION

	2022	2021
(USD '000)		
Salaries	12,469	5,793
Employer's National Insurance Contributions (NICs)	1,448	1,003
Pension expenses	571	502
Other remuneration	248	93
Total payroll expenses	**14,735**	**7,390**

The company had an average of 25 employees in 2022, the same as in 2021. The number of employees at year-end was 25, the same as at the close of 2021. In addition, seven employees were serving out their notice following an employee consultation process and the agreement in Pandion Energy Norge AS (former ONE-Dyas Norge AS) relating to the office relocation from Stavanger to Oslo.

The increase in salaries in 2022 is mainly attributable to one-off costs related to employee settlement agreements for former employees in Pandion Energy Norge AS. Salaries include bonuses in addition to base salary and holiday pay.

The employees will, if certain objectives are met, be granted an annual bonus as a percentage of their total base salary in the range of 0-50 per cent. It will be up to the Board to decide whether to pay bonuses on the basis of the previous year's performance. For 2022, the bonus will be disbursed in March 2023.

In addition, the management team and key employees take part in a long-term incentive plan which offers rewards should an exit event occur in the company.

The company operates a defined-contribution pension plan for its employees. With a defined-contribution plan, the company pays contributions to an insurance company. After the contribution has been made, the company has no further payment commitment. The contribution is recognised as a payroll expense. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

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

Compensation to CEO	**2022**	**2021**
(USD '000)		
Salaries	328	357
Bonuses	108	137
Pension expenses	20	21
Other remuneration	4	2

Like other company employees, the CEO is part of a bonus scheme with annual benefits ranging from 0-50 per cent of base salary, depending on certain performance-related criteria. In addition, the CEO takes part in a long-term incentive plan offering rewards should an exit event occur in the company. The CEO is entitled to six months' severance pay if certain conditions are met.

The compensation paid to the Chairman of the board totalled USD 50,000 in 2022 and USD 50,000 in 2021.

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

Jan Christian Ellefsen (the CEO) and Helge L. Nordtorp (deputy CEO and VP BD) are both members of the Board of directors and indirectly own 0.72 per cent and 0.54 per cent, respectively, of the shares in Pandion Energy AS.

NOTE 10 AUDITOR'S REMUNERATION

	2022	**2021**
(USD '000)		
Audit fee	91	73
Other attestation services	12	5
Tax services	6	-
Other services	61	15
Total	**170**	**93**

NOTE 11 FINANCIAL ITEMS

	2022	**2021**
(USD '000)		
Net foreign exchange gains (losses)	(1,989)	1,008
Foreign exchange gains/(losses) on derivative financial instruments	(954)	32
Interest income	381	7
Amortised loan costs	(2,938)	(1,056)
Accretion expenses	(7,484)	(6,098)
Interest expenses	(13,080)	(10,391)
Other financial items	(771)	(420)
Net financial items	**(26,836)**	**(16,917)**

The increase in interest expenses in 2022 is attributable to increased borrowings following the debt refinancing process that was completed in June 2022, combined with increased interest rates.

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

NOTE 12 TAXES

	2022	2021
(USD '000)		
Tax receivable from exploration refund	-	(20,179)
Tax receivable from current year tax losses and uplift	(2,405)	(28,660)
Tax receivable from prior year tax losses and uplift	(15,806)	-
Change deferred tax balance sheet	101,472	50,648
Change deferred tax from acquisition recorded directly to balance sheet or OCI	(527)	(453)
Adjustments related to prior periods	(146)	(35)
Income tax	**82,587**	**1,321**

Reconciliation of statutory tax rate to effective tax rate:

	2022	2021
(USD '000)		
Profit before income tax	90,854	6,616
Calculated income taxes at:		
Statutory tax rate 22% (22%)	19,988	1,455
Petroleum surtax at statutory tax rate 71.8% (56%)	50,882	3,705
Tax effect of permant differences	(3,024)	(238)
Tax effect of Items allocated onshore	16,300	7,287
Tax effect of change in temporary differences with no deferred tax	(2,599)	-
Tax effect of uplift	(6,021)	(14,490)
Tax effect of adjustments prior period	412	59
Tax effect of deferred tax assets not recognised	81	280
Tax effect of translation differences	6,569	3,263
Total	**82,587**	**1,321**
Effective tax rate	90,9%	20,0%

The tax calculation is based on the new petroleum tax system enacted in June 2022, with effect from 1 January 2022. According to the new rules the special petroleum tax (56 per cent) is converted into a cash-based tax with immediate deductions for expenses incurred. The tax value of new losses (both exploration losses and other losses) in the special tax base is refunded. In connection with the transition to the new tax regime, the tax value of historical losses and utilised uplift will be settled as part of the tax assessment for 2022.

The difference in the effective tax rate in 2022 compared to the total statutory tax rate of 78 per cent is mainly related to financial items that are only deductible in corporation tax, as well as exchange rate effects, partly offset by uplift.

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

	2022	2021
(USD '000)		
Deferred tax assets on		
Losses and uplift carried forward	3,211	18,234
Loss carry forward not recognised	(416)	(335)
Asset retirement obligations	126,827	149,339
Other items	7,011	2,995
Total deferred tax assets	**136,633**	**170,234**
Deferred tax liabilities on		
Property, plant and equipment	(358,939)	(292,497)
Capitalised exploration expenditures and capitalised interest	(2,411)	(1,370)
Other items	(1,186)	(798)
Total deferred tax liabilities	(362,536)	(294,665)
Net deferred tax liabilities in balance sheet	**(225,903)**	**(124,431)**

Change in net deferred tax liabilities during the year

	2022	2021
(USD '000)		
Net deferred tax liability at 1 January	(124,431)	(73,783)
Charged to the statement of income	(100,945)	(50,195)
Charged to OCI	(527)	(453)
Net deferred tax liability at 31 December	**(225,903)**	**(124,431)**

Reconciliation of tax receivables:

	2022	2021
(USD '000)		
Tax receivables at 1 January	28,501	56,891
Net refund from Skattetaten for prior year tax refund	(28,501)	(56,891)
Tax receivable from exploration refund	-	20,179
Tax receivable from other current year tax losses	2,405	28,660
Tax receivable from acquisition	33,222	-
Tax receivable from prior year tax losses and uplift	15,806	-
Refund from current year tax losses from other than exploration and uplift	-	(20,338)
Tax receivables at 31 December	**51,433**	**28,501**

NOTE 13 DESIGNATED ACCOUNTING HEDGES

Before the spring of 2022, Pandion Energy's debt financing package included a senior unsecured bond loan in the amount of NOK 400 million. To mitigate the currency risk arising from debt issuance, the company had entered into cross-currency interest rate swaps. The NOK-denominated bond was hedged with three USD/NOK floating cross-currency swaps. The company had further entered into interest-rate swaps to mitigate the risk arising from the variable interest rate payable on the unsecured bond.

Pandion Energy completed a debt refinancing process in the second quarter of 2022. The NOK-denominated bond loan was replaced by a USD 75 million, 4-year tenor, senior unsecured bond raised on 25 May 2022. The new senior unsecured bond was issued at fixed-rate terms.

Since the new bond is a USD-denominated fixed-rate facility, there was no need for further currency and interest rate hedging. CCS instruments were therefore unwound as at 30 June 2022. The accumulated effect recognised through OCI was reclassified to the income statement. The IRS instruments expired in October 2022 and therefore had a remeasurement effect in the income statement over the remaining time to maturity.

Before unwinding the CCS instruments, Pandion Energy applied hedge accounting to the Cross-Currency Swaps (CCS) and Interest Rate Swaps (IRS). Ultimately, the effect of the hedge was to transform the NOK floating borrowing cost into an interest expense in Pandion Energy's functional currency (USD) at a fixed rate.

Amount, timing and uncertainty of cash flows

Cross-currency swap

Cross-currency interest rate swaps are transactions in which counterparties exchange principal and interest flows in different currencies over a period of time. These contracts are used to manage both currency and interest rate exposures. In Pandion Energy's cross-currency interest rate swaps, the company received floating rate NOK and paid floating rate USD.

Interest rate swap

Interest rate swaps are derivative contracts in which two counterparties have agreed to exchange cash flows over a period of time, based on rates applied to a specified notional principal amount. In Pandion Energy's interest rate swaps, the company was required to pay a fixed interest rate in exchange for a variable market interest rate, determined from time to time, both calculated on a specified notional principal amount. No exchange of principal amount took place.

Effects of hedge accounting on the financial position and performance

The following table provides a summary of financial instruments designated as hedging instruments:

Hedging reserve	Interest rate	Foreign exchange risk	Total
(USD '000)			
Opening balance hedge reserve 2021	413	(3,890)	(3,478)
Added to OCI: Change in fair value of hedging instrument recognised in OCI	70	(1,403)	(1,332)
Reclassified to Income statement – from OCI	1,869	1,523	3,393
Tax	(427)	(27)	(453)
Closing balance - hedge reserve 2021	**1,926**	**(3,796)**	**(1,871)**
Hedge reserve recognised in OCI transferred to income statement	(2,469)	4,867	2,398
Tax	543	(1,071)	(528)
Closing balance - hedge reserve 2022	**-**	**-**	**-**

NOTE 14 ASSET ACQUISITIONS AND DISPOSALS

Acquisition of licences

Acquired in 2022:

Licence	*Interest aquired*
PL 263 D/E/F/G	29%
PL 378	12.12%
PL 418 / PL 418B	10%
PL 976	10%
PL 1094	40%
PL 1101	20%
PL 1103	20%
PL 1109	20%
PL 1117	20%
PL 1149	30%
PL 1151	20%

In 2022, Pandion Energy acquired ONE-Dyas Norge AS. The transaction included a 10 per cent share of the Nova field, operated by Wintershall Dea, and a total of ten exploration licences. 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, the two companies were merged, with Pandion Energy as acquiring entity. The merger was completed in November 2022, with effect from the acquisition date of 30 June 2022.

Acquired in 2021:

Licence	*Interest aquired*
PL 617	15%
PL 820 S	2.5%

In 2021, Pandion Energy undertook a transaction with Wintershall Dea Norge AS to acquire a 15 per cent working interest in PL 617 and a 2.5 per cent working interest in PL 820 S, with effect from 1 January 2021.

Disposals and relinquishment of licences

Disposals in 2022:

Licence	*Interest disposed*
PL 820 S/SB	5%

On 31 October 2022, Pandion Energy completed the divestment of a 5 per cent working interest in PL 820S and PL 820SB to Vår Energy ASA, with effect from 1 January 2022.

Disposals in 2021:

The company did not recognise any disposals in 2021.

Relinquishments in 2022:

Licence	*Interest disposed*
PL 1094	40%
PL 1103	20%
PL 1166	30%

In 2022, the relinquishment of PL 1094, PL 1103 and PL 1166 was recognised following a decision to relinquish these licences.

Relinquishments in 2021:

Relinquishments in 2021:

Licence	*Interest disposed*
PL 617	15%
PL 1047	10%
PL 1062	30%

In 2021, the relinquishment of PL 617, PL 1047 and PL 1062 was recognised following a decision to relinquish these licences. The actual relinquishment of PL 1047 and PL 1062 took place in 2022.

NOTE 15 INTERESTS IN LICENCES

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

Licence source	Licence portfolio	Jan 23	Dec 22	Jan 22
Acquisitions	PL 006 Valhall field	10%	10%	10%
Acquisitions	PL 033 B Valhall field	10%	10%	10%
Acquisitions	PL 033 Hod field	10%	10%	10%
Acquisitions/ APA 2020	PL 891/ PL 891 B (Slagugle)	20%	20%	20%
Acquisitions/ APA 2020	PL 820 S/ PL 820 SB (Iving)	7.5%	7.5%	12.5%
Acquisitions/ APA 2020/ APA 2021	PL 263 D/E/F/G (Sierra)	49%	49%	20%
Acquisitions	PL 938 (Calypso)	20%	20%	20%
Acquisitions	PL 378	12.12%	12.12%	0%
Acquisitions	PL 418 / PL 418 B Nova field	10%	10%	0%
Acquisitions	PL 976	10%	10%	0%
Acquisitions	PL 1094	40%	40%	0%
Acquisitions	PL 1101	20%	20%	0%
Acquisitions	PL 1103	20%	20%	0%
Acquisitions	PL 1109	20%	20%	0%
Acquisitions	PL 1117	20%	20%	0%
Acquisitions	PL 1149 / PL 1149 B	30%	30%	0%
Acquisitions	PL 1151	20%	20%	0%
APA 2017	PL 929 (Ofelia)	20%	20%	20%
APA 2018	PL 985	20%	20%	20%
APA 2019	PL 1047	0%	0%	10%
APA 2019	PL 1062	0%	0%	30%
APA 2020	PL 1108	30%	30%	30%
APA 2020	PL 1119	20%	20%	20%
APA 2021	PL 1139	20%	20%	20%
APA 2021	PL 1166	30%	30%	30%
APA 2022	PL 1180	30%	0%	0%

In January 2022, the company was awarded three licences in the APA (Award in Pre-defined Areas) 2021 round. In January 2023, Pandion Energy was awarded two licences in the 2022 APA licensing round on the NCS. The areas awarded include one new licence PL 1180 (30 per cent participating interest) and one additional acreage for PL 1149, which was already in the portfolio. Both licences are located in the Greater Gjøa area, one of the company's core strategic areas, and fit well with the company's existing portfolio.

The company holds a total of 23 licences after the APA 2022 awards.

NOTE 16 LEASES

Pandion Energy has recognised the lease related to its office facilities as a lease under IFRS 16. The original contract runs for five years from 2018 and contains a renewal option for another three years until 31 December 2026. Because the renewal option is considered reasonably certain to be exercised, the lease liability was recognised at 31 December 2022 as maturing on 31 December 2026. The lease does not contain any restriction on the company's dividend policy or financing.

The company applies an exemption for short-term leases (12 months or less) and low-value leases. Extension options are included when management judges their exercise to be reasonably certain. The incremental borrowing rate applied in discounting the nominal lease liability is 7 per cent. Right-of-use assets are depreciated in a straight line over the lifetime of the related lease contract.

(USD '000)	
Operating lease debt after IFRS 16 at 1 January 2021	**770**
Remeasurement lease liabilitykk	20
New lease debt recognised in the period	-
Derecognition of lease liability	(9)
Lease payments	(307)
Interest expense	56
Currency adjustments	(26)
Total lease debt after IFRS 16 at 31 December 2021	**504**
Remeasurement lease liability	655
New lease debt recognised in the period	-
Derecognition of lease liability	-
Lease payments	(296)
Interest expense	216
Currency adjustments	(154)
Total lease debt after IFRS 16 at 31 December 2022	**926**

Nominal lease debt maturity break down	2022	2021
(USD '000)		
Within 1 year	285	279
1 to 5 years	855	279
After 5 years	-	-
Total	**1,140**	**558**

Pandion Energy is a non-operator and recognises its proportionate share of a lease when the company is considered to share the primary responsibility for a licence-committed liability. This includes contracts where Pandion Energy has co-signed a lease contract, or external lease contracts for which the operator has been given a legally binding mandate to sign on behalf of the licence partners. Pandion Energy has assessed the lease contracts in its licences and, based on the company's judgement, no leases have been recognised in the statement of financial position as at 31 December 2022.

NOTE 17 COMMITMENTS

Pandion Energy's net share of capital commitments and other contractual obligations in the table below represent minimum capital commitments related to rig not recognised as lease liabilities, and minimum contractual commitments related to development projects on the Valhall field and oil and gas transportation capacity on the Valhall, Hod and Nova fields. In addition to minimum capital commitments there is a variable element in rig and transportation capacity commitments that will depend on usage of the rig and oil and gas transportation.

Pandion Energy's share of rig commitments at year-end not recognised as lease liabilities relate to commitments for the lease of Noble Integrator on Valhall and Hod fields. Noble Integrator has supported stimulation and intervention activities and brought more wells up to their full production potential at Valhall. Towards the end of the first quarter of 2023, the rig will be relocated to the Hod field to embark on the first phase of a campaign to permanently plug and abandon eight wells at the old Hod A platform. In addition to Noble Integrator, rig agreements have been entered into by the operator on behalf of partners in PL 929 to be used for appraisal drilling of the Ofelia discovery, and by the operator on the Nova field to be used in a side-track drilling operation in the second quarter of 2023.

Capital commitments and other contractual obligations	2022	2021
(USD '000)		
Within 1 year	33,093	10,847
1 to 5 years	11,859	6,708
After 5 years	3,265	1,699
Total	**47,417**	**19,255**

NOTE 18 TRADE AND OTHER RECEIVABLES

Other receivables consist mainly of receivables, prepaid expenses and other receivables related to Pandion Energy's interests in licences.

NOTE 19 FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	Oil derivatives	Currency futures
(USD '000)		
Financial assets (liabilities) at 1 January 2021	**(653)**	**2,451**
New contracts at cost	-	-
Expired contracts at cost	(718)	-
Value increase (decrease)	903	(2,229)
Financial assets (liabilities) at 31 December 2021	**(468)**	**222**
New contracts at cost	-	-
Expired contracts at cost	(718)	-
Value increase (decrease)	399	729
Financial assets (liabilities) at 31 December 2022	**(786)**	**951**

The company has focused on securing liquidity and has therefore entered into an oil price hedging programme to reduce the risk related to oil prices. At the end of the 2022, Pandion Energy had put in place a hedging programme until 31 December 2023. The outstanding hedges at year-end consisted of put options and collar structures. The negative fair value of the options at 31 December 2022 is explained by the options being purchased with a deferred premium.

NOTE 20 RESTRICTED BANK DEPOSITS

	2022	2021
(USD '000)		
Withheld employee taxes	524	317

NOTE 21 EQUITY AND SHAREHOLDERS

	Share capital	Other paid in capital	Other reserves	Retained earnings	Total equity
(USD '000)					
Shareholders' equity as of 1 January 2021	**114,230**	**-**	**(3,478)**	**15,542**	**126,294**
Share capital decrease - unregistered	(103,120)	103,120	-	-	-
Net income for the period	-	-	-	5,295	5,295
Other comprehensive income for the period	-	-	1,607	-	1,607
Shareholders' equity as of 31 December 2021	**11,110**	**103,120**	**(1,871)**	**20,837**	**133,196**
Share capital decrease adjustment	2,481	(2,481)	-	-	-
Net income for the period	-	-	-	8,266	8,266
Other comprehensive income for the period	-	-	1,871	-	1,871
Shareholders' equity as of 31 Desember 2022	**13,591**	**100,640**	**-**	**29,103**	**143,333**

Share capital of NOK 918,578,319.45 comprises 911,921,294 shares at a nominal value of NOK 0.01 per share. The company's share capital was decreased by NOK 909,459,106.51 to NOK 9,119,212.94 on 3 November 2021, following a reduction of the nominal value of the company's shares. The share capital decrease was used as an allocation to funds. Final approval of the decrease was granted by the Norwegian authorities in 2022.

Pandion Energy Holding AS owned all 911,921,294 shares in Pandion Energy AS at 31 December 2022. The company is included in the consolidated financial statements of the parent company Pandion Energy Holding AS. The consolidated financial statements of the parent company, Pandion Energy Holding AS, may be obtained at the company's registered address Lilleakerveien 8, 0283 Oslo, Norway.

NOTE 22 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**
New or increased provisions	4,524
New provision through asset acquisition*	9,427
Asset removal obligation - Change of estimate	(6,138)
Amounts charged against asset retirement obligations	(7,284)
Effects of change in the discount rate	(36,882)
Accretion expenses	7,483
Asset retirement obligations at 31 December 2022	**162,591**
Non-current portion at 31 December 2022	154,751
Current portion at 31 December 2022	7,840

*Addition from the Nova field (10 per cent participating interest) through the acquisition and merger of ONE-Dyas Norge AS.

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 5.0 per cent (year-end 2021: 4.0 per cent). The decrease in estimated ARO is mainly due to an increased discount rate.

As described in note 3 on climate-related risk, a sensitivity analysis have been performed to show the impact on the book value of abandonment provisions as at 31 December 2022, if cease of production of fields with estimated lifetime after 2040 were accelerated by ten years. Such acceleration would result in an increase in the book value of abandonment provision of USD 33 million.

NOTE 23 BORROWINGS

Revolving Exploration Finance Facility

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(USD '000)						
At 31 December 2022	NOK	-	-	NIBOR + 1.75%	Dec 2022	-
At 31 December 2021	NOK	19,276	-	NIBOR + 1.75%	Dec 2022	19,174

On 13 November 2017, the company signed a Revolving Exploration Finance Facility Agreement for NOK 400 million. The facility's final repayment was made in the fourth quarter 2022, after which it expired.

Reserve-Based Lending Facility Agreement (RBL)

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(USD '000)						
At 31 December 2022	USD	116,500	83,500	SOFR +3.5%	April 2029	113,643
At 31 December 2021	USD	67,000	83,000	LIBOR + 3.25%	July 2026	65,429

* Calculated based on a facility size of USD 200 million. The credit-approved borrowing base as at 31 December 2022 was USD 158 million.

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 a final maturity date defined as the earlier of 1 April 2029 and the date falling six months prior to the maturity date of the current bond debt. The facility is for USD 200 million, with an additional uncommitted accordion option of USD 200 million.
The interest rate is floating 1-6 months SOFR, with a 3.5 per cent 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-month 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 per cent of EBITDAX, unless such spending is funded by new cash equity or subordinated shareholder loans

* 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

Carrying amount of assets provided as security for the Reserve Base Lending Facility Agreement (RBL):

	2022	2021
(USD '000)		
Bank accounts excluding restricted bank deposits	20,673	21,522
Borrowing base assets*	401,083	263,237
Trade receivables	7,939	15,603
Inventory	(688)	(623)
Hedging agreements	(786)	(468)
Total	**428,220**	**299,271**

* The carrying amount of the assets includes working capital and retirement obligations related to the asset, but does not include associated goodwill and tax values.

The company's obligations to the lenders under the RBL facility are secured by a first priority security over: i) shares in and any shareholder loans to the company, (ii) bank accounts (excluding pledge bank account pursuant to the EFF facility), (iii), licence interests in all borrowing base assets, (iv) hedging agreements, (v) any claims under RBL insurances as well as (vi) floating charges over trade receivables and inventory.

Unsecured Bond

	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
(USD '000)					
At 31 Desember 2022	USD	75,000	9,75%	Jun 2026	73,680
At 31 Desember 2021	NOK	49,566	10.61%	April 2023	43,889

In the second quarter 2022, the company completed a bond issue in the amount of USD 75 million, with a tenor of 4 years. The purpose of the new bond issue is the refinancing of the NOK 400 million senior unsecured bond as well as general corporate purposes. The NOK 400 million bond was 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

Non-current liabilities to related parties

By entering into a subscription agreement with Kerogen Investments No.28 (UK) Limited, Pandion Energy has agreed to pay a commitment fee as listed below:

	Facility currency	Loan Amount
(USD '000)		
Kerogen Investment no. 28 Limited	USD	1,000

Kerogen Investments No. 28 (UK) Limited's rights and claims with respect to such a commitment fee are subordinated to the rights and claims of all other existing creditors of Pandion Energy.

Maturity profile based on contractual undiscounted cash flows

	2022	2021
(USD '000)		
Less than 12 months	-	86,276
1 to 5 years*	192,500	49,566
Over 5 years	-	1,000
Total	**192,500**	**136,841**

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

NOTE 24 TRADE AND OTHER PAYABLES AND PROVISIONS

	2022	2021
(USD '000)		
Trade payables	8,899	1,797
Share of payables in licences	17,357	17,020
Other non-trade payables, accrued expenses and provisions	31,221	9,087
Trade, other payables and provisions	**57,477**	**27,904**

Other non-trade payables, accrued expenses and provisions at 31 December 2022 included contingent additional consideration related to the acquisition of the Nova field. Part of the contingent additional consideration is recognised as long term provision.

NOTE 25 OTHER COMMITMENTS AND CONTINGENCIES

The company has a secondary obligation for offshore installation removal cost relating to a 20 per cent 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 licences' approved work programmes. The company's operations involve the risk of damage, 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 2022.

NOTE 26 RESERVES (UNAUDITED)

Proved and probable reserves	million barrels of oil equivalent (mmboe)
Balance at 1 January 2022	32.1
Revision of previous estimates	(3.2)
Discoveries, additions and extentions	4.1
Acquisition of reserves	9.0
Divestment of reserves	-
Year 2021 production	(1.9)
Total reserves at 31 December 2022	**40.2**

At the close of 2022, the company's proved and probable oil and gas reserves (2P) were, based on operators estimates, approximately 40.2 mmboe compared to 32.1 mmboe in 2021. The main reason for increase was the acquisition of ONE-Dyas Norge AS, where the company has a higher reserves estimate than the operator bringing 2P reserves to 44 mmboe net. On the negative side, reserves were reduced on the Valhall field due to well difficulties and thinner reservoirs on flanks.

Reserves are calculated in accordance with the Norwegian Petroleum Directorate's requirement and are based on Revised National Budget 2023 figures received from the operators.

NOTE 27 SUBSEQUENT EVENTS

In January 2023, Pandion Energy was awarded two licences in the 2022 APA licensing round on the NCS. The areas awarded include one new licence PL 1180 (30 per cent participating interest) and one additional acreage for PL 1149, which was already in the portfolio.

During the first quarter of 2023, one rig agreement has been entered into by the operator on the Nova field to be used for a potential new water injection well in 2024.

Auditor's report

Deloitte.

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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of Pandion Energy AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the report on payments to governments.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 20 April 2023
Deloitte AS

Lars Atle Lauvsnes
State Authorised Public Accountant

(This document is signed electronically)

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.

Scope 1 GHG emissions
Direct emissions from owned or controlled sources.

Scope 2 GHG emissions
Indirect emissions from the generation of purchased energy.

SUSTAINABILITY REPORT

Pandion Energy aims to be an active and responsible business partner and believes that sound business decisions are a product of a strong team, an active board and competent owners.

Introduction

Since its inception, Pandion Energy's strategy has been to be an active and responsible partner in creating further stakeholder value by investing in projects placed at the lower end of the carbon intensity curve and by targeting upsides in and around proven assets with access to existing infrastructure.

Today, Pandion Energy is a full-cycle upstream company, participating in exploration, appraisal, development and production of oil and gas resources on the Norwegian continental shelf (NCS), including sales and marketing of crude oil and natural gas..

Since production started on the NCS in the early 1970s, the oil and gas sector has grown into Norway's largest industry measured by government revenues, investment, and export value. Petroleum activities have contributed significantly to economic growth in Norway and to financing the Norwegian welfare system. Activity on the NCS will continue to be vital to the national economy in the years ahead. While global energy demand is expected to grow significantly over coming decades, emissions need to be materially reduced in order to meet the goals of the Paris agreement.

Pandion Energy believes that its ability to create long-term, lasting value rests on maintaining high standards of governance, safe operations, and sustainable business practices. In 2020, Pandion Energy became one of the first exploration and production (E&P) companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2.

The company's core values – professional, agile, commercial and a team player – are an integral part of its culture. From the energy used to power producing assets, down to the investment criteria for prospective opportunities, sustainability is at the core of the company's business strategy. Climate risk has been incorporated into its investment criteria with the objective of creating value on the basis of being a carbon-neutral producer.

Pandion Energy's carbon intensity is amongst the lowest in the E&P industry, both globally and on the NCS. Despite its relatively modest size and non-operator status, it works closely with the operators of its assets to ensure that the best practices for sustainable operations are continually applied.

Furthermore, Pandion Energy supports the UN sustainable development goals (SDGs) selected by its main shareholder Kerogen Capital, by promoting safe and sustainable practices, transparency and decent working environment in our partner operated ventures and providing an inclusive workplace with equal opportunities based on professional factors.

The licensee role

A great deal of diversity prevails today on the NCS. At the beginning of this century, the NCS was opened up to various categories of companies as a way of ensuring sound resource management. The large international oil companies were joined by other types of players with differing perspectives on value creation, promoting competition and efficiency.

Joint operating agreements are particularly common in the oil and gas industry. In a production licence (PL), one company is assigned the status of the operator, and each partner holds a percentage of equity as a licensee. This distinction is important, since the operator is responsible for the day-to-day management of activities within the licence, while the licensees have a reduced level of control. However, licensees on the NCS have a "see to it" duty – an obligation to ensure that the operator carries out its work in accordance with the regulatory requirements. Licencees who have been awarded production licences on the NCS are carefully assessed in advance and prequalified by the Norwegian regulators – in part on the basis of their expertise, capacity and willingness to discharge the responsibilities of a licensee. The joint venture structure enables experience transfer, supervision of the operator's activities and enhanced decision-making.

At 31 December 2022, Pandion Energy was a partner in 23 licences.

Being an active and responsible partner
A licensee on the NCS has a responsibility to take action if it identifies conditions which fail to comply with Norway's health, safety and environmental (HSE) regulations for the petroleum sector. It also has an independent duty to secure adequate information and to audit the operator as necessary. The licensee must take a risk-based approach in observing this "see to it" duty, and establish a management system to structure its supervisory work in a systematic manner.

Pandion Energy takes its responsibility as a licensee very seriously, and aims to be recognised as an active and responsible partner. The company has established a comprehensive HSE management system which requires competent employees and contractors to deliver compliant operations through rigorous planning and execution. It is also a system for effective risk management.

The company has a team of 25 highly experienced oil and gas professionals with strong and proven subsurface, financial, and commercial competence, as well as extensive project execution experience on the NCS. It benefits greatly from its borderless cross-disciplinary communication and short decision lines, which permit the company to develop a different perspective from the operator when not focusing on day-to-day execution of operations.

As solely a partner, Pandion Energy is also reliant on working closely with the operators to set environmental, social and governance (ESG) objectives and supervise the management and performance of such matters. Pandion Energy advocates sharing of raw emission data within licences in order to take responsibility for its share of the activities.

As a partner, Pandion Energy is also reliant on working closely with the operators to set environmental, social and governance (ESG) objectives.

Outlook towards net zero carbon

In 2021, oil and gas extraction accounted for 25 per cent of the greenhouse gas (GHG) emissions in Norway, deriving from extraction of oil and gas on the NCS, gas processing in onshore facilities, and loading, storage and transport of crude oil and other petroleum products. Most of these GHG emissions are CO_2 from energy production. Energy efficiency, reduced flaring, increased use of electricity, and carbon capture and storage are highlighted as the most important measures for reducing future emissions.

Climate change is undoubtedly the most pressing issue of our time. As governments work to develop net zero carbon regulation, it is important for the private sector to take action now. Together with its main shareholder Kerogen Capital, Pandion Energy's approach to net zero carbon builds on a carbon-light investment strategy, commitment to transparent climate related reporting and carbon reduction initiatives, as well as ensuring that the wealth of new investment opportunities from the energy transition is captured.

No "business as usual" exists for the energy industry on the path to a net zero society. While the renewables sector is set for significant growth, oil and gas consumption is likely to underpin primary energy demand for some time to come. A pure-play

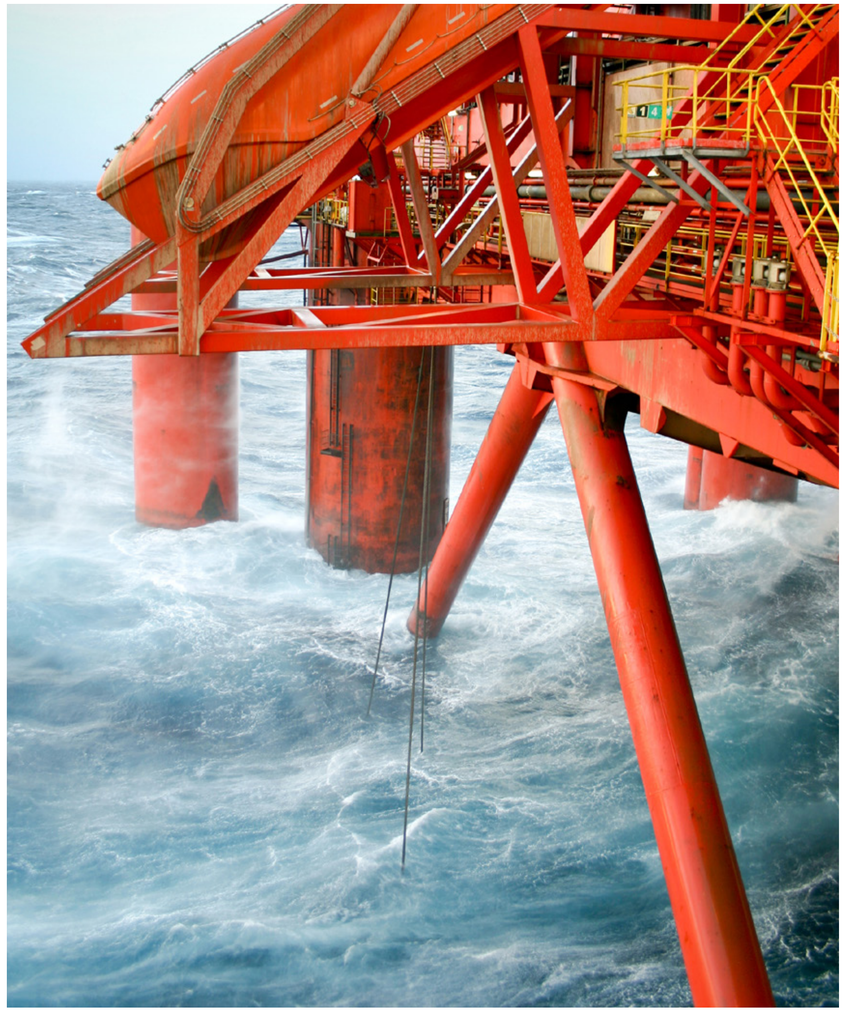
oil and gas company can play a vital role in this energy transition. Pandion Energy believes that managing the risks and opportunities posed by the transition is critical for delivering long-term returns to its investors. Norway has a well-developed transition strategy, with the industry enjoying a relatively low carbon footprint compared to other sectors. Pandion Energy ranks amongst the companies with the lowest place on the petroleum industry's carbon intensity curve in the world.

A carbon-light strategy has always been an imperative for Pandion Energy. A key part of its strategy is to maximise the value of oil and gas assets by using infrastructure already in place, utilising available resources in the best possible manner, keeping costs low and emissions at a minimum. The company specifically targets upsides in and around proven assets with access to existing infrastructure, and has updated its investment criteria to ensure that new growth opportunities are evaluated with regard to CO_2 aspects and climate change while working with the industry to meet the GHG emission targets set by national regulators. The company strives to work collaboratively with industry peers and partners in sharing lessons learned and improving the collective ability of the industry to minimise the environmental footprint and to be aligned with a carbon-neutral world.

As the rest of the world starts to move closer to Norway's leading position on E&P carbon intensity, Pandion Energy will continue working to minimise its footprint and support other players in the sector to do the same.

Stakeholder engagement and materiality

The topics addressed in the sustainability section of this 2022 combined annual report are based upon the material topics identified as having the greatest impact for Pandion Energy's stakeholder groups and aligned with Kerogen Capital, its main shareholder. These material topics are expected to be valid in the medium to long term. Significant attention is paid to key energy-specific ESG factors such as compliance, operational health and safety, environmental impact and climate change. Since 2021, Pandion Energy has strengthened its assessment of human rights issues following the introduction of the Norwegian Transparency Act. More information about the process and findings will be made available on our website by 30 June 2023.



Corporate governance and compliance

Pandion Energy believes that effective corporate governance is critical in ensuring accountability, achieving its strategic goals and generating value for its stakeholders. Together with Kerogen Capital, its main shareholder, the company seeks high standards of performance and professionalism based on honesty, integrity and fairness in its business practices. Pandion Energy works together with partners and contractors on the basis of the same principles of integrity and fairness, with zero tolerance for bribery and corruption.

The board believes that good governance is rooted in compliance with legislation and statutory regulations and in ensuring a culture of integrity, accountability and transparency. Corporate governance aims to regulate the division of roles between shareholders, the board and the executive management more comprehensively than is required by legislation.

Pandion Energy has established a comprehensive HSE management system, which requires competent employees and contractors to deliver compliant operations through rigorous planning and execution, and is also a system for effective risk management.

A detailed model of governance, risk management and control has been developed and implemented in Pandion Energy through the company's management system. This incorporates activities at shareholder and market level as well as by the board and executive management.

- Governance at the shareholder and financial market level occurs through the general meeting, investor relations activities and financial market communications, including financial reporting.
- Board-level governance includes setting strategies and objectives for the company, defining instructions, policies and risk limits, and monitoring operations, reporting and compliance.
- The board has appointed a chief executive officer (CEO) to act as the company's principal operational manager. The CEO's powers have been specified by the board, and they are required to work within that mandate and report regularly to the board.
- A key governance element at the management level is the company's business management system, which includes formalised business processes for all main activities in the company, including business planning, implementation and monitoring.

ESG roles and responsibilities

Executive management is responsible for risk and opportunity identification and for ensuring effective processes and mitigation efforts, including ESG matters within their respective areas of responsibility. VP HSE and operations is responsible for ESG reporting and supervising the processes related to risk management, HSE follow up, compliance, and business continuity. The CEO is ultimately responsible for the ESG performance of the company. While the board has an overall leadership and supervisory role in all ESG matters including climate change.

The board has two sub-committees, for ESG and remuneration respectively.

The ESG committee comprises two board representatives supported by CEO and VP HSE and operations. Its primary role is to support the board in:

- managing ESG risks (including their impact on the community, climate change and the environment), and ensuring that the company's ESG policies and practices are in alignment with its values, purposes and culture
- integrating the management of climate change and other sustainability factors into the company's strategy and business plan, and aligning external reporting with recognised norms.

The remuneration committee ensures that remuneration arrangements support the corporate strategy and performance, including ESG- and climate-related performance targets.

Responsible business

Pandion Energy strives to uphold the highest standards of ethical behaviour in all its operations along the whole value chain. The company's commitments to responsible business conduct are set out in its code of conduct, including its position on anti-corruption and human rights.

Code of conduct
Pandion Energy believes strongly that an ethical business culture is the cornerstone of a sustainable company. Its code of conduct includes mandatory requirements for everyone who works for and on behalf of Pandion Energy, serves as the company's guide to ethical business practice, and represents its core values for acting with integrity at all times.

The code of conduct is the company's main governance tool. It provides guidance on how to act in accordance with the company's core values, and includes references to relevant policies, processes, procedures, resources and tools. It sets out Pandion Energy's expectations, commitments and requirements for ethical conduct in its business. The code of conduct applies to directors, executive management and all employees and consultants. Pandion Energy also expects all its business partners and suppliers to act in a manner consistent with the principles of the code of conduct.

Areas covered by the code include the HSE policy and commitment, equality and anti-harassment, working conditions, including modern slavery and child labour, anti-corruption, confidentiality, conflicts of interests, business practices towards suppliers and partners, and guidelines on gifts, hospitality and expenses.

The board of Pandion Energy has established the code of conduct in close cooperation with the management team. The CEO is ultimately responsible for its implementation and for monitoring its operational effectiveness. The code of conduct will be evaluated on a regular basis to reflect Pandion Energy's activities as it develops as a company and as changes are made to laws and regulations.

The company requires all employees and in-house consultants to participate in training in the code of conduct. All employees have a personal responsibility to

comply with the requirements set out in the code of conduct as well as applicable laws and statutory regulations relevant to their work. Managers have an additional responsibility in supporting and promoting compliance with the code of conduct and related policies, standards and procedures. The code of conduct is communicated internally and on the company's website.

Pandion Energy encourages its employees, contractors and any of its affiliates who have concerns about any aspects of its business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace. The company has set up an independent disclosure service for whistleblowing.

No cases involving breaches of the guidelines in the code of conduct were recorded in 2022.

Anti-corruption
Corruption exposes not only the individual but also the company to penal liability. In addition, it may cause significant losses as well as irreparable and long-term harm to the company and its business. At Pandion Energy, it is wholly unacceptable to engage in any activity regarded as corruption or other illegal practices such as anti-money laundering or tax evasion. The company has zero tolerance for any form of bribery, corruption, fraud, dishonesty or deception, and this stance is endorsed by the board. This means that Pandion Energy has no tolerance for paying, facilitating or receiving any bribes or facilitation payments, for using undue influence, disguising the proceeds of crime or facilitation of tax evasions. The company conducts its business honestly, fairly and transparently.

According to the Transparency International Corruption Perception Index (CPI), corruption risk in Norway is considered to be limited. Still, Pandion Energy considers it is important to be aware that corruption also happens there and to be conscious of potential dilemmas and grey areas, such as conflicts of interest, relationships with business partners, gifts and hospitality. The company's goal is to act in an ethical and transparent manner, so that it can be a trusted business partner, employer and corporate citizen.

Pandion Energy will comply with all applicable anti-corruption laws and regulations. The company is backed by Kerogen Capital, an independent private equity fund manager based on London and Hong Kong, and is required to comply with the UK Bribery Act and the US FPCA.

The company's employees must not offer, promise or give, nor request, agree to receive or accept, any bribe of any description or value to reward the improper performance of a person's duties, including public officials. Bribes could be monetary, but can equally take other forms such as the offer of a job, travel, accommodation, use of assets, or a service or loan. No employee should ever engage in, authorise or tolerate corruption for any reason at any time. Furthermore, they should never offer or accept an improper advantage which has no legitimate business purpose and is provided in order to influence the recipient's decision-making.

Employees are obligated to report to their line manager or other senior executive if they witness a bribe or are ever offered or requested to pay a bribe. Payment extorted through a threat to life, health or safety, or of illegal detention, is permissible and will not result in any form of retaliation, but must be reported immediately.

Pandion Energy's anti-corruption and anti-bribery efforts includes necessary controls embedded in the company's financial and procurement procedures, audits, business-partner due diligence and awareness training, as well as an independent channel for reporting concerns. The company also encourages its business partners and suppliers to make a clear commitment to opposing corruption and bribery.

No cases of corruption were reported in 2022.

Confidentiality, inside information and conflicts of interest
All employees should make sure that they keep confidential information secure, and be aware of their responsibility to not talk about confidential and sensitive information concerning Pandion Energy with outsiders, including family and friends. In addition to confidentiality agreements with partners, counterparties and other stakeholders, the company has a general obligation to maintain confidentiality and protect the business.

Inside information covers details about a listed company that are not publicly available and are likely to have a noticeable effect on the price of securities. While Pandion Energy is not a listed company, its bond loan is listed on the Nordic ABM, an alternative bond marketplace regulated by Oslo Børs ASA. Listing indicates that the

bonds are subject to market surveillance by Oslo Børs, which carries out identical market surveillance for both the Oslo Stock Exchange and Nordic ABM. Pandion Energy employees may well become aware through their work of inside information concerning vendors, business partners and, particularly, licence partners.

Information concerning specific licences may represent inside information until it is disclosed to the public. In general, the company has an obligation towards its licence partners to maintain the confidentiality of all information related to licences.

More specifically, Pandion Energy employees may not misuse inside information for their own benefit or for the benefit of family members or affiliates. Pursuant to the Norwegian Securities Trading Act, trading in securities while in possession of inside information is subject to strict liability. Pandion Energy will not tolerate any breach of confidentiality in general or any misuse of inside information.

The company respects the privacy of its employees and their right to manage their personal affairs, activities and investments. However, conflicts of interest may arise if personal, social, financial or political activities could influence, or appear to influence, their ability to make the right decision for Pandion Energy. The company expects all employees to act in its best interest at all times.

Whistleblowing
Pandion Energy believes in openness and transparency. Illegal or unethical matters may have a negative effect on the working environment and the company's business in general. It is important that such matters are dealt with properly.

The company encourage employees, contractors and any of its current and former affiliates who have concerns about any aspect of its business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace. Pandion Energy employees have a right and an obligation to raise concerns about the business, including matters such as:

- illegal conditions and breaches of the law
- breach of ethical norms and internal guidelines
- harassment or discrimination in the workplace that may endanger life or health.

No whistleblowing reports were received during 2022.

HSE policy
HSE are critical in the oil and gas industry, where operations can affect the environment, communities and the workforce. Devoting attention to HSE and governance issues is strategically important to Pandion Energy. The company integrates technical, economic and HSE considerations in its decision-making and operational processes in order to achieve long-term sustainability of the business and to reduce risk.

Pandion Energy places great emphasis on ensuring that operations it participates in are safe for the people involved, and seeks to minimise their impact on the environment. All personnel, whether employees or contractors, are expected to be aware of their role in managing HSE risks within their area of responsibility and expertise. Employees are encouraged to speak up and to halt any work they feel to be unsafe and, furthermore, to report any instances of unsafe practices and/or any dangerous working conditions. Pandion Energy's HSE policy is included in the Code of Conduct document, available at the company's website.

No cases or activities in violation of the HSE policy guidelines were registered in 2022.

Sustainability

Risk management
Technical, economic and ESG considerations, including HSE and climate risk, are integrated in Pandion Energy's decision-making and operational processes in order to achieve long-term sustainability of the business and to reduce risk. Pandion Energy strives constantly to manage ESG risks by understanding the exposure to risk, and thereby minimising the possibility of occurrence and reducing the potential consequences. Effective management of ESG risks is about embedding ESG practices in the company's culture and operating procedures.

Business risk is an integral part of Pandion Energy's strategies and goals, and company activities will be based at all times on a balanced and realistic view of risks and opportunities. Responsibility for implementation and accountability for the results rest with the board and executive management, and must be owned and understood at the appropriate level in the organisation.

Pandion Energy manages and reports enterprise-level risks and opportunities through an enterprise risk management process. The purpose of this process is to:

- identify, monitor and report potential events that may affect the company
- manage risk to keep it within the company's risk appetite
- provide reasonable assurance that key objectives will be reached.

Enterprise risks and opportunities are captured across four major business risk categories: strategic, operational, financial and compliance/ESG.

Communicating risk has a high priority in Pandion Energy and the framework is purposely designed to discuss the key issues effectively rather than provide a rigid documentation of all possible risks that any enterprise is exposed to. It enables the board to actively assess the overall risk exposure of the company as required by its governance process.

Reference is also made to the Directors' Report statement on risk and risk management on pages 25-27.

Climate change

Pandion Energy recognises that climate change is of critical importance to the future of the planet and supports the goal of the Paris Agreement to limit global warming to below 2°C and ideally to 1.5°C. The company is aligned with the carbon reduction strategy adopted by the Norwegian government and the net zero strategy of Kerogen Capital, its main shareholder.

Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint – as demonstrated by carbon intensity levels per barrel which are amongst the lowest in the Norwegian and global E&P industry, ranging from 1.1 – 3.4 kilograms of CO_2 per barrel of oil equivalent for its net production. In 2021, Pandion Energy launched its strategy to achieve net zero carbon emissions.

A key part of this strategy involves aligning the company's investment criteria to ensure that new growth opportunities are evaluated with regard to CO_2 aspects and climate change risk in order to sustain a resilient asset portfolio.

To meet the demands of the worlds growing population the need for affordable, reliable and clean energy is increasing. The path to the energy system of the future is uncertain and, as reflected by forecasts and scenarios from the International Energy Agency (IEA), a wide range of different outcomes exists for oil and gas demand. While the world's reliance on fossil fuels will undoubtedly decrease, oil and gas is likely to remain an important commodity even in a fully decarbonised society. The oil and gas industry must thus continue its efforts to reduce its operational emissions to the lowest possible level.

In 2020, Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2. The commitment to carbon neutrality has been achieved through low carbon intensity production and by carbon offset programs aligned with the UN sustainable development goals (SDGs) for the remaining balance of the hard-to-abate emissions. Pandion Energy recognises that carbon offsetting is not the long term solution to climate change. It sees the use of offsets as part of an overall plan to reduce carbon impact of its operations with the target to reduce absolute emissions over time.

To meet stakeholder expectations for transparent and robust disclosures on how risks related to climate change affect the company and its resilience, Pandion Energy has committed to align its disclosures with the recommendations of the task force on climate-related disclosures (TCFD).

Reference is made to the TCFD index on page 86.

Scenario analysis and resilience

In line with the best practice recommended by the TCFD, Pandion Energy employs scenario analysis to assess potential impacts of the climate change and energy transition on its business, financial performance and long-term strategy.

Selected scenarios are evaluated to assess possible shifts in the macroeconomic outlook, technology developments, policy and legal implications, and projected demand for the company's petroleum products (oil, gas and natural gas liquids). Each energy-transition scenario yields a range of commodity prices for power, gas, oil and so forth, and environmental fees and taxes. These assumptions are applied to refine the understanding of climate-related risks and opportunities and to assess the resilience of the company's portfolio.

Pandion Energy's scenario analysis includes the two following scenarios.

- The IEA's Sustainable Development Scenario (SDS) – an energy future that simultaneously achieves the UN SDGs related to energy. In this scenario, a surge in clean energy policies and investments put global emissions on track for net zero by 2070, while also meeting the development aspirations of a growing global population.
- The IEA's net zero emissions by 2050 Scenario (NZE2050) scenario – a pathway for the world's energy sector to achieve global net zero emissions by 2050 to fulfil the Paris agreement and limit global warming to 1.5°C by 2100.

Both scenarios are published by the IEA as part of its recent World Energy Outlook (WEO) reports and align with best practice recommended by the TCFD to assess the company's resilience to a 2°C or lower scenario. In addition, Pandion Energy applies the Stated Policies (STEPS) scenario for sensitivity analysis. These scenarios are also

commonly used by Pandion Energy's industry peers, and can aid investors and other stakeholders to assess portfolio resilience across companies.

Climate risk
Climate-related risks and opportunities are captured in line with the recommendations of TCFD. The identification and evaluation of climate related risks and opportunities is an ongoing process and an increase in the granularity of the analysis over time can be expected. The executive management team, ESG committee and board all engage in the risk review process for climate-related risks and opportunities. The risks are defined in short (zero-three years), medium (three to 10 years) and long-term (10-25 years) perspectives.

Transition risk
Policy and legal
The assumed policy and legislative changes are based on stated policies from the Norwegian government, regulatory changes related to stated commitments, and motivation for the transition to alternative power sources. The carbon cost assumptions, for example, are specific to Norway and are more aggressive than the IEA SDS.

Petroleum operations on the NCS are subject to European Union emission allowances (EUAs) in the EU emission trading system (EU ETS) as well as the specifically Norwegian carbon tax. The combination of a national carbon tax and the EU ETS means that companies pay a higher price per tonne of CO_2 emitted in Norway than in most other countries with petroleum activities.

As part of Norway's climate action plan announced in January 2021, Norway has set a target to gradually increase the total cost per tonne of CO2 from around USD 80 in 2020 to USD 255 in 2030 (real 2021 terms). This target is reflected in the company's planning assumptions, which show an increase in both the EUA and national carbon tax over the next 10 years, reaching the targeted level set by the Government for 2030. Pandion Energys' carbon price assumptions significantly exceed prices assumed under the IEA's scenarios.

Pandion Energy also considers potential changes from regulators; In the medium term, it is possible that the government may implement more environmental taxes and modify financial conditions, while also increasing requirements or limiting access to frontier oil exploration. Looking ahead to the long term, access to acreage may be restricted and asset valuation could be reduced.

With a view to mitigating the risks outlined above, Pandion Energy has integrated its net zero carbon ambition into its investment strategy by:
- establishing an offsetting strategy with different pricing scenarios for neutralisation of the residual hard to abate emissions
- actively managing our future portfolio by pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources
- incorporating GHG emissions and the potential for future carbon reductions as a new investment criterion for development and production assets
- incorporating the cost of carbon in evaluating new investments where renewable energy sources are not available.

Technology
Pandion Energy assumes that market considerations should be reflected in technology development trends for renewable energy. The electricity-generation transition from fossil fuels to renewables is expected to accelerate. With a continued decline in the cost of solar, wind and related power technologies and improvements in their efficiency, variable renewable energy sources will gradually but steadily transition from a marginal role to becoming one of the most competitive electricity sources in 2050. Under the IEA SDS, 72 per cent of the world's electricity will be generated from renewable sources by 2040.

Solar PV and wind will be the leading sources of the world's electricity, providing a total of 45 per cent. An additional 17 per cent will come from hydropower.

However, a significant demand for oil will persist. Carbon capture, utilisation and storage (CCUS) technology can help to achieve net negative emissions from power and industrial sources, and offset transport and building emissions. In addition, Pandion Energy will continually review potential opportunities related to increased use of electricity on the NCS and repurposing offshore infrastructure, and consider investing in relevant projects. Financial risks posed by the increased cost of operations will be minimised when account is taken of the future carbon costs avoided and/or

prolonging the commercial life of infrastructure through delayed decommissioning.

Marked demand
"Final consumption" is defined as the energy supplied to the final consumer for all applications. It is usually disaggregated into the final end-use sectors – industry, transport, households, services and agriculture. The transition currently under way is particularly related to the growing dominance of electricity in final consumption, which will have increased to 31 per cent in 2040.

The steady increase in electricity use partly reflects the following factors:
- the share of renewables in the electricity mix is rising while the capital costs of solar and wind power-related infrastructure continue to decline, making electricity relatively cheaper than other energy
- electrical systems involve smaller losses than fossil- and biomass-fuelled systems
- more electrical-powered appliances are available in the market.

On the other hand, demand for oil will decline towards 2040, although there could be an incremental short- or medium-term increase towards a pre-Covid level.
The net zero carbon strategy implemented by Pandion Energy not only builds a positive corporate image for sustainability, but also involves active steps to address a potentially reduced investor appetite in the long term.

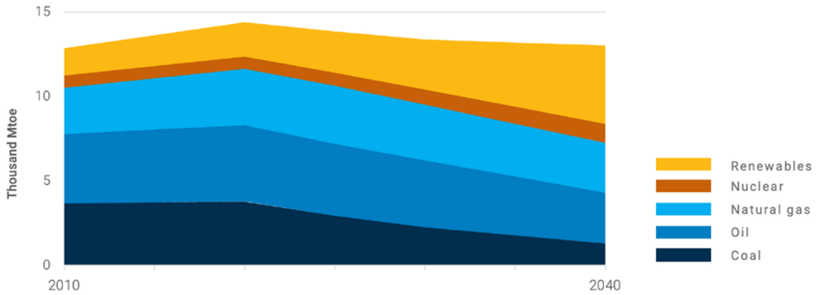
Oil price
Primary energy demand is the total amount of energy the world needs to meet its energy requirements. The IEA SDS forecasting model shows that the total global energy demand will decline gradually from 14.4Mtoe in 2019 to 13.0Mtoe in 2040.

The share of fossil fuels in the energy mix, at just over 80 per cent, has remained steady for more than a decade. But this is set to change significantly with continuous decarbonisation around the world. The mix is estimated to become 56 per cent fossil fuels, 35 per cent renewable energy and nine per cent nuclear by 2040.

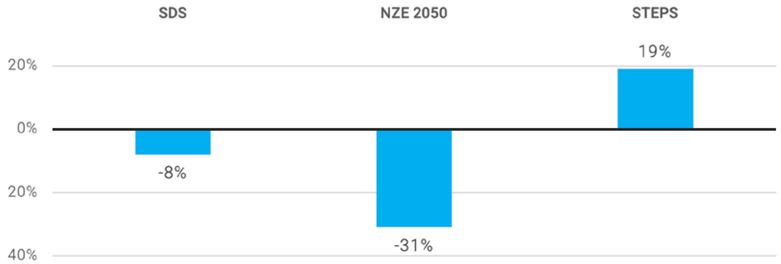
The NZE2050 scenario implies an even faster transition from hydrocarbons and a significantly lower demand for oil than the SDS. Pandion Energy will therefore devote greater attention to cost-efficient and quality assets when making investment decisions in order to reduce the financial risk of smaller revenues owing to unstable or low oil prices in the medium to long term.

Pandion Energy has included a sensitivity analysis to demonstrate the potential influence of oil and gas price assumptions on the net present value (NPV) of its existing portfolio, highlighting the varying impacts across different scenarios compared to the company's planning assumptions. For further details please refer to Note 8 to the Financial statements.

World primary energy demand
Sustainable Development Scenario[1]



Portfolio stress test 2022
Impact on NPV in selected scenarios relative to company's price assumptions



[1] *Source: IEA World Energy Outlook 2020*

Brent oil price (USD/boe)	SDS	NZE2050	STEPS
2030	65	38	89
2050	59	26	103

Gas price (USD/mcf)	SDS	NZE2050	STEPS
2030	5	5	9
2050	5	4	10

Physical risk
Pressure points from the physical risks of climate change arise primarily from a possible increase in the severity of extreme weather and sea level rises, causing asset impairment in the long term.

Located in the North Sea, the field centre on the producing Valhall and Hod fields have been subject to subsidence, and rising sea levels and extreme waves may potentially amplify the risk for installations.

Under severe weather conditions, storm waves may reach and affect lower-decks, causing structural forces above design limits. In extreme cases, wave impact can result in collapse of load-bearing elements or impairment of the asset. Less clearance between lower decks and sea water level may force early shutdown of operations. Rising sea levels may also increase the urgency for field modifications to endure extreme weather.

The operator has designed a business continuity plan for extreme weather events to minimise operational downtime. To eliminate this risk and prolong the lifetime of the fields, the most exposed installations have already been phased out and are being decommissioned. Given the very long potential producing life of the fields, a project for building a new central platform has been sanctioned and, amongst other things, will factor these risks into the design.

In addition to the acute physical risk, a change in working environment on the offshore installations from changes in temperature or precipitation pattern are considered chronic physical risk elements related to climate change. Chronic physical risk may force changes in current operating models like reducing acceptable exposure time for offshore work. To mitigate these issues and potential for early asset retirement or other decreases to asset value, risk assessments are systematically performed to form input to infrastructure design of new facilities and working procedure for existing facilities.

Since physical risks from climate change are typically evaluated over a long-term time horizon, the Nova field is considered to have limited exposure to physical risk taken the technical properties and field lifespan into account.

Pandion Energy assesses physical risks from climate change as less material to its business and more manageable, due to the fact that its assets were designed to withstand acute and chronic physical impacts. But transition risks require more focus and active management, with the top risk for the company being the changing longterm demand for oil.

However, uncertainties and limitations are substantial, and Pandion Energy will continue to expand and evolve its scenario analysis to incorporate future market conditions.

Climate related opportunities
The company's low carbon portfolio offers a strong advantage in the ESG-focused investment landscape. With superior carbon efficiency and lower costs, it is well-positioned for sustainable divestment and capital raising. Notably, sensitivity analysis shows a positive impact on NPV in the STEPS scenario, assuming continued reliance on oil and gas in the global energy mix.

Managing climate risk

Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint, as demonstrated by carbon intensity levels per barrel which are amongst the lowest in both the Norwegian and the global E&P. Although this performance firmly positions it in the top tier of the global E&P industry, it remains committed to further reducing the carbon footprint of its assets. It supports the goal of the Paris agreement to achieve a carbon-neutral global economy, and is aligned with the carbon reduction strategy adopted by the Norwegian government and the net zero strategy of its main shareholder, Kerogen Capital.

Net zero carbon strategy
The carbon-light strategy has always been an imperative for Pandion Energy. In order to minimise the exposure to transition risk, Pandion Energy has committed to sustaining its low-carbon-impact position in the industry and to remaining carbon neutral. The company has a strategy for net zero carbon. Pandion Energy's strategy to net zero carbon rests on four key pillars:

- working with industry to meet the GHG emission targets set by national regulators
- committing to net zero carbon operations by offsetting the remaining hard-to-abate CO_2-equivalent emissions
- aligning investment criteria to maintain a low carbon footprint in its portfolio
- promoting transparency and accountability

Net zero carbon
Strategic targets

Working with industry to meet GHG emission reduction targets

Committing to carbon neutral operations from 2020 (Scopes 1&2)

Aligning investment criteria to maintain a low carbon footprint portfolio

Promoting transparency and accountability

Climate commitments

Emission reductions
Pandion Energy remains committed to ongoing emission reduction measures across the portfolio, despite its carbon intensity being amongst the lowest in its industry. As a non-operator, the company will contribute to reaching national carbon reduction targets by cooperating with operators on asset-specific carbon reduction strategies based on the emission profile and properties of the individual assets. The company strives to work collaboratively with industry peers and partners in sharing lessons learned and improving the collective ability of the industry to minimise the environmental footprint and to be aligned with a carbon-neutral world.

Carbon neutrality
In 2020, Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2. The commitment to carbon neutrality has been achieved through low carbon intensity production and by carbon offset programs aligned with the UN sustainable development goals (SDGs) for the remaining balance of the hard-to-abate emissions. Pandion Energy recognises that carbon offsetting is not the long term solution to climate change and sees the use of offsets as part of an overall plan to reduce carbon impact of its operations with the target to reduce absolute emissions over time. To ensure the environmental integrity of offsets, the company will be putting emphasis on carbon removal offsets which are in line with the Oxford principles for net zero aligned carbon offsetting.

Investment criteria
Pandion Energy has updated its investment criteria to ensure that new growth opportunities are evaluated with regard to CO_2 aspects and climate

This includes:

- pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources
- incorporating GHG emissions and the potential for future carbon reduction as a key investment criterion for developments and producing assets
- incorporating the future cost of carbon emissions when evaluating new investments where renewable energy sources are not available.

Transparency and Disclosures
Pandion Energy has committed to align its disclosures with the recommendations presented by the TCFD. The company will advocate for sharing of raw emissions data within licences in order to take responsibility for its net carbon emissions and has developed operational tools to monitor and support the assets' carbon reduction performance. Pandion Energy reports equity-based scopes 1 and 2 and selected scope 3 GHG emissions.

Environmental impact

Pandion Energy is committed to minimising the environmental impact of its activities. The company's HSE policy sets out the objectives and expectations applicable to the operations which the company participates in as a licensee. Pandion Energy values transparency on risk and how environmental aspects are handled in relation to its assets, including managing and monitoring emissions to the air, minimising discharges to the sea and optimising waste handling. The company is also committed to considering, preserving and safeguarding biodiversity.

As part of its decision-making process before entering new licences, Pandion Energy has established an HSE evaluation framework for assessing HSE complexity on the basis of area properties – including (but not limited to) environmental issues such as sensitive habitats, spawning areas, biodiversity priority areas and vulnerable resources. At a later stage, this evaluation framework is applied as input to the company's follow-up activities with the operators and allows for early risk identification and mitigation related to planning of operational activities.

Environmental management

As part of its "see to it" duty, Pandion Energy confirms that the operator has established an environmental management system which is fit for purpose before commencing petroleum activities in any licence in its portfolio.

This is also a requirement in relation to regulatory application processes before commencing operations on the NCS. All responsible parties on the NCS must establish, follow up and further develop a management system designed to ensure compliance with the requirements of Norway's HSE legislation – including the Pollution Control, Working Environment, Petroleum, Product Control and Fire and Explosion Protection Acts. The producing assets in the company's portfolio are managed in accordance with the guiding principles of the ISO 14001 environmental management standard and ISO 50001 energy management standard.

All petroleum-related activity on NCS is subject to public consultation and government approval, mostly through a consultative process on environmental permits. Stakeholders, local communities and interested parties are entitled to comment on environmental and social issues and to submit recommendations to the government on planned activities. Pandion Energy follows up operator responses to these recommendations, with attention concentrated on compliance with the government's operational conditions as defined in the management plans.

Discharges to the sea from petroleum activities on the NCS are regulated by the licence discharge permits issued by the NEA. The compliance status of discharges and emissions is reported annually to the government for both producing fields and drilling activities. Annual reports, together with associated feedback from the NEA, provide input for a continuous improvement of environmental performance. The operator of the Valhall and Hod fields, where Pandion Energy holds a 10 per cent interest, holds a field-specific permit under the EU ETS, and the associated climate accounting for Scope 1 emissions is subject to annual third-party verification.

GHG emissions
Pandion Energy has established a GHG accounting system on the basis of the principles in ISO 14064. Emission sources subject to reporting have been selected on

the basis of materiality and equity approach. The metrics disclosed represent the net equity share of GHG emissions from Pandion Energy's working interest in licences on the NCS where petroleum activities are conducted.

GHG emissions for activities controlled by Pandion Energy are relatively immaterial when compared with asset emissions, therefore its GHG emissions for its office activities were not measured, while immateriality has been confirmed by estimated GHG emissions for its travel.

Scopes 1 and 2

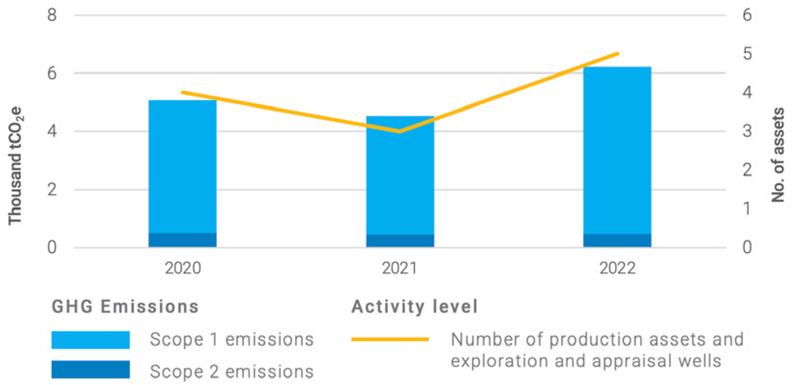
CO_2 intensity in Pandion Energy includes the equity share of CO_2 emissions (net) from the company's non-operated assets divided by the company's net production. The CO_2 intensity does not include direct emissions from exploration drilling.

In 2022, scope 1 included emissions from exploration and appraisal drilling on three wells and development and production activities on Pandion Energy's producing assets, apportioned according to Pandion Energy's equity share. The main source of emissions form drilling activities was related to power generation from combustion of liquid fuel (diesel) by the drilling rigs. The main sources of emissions from Valhall and Hod are combustion of liquid fuel by various utilities with diesel engines, flaring and periodical power generation on mobile drilling rigs conducting activities on the field. When drilling is not being conducted at the field, Nova, as a subsea tie-back, has minimal Scope 1 emissions. Scope 1 emissions from the Nova host platform are reported by the host operator. The main sources of emissions from the host include combustion of fuel gas and flaring. An estimated portion of the host emissions have been included in Scope 1 for the Nova field.

Flaring is generally very limited on NCS and only permitted for safety purposes, such as emergency shutdowns. To reduce emissions to air from flaring, Valhall and Hod has closed flares. During 2022 Valhall and Hod reported energy efficiency and emission reduction measures estimated to 284 tonnes CO_2 reduction annually.

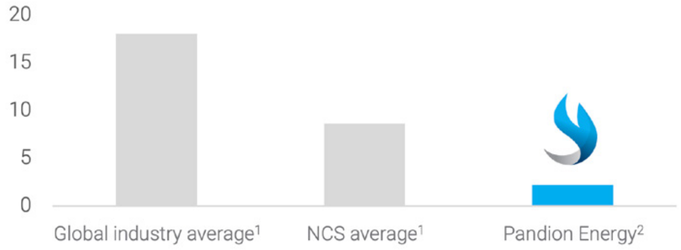
All reported emissions to air in 2022 were within the relevant permit requirements. The fluctuations in annual emissions the last three years are mainly attributable to activity level.

CO_2e emissions[1]
Net tonnes CO_2 in scopes 1 and 2



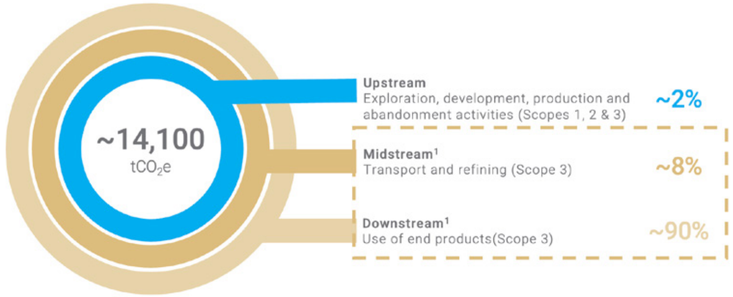
[1] *Pandion Energy net equity basis from production assets and exploration and appraisal wells*

Carbon Intensity
Kg CO_2 per boe produced



[1] *NOROG/IOGP, 2021*
[2] *Pandion Energy net equity basis production, scopes 1 and 2 emissions; 2021: 1.5 kg CO_2/boe; 2022: 1.9 kg CO_2/boe*

GHG emissions across value chain
2022 Pandion Energy net equity basis CO_2e emissions



[1]Outside Pandion Energy's and asset operators' operational control

All of Pandion Energy's producing assets receive electric power form shore. The electricity is acquired from the national power grid in Norway which is principally underpinned by hydropower and other renewable energy sources. As Norway is a historic net exporter of electric power, the associated CO_2 emissions are close to zero.

Pandion Energy's scope 2 emissions are related to purchase of electrical energy supplied to the Valhall and Hod field and the Nova host.

Scope 3
From 2022, Pandion Energy has expanded its reporting of scope 3 emissions. As a licensee, the company is reliant on working closely with the operators on emission reduction and is pleased to see the strategic priority given to mapping and reducing Scope 3 emissions related to offshore activities among its operator partners.

For scope 3 emissions related to upstream activities, asset emissions identified and reported by the operators are included in this report. These emissions are monitored and reported in accordance with the GHG Protocol. Upstream categories 1-8 are considered addressable by the operators and most relevant for reduction potential. Pandion Energy will continue to encourage and work collaboratively with its operators to improve the mapping and reporting of scope 3 emissions, with the aim of identifying and implementing effective measures to reduce emissions.

Scope 3 emissions related to downstream category 11 represents virtually all emissions from category 10 – 15. As a pure upstream company, with no refining and end use sale the company has limited ability to alter the impact of these emissions. Pandion Energy currently has no initiatives aiming to reduce downstream categories 10 – 15, but are working to quantify the magnitude of these emissions.

Biodiversity
As a licensee on NCS, Pandion Energy participates in operations mainly concentrated in marine surroundings. It is therefore important that the licensees are committed to working continuously on protecting and conserving the associated ecosystems and their species in order to safeguard genetic biodiversity.

Norway signed up to the convention on biological diversity in 1993, and the NEA enforces strict regulations with the aim to ensure that water quality in marine areas helps to preserve species and ecosystems. The NCS is among the most extensively mapped, analysed and ecologically managed marine areas in the world. Biodiversity priority areas are identified in the regional management plans applied by the Norwegian government since 2006.

These plans set out the operational conditions for all activities in each area of the NCS, including petroleum operations. They also identify protected areas as specified by the International Union for Conservation of Nature (IUCN), where no or only limited industrial activity is permitted. Furthermore, area sensitivity is weighed against industrial activities, local interests, international treaties and goals to determine the conditions for permitting industrial activities. Operational conditions are defined for each licence, such as drilling restrictions, requirements for extended biological monitoring, and additional oil spill response measures.

None of Pandion Energy's producing assets are in or near protected areas. Biodiversity protection measures are described and framed in the operator' environment policies and environmental management systems.

As part of activities on Pandion Energy's partner operated licences, various biodiversity assessments are conducted, such as seabed surveys or oil spill impact assessments.

The results directly affect the decision-making process and implementation of specific risk reduction measures. These may include direct risk reduction and impact strategies addressing both biodiversity and ecosystem protection, such as avoiding drilling during high breeding or spawning season, monitoring plans, or moving borehole locations.

In order to verify the environmental impact on biodiversity from petroleum activities, the oil and gas industry in Norway performs sediment analyses and water-column monitoring at regular intervals to detect possible negative impacts and to implement new measures as required.

Water and effluents
Pandion Energy's net production is not located in water-stressed environments and water withdrawal and water scarcity are not considered material issues for the operators on the NCS. Fresh water is used for drinking purposes, in accommodation and in some drilling operations. Seawater is used for operations such as cooling, firefighting purposes and pressure support for the reservoir. The main water management issue is operational discharges to sea. The general approach to generating and handling effluents aims at the lowest possible environmental impact in accordance with environmental strategies set for the field, and the following order of priority applies:
1. preventing occurrence
2. reuse/recycling/reinjection
3. reduction
4. treatment and disposal/discharge.

Minimum standards are set for the quality of effluent discharge. Produced water discharged to sea is regulated by the NEA with a threshold value of 30mg of oil per litre of produced water per month (weighted average). Produced water on Valhall is either reinjected into the reservoir for pressure support or discharged to the sea after sufficient treatment in accordance with the best available techniques and regulatory requirements. In 2022, the average oil concentration was 14,64mg of oil per litre for the Valhall and Hod fields.

Other water management actions include prioritised substitution of chemicals with the most adverse properties to less hazardous substitutes. Use and discharges of chemicals are also regulated by the field specific permits issued by the NEA.
Oil spill preparedness plans are established by the operators for the specific petroleum activities based on environmental risk assessment and regulatory requirements before commencement of operations. The oil spill response measures involve trained personnel who work purposefully to prepare for and mitigate possible discharges. All the operators of the licences where Pandion Energy is licensee participate actively in the Norwegian Clean Seas Association for Operating Companies (NOFO). NOFO is specially trained to manage oil spill response operations and assumes a key role with regard to mitigation measures and oil spill recovery at sea in cases where member companies are responsible for an oil spill.

No oil spills occurred from Pandion Energy assets in 2022.

Waste
Operational activities in Pandion Energy's assets are based offshore, where all significant production waste, both hazardous and non-hazardous, is generated. The largest fractions of hazardous waste, in terms of weight, come from drilling operations. When wells are drilled, drill cuttings contaminated with drilling fluids are carried back to the surface. All production waste, such as drilling mud and drill cuttings, is dealt with using the same waste-handling hierarchy described for water and effluent.

Oil-based drilling mud is reused for as long as the technical quality of the mud remains intact. In other cases, the mud is sent onshore for treatment and disposal. Such mud contains a water fraction that is treated prior to discharge, and the volumes are controlled under government permits held by the waste disposal contractor. Both hazardous and non-hazardous waste are transported to land. The majority of the waste is handled in Norway and the regulatory rules are followed.

Another source of waste is decommissioned offshore installations. The Valhall and Hod fields are undergoing comprehensive modernisation, including the removal of obsolete platforms. During 2022, the DP (Drilling Platform) topsides and jacket and the PCP (Process and Compression Platform) topsides were successfully removed from the Valhall field. The structures were sent to Aker Solutions Stord for recycling. The structures are made of high-quality steel and about 99% of the steel will be recycled and re-used for a variety of new products.

Environmental data

Climate change[1]

Scope 1	Note[2]	2022	2021	2020	Units
Direct GHG emissions	1	5,761	4,073	4,575	tonnes CO_2e
Third party verified direct GHG emissions	2	3,127	2,906	2,232	tonnes CO_2e
CO_2 (Carbon dioxide)		5,662	4,043	4,545	tonnes
CH_4 (Methane)	3	99	20	30	tonnes CO_2e
Scope 2					
Indirect GHG emissions	4	498	453	461	tonnes CO_2e
CO2 intensity					
Equity share CO_2 intensity	5	1.9	1.5	1.1	Kg CO_2/boe
Net production		5,236	5,152	5,639	boepd
Scope 3					
Scope 3 GHG emissions upstream	6	7,831	4,729	not reported	tonnes CO_2e
Scope 3 GHG emissions midstream	7	62,273	not reported	not reported	tonnes CO_2e
Scope 3 GHG emissions downstream	8	680,257	not reported	not reported	tonnes CO_2e

[1] *Unaudited - see page 85*
[2] *Notes to environmental data - see page 83*

Social impact

Pandion Energy values the unique contributions of its employees and believes that a diverse and inclusive workforce enhances deliveries and accomplishments. Further, health and safety management are critical in the oil and gas industry and the company places great emphasis on ensuring that operations conducted in its licences are performed without harm to people involved. Regarding human rights a risk-based approach is always considered related to new investment opportunities, for purchases of material goods and services.

Human rights and decent working conditions

Pandion Energy is committed to the protection of internationally recognised human rights and fair and ethical work practices. It has zero tolerance of modern slavery and child labour in any parts of its business and supply chain. All workers must be ensured safe, secure and healthy working conditions, including working hours, as well as wages and benefits that meet or exceed national legal standards. The workplace must be free from any form of harsh or inhumane treatment. All applicable laws and regulations on the above-mentioned issues must be complied with. The company's position on modern slavery and child labour is covered in the working conditions section of its code of conduct.

The company operates in a low-risk environment for human rights abuse, since all its assets are located in Norway. Furthermore, the majority of the subcontractors and vendors providing goods and services to its assets are also based in Norway or in other low-risk countries. However, Pandion Energy is aware of potential human and labour rights risks that may occur in some parts of the industry and further down the supply chains, and takes a risk-based approach when considering potential human rights issues related to material contracts under the joint operating agreements.

Despite significant Norwegian content in its partner-operated assets, the operational activities are exposed to global suppliers. Suppliers' fabrication yards are often located in countries that are exposed to certain human rights risks such as, but not limited to, risk of forced and compulsory labour, risk related to safety and security at the workplace and risk related to migrant workers among.

In 2022, Pandion Energy focused its efforts on meeting the company and its suppliers' obligations under the new Norwegian Transparency Act, which came into force in 2022. The requirement for risk assessment is an important step in order to increase transparency and gain an insight into all stages of the company's supply chain, with the aim of safeguarding people who may be impacted by the company's business. Pandion Energy has conducted due diligence at a strategic company level, identified risk-reducing measures and areas to be further assessed. The human rights due diligence process is based on the OECD due diligence guidance for responsible business conduct.

Following the implementation of the Transparency Act in 2022, Pandion Energy has established a procedure for handling information requests under the Transparency Act to ensure timely processing of information requests. Concerning the reporting requirements of the Transparency Act, more information about the process and findings will be made available on the company's website by 30 June 2023.

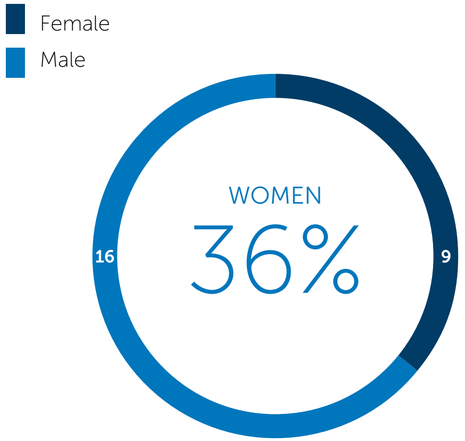
No cases of human rights issues were reported in 2022.

Suppliers and business partners
Pandion Energy's business partners and suppliers are essential to its ability to do business, but can also expose it to reputational, operational and legal risk. The company expects its business partners and suppliers to comply with applicable laws, respect internationally recognised human rights, and adhere to the ethical standards outlined in its code of conduct when conducting business with or on behalf of Pandion Energy.

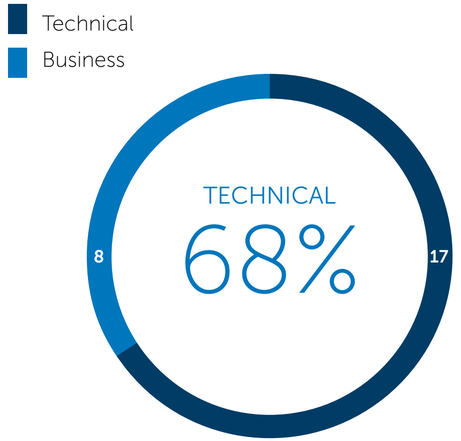
Diversity and employment
Each member of the Pandion Energy team is valued, and the company is committed to providing an environment free from any form of discrimination, abuse, harassment or intimidation by or towards its employees or others affected by its operations. The company's values define the way people work in Pandion Energy. Furthermore, the company aims to be recognised for positive energy, equality and professionalism, and will treat everyone with fairness, respect and dignity.

Pandion Energy values the unique contributions of its employees and believes that a diverse and inclusive workforce enhances deliveries and accomplishments. The company aims to maintain a working environment with equal opportunities for all, based on performance and irrespective of gender, age, religion, ethnicity, sexual orientation, disability or any other protected status. Its experience is that quality and diversity lead to enhanced decision-making based on a variety of perspectives and understanding of risk.

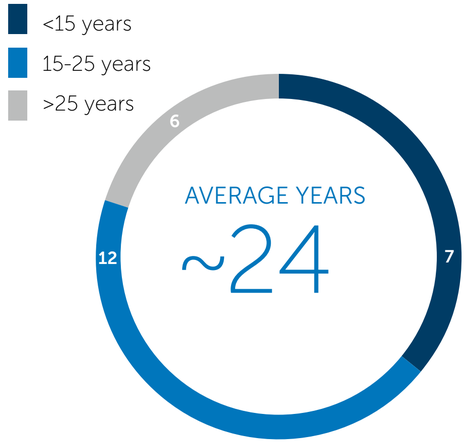
Gender



Business / Technical staff



Experience



The E&P industry is traditionally male dominated. Women comprise 30 per cent of the Pandion Energy technical team, whose members also have a wide range of experience – spanning from nine to more than 40 years. Pandion Energy has been able to attract a rich variety of talent, concentrating solely on professional achievements and an explicit culture of equality and diversity. The company does not tolerate any discrimination of colleagues or others affected by its business. Current organisation consists of 36 per cent female employees. Women make up 50 per cent of the management team, while one of six directors is female.

Harassment and intimidation
Courtesy and respect are important aspects of a healthy working environment and sound business dealings. Pandion Energy expects all employees to treat everyone they come into contact with through work or work-related activities in a respectful manner. It will not tolerate any verbal or physical conduct that harasses others, disrupts others' work performance or creates a hostile work environment.

No cases of harassment or intimidation were reported in 2022.

Health and safety

Health and safety management is critical in the oil and gas industry, where operations can affect communities and the workforce. No one should be harmed or injured while working at or on behalf of Pandion Energy.

As a licensee, the company places great emphasis on ensuring that operations conducted on its licences are performed without harm to people involved. No task is so important that it has to be performed with an unacceptable risk to health and safety. As part of its "see to it" duty, the company reviews the operators' HSE plans, risk assessments and health and safety reporting on a regular basis.

There have been no work-related fatalities on the company's partner operated assets in 2022. However, there was a total of five work related injuries of which three were classified as serious. All of the injuries were contractor related. In addition, a total of four incidents with no actual harm, but high consequence potential were recorded.

The serious incidents have been thoroughly investigated to capture lessons learned and to prevent re-occurrence. Relevant lessons learned are also captured and shared for the less serious injuries. Pandion Energy has closely monitored the operator's response to the incidents and will continue to challenge the operators of its assets to pursue improvement in HSE performance. In 2023, the company will strengthen its efforts by conducting HSE and verification activities with particular focus on follow-up of contractors and subcontractors working on its partner-operated assets. The operator and Pandion Energy both agree that no one shall be injured working on our behalf.

Major accident risk
Pandion Energy recognises the risks associated with the company's operational assets. The risk of major operational incidents is always present, since drilling, production and decommissioning activities will never be completely risk-free. Regulation of activities on the NCS provides a sound framework for handling these risks, and the company takes an active and responsible approach as a partner.

There has been no major accidents involving any of the operating assets in which Pandion Energy participated during 2022.d Pandion Energy both agree that no one shall be injured working on our behalf.

Sickness absence
Sickness absence among Pandion Energy's employees in 2022 was 1.8 per cent, compared with 1.4 per cent the year before. Since the company has relatively few employees, sickness absence by just one or two people can significantly affect the percentage. Pandion Energy seeks to keep sickness absence low by constantly improving working conditions. No work-related injuries were suffered by its employees in 2022.

Notes to sustainability data

NOTE 1 DIRECT GHG EMISSIONS

Scope 1 emissions include direct emissions from petroleum activities in Pandion Energy's production licences apportioned according to its equity share in those licences. Activities and licences included are listed in the table.

As Pandion is not an operator, it does not have the direct authority to monitor and record the consumption. The reported data is based on the operators' data reported to the Norwegian Environmental Agency (NEA) with a verification statement issued by an independent third party for producing fields (Valhall and Hod)[1]. Internal quality assessment is applied to ensure the accuracy of the data reported from the operators.

NEA conduct verifications of all reported environmental data post publication of this report. This may result in minor variations of the data at a later stage.

Year	Assets	Activities	Equity Share	Reporting Source	Assurance report[1]
2022 2021 2020	Valhall & Hod (PL 006 B, 003 B, 033)	Drilling, production, development, abandonment	10%	Annual field emissions report Annual climate quota report	YES
2022[2]	Nova (PL 418, 418 B, 378)	Production, development	10 %	Annual field emissions report Host emissions data apportioned to the Nova production reported within licence	NO
2022	PL 891, 891 B	Appraisal drilling	20 %	Well specific emissions data reported within licence	NO
2022	PL929	Exploration drilling	20 %	Annual exploration emissions report	NO
2022	PL 938	Exploration drilling	20 %	Annual exploration emissions report	NO
2021	PL 617	Exploration drilling	20 %	Annual exploration emissions report	NO
2021	PL 820 S	Appraisal drilling	12,5 %	Annual exploration emissions report	NO
2020	PL 263 D/E	Exploration drilling	20 %	Well specific emissions data reported within licence	NO
2020	PL 891	Exploration drilling	20 %	Well specific emissions data reported within licence	NO
2019-2020[3]	PL 820 S	Exploration drilling	10 %	Annual exploration emissions report	NO

[1] 3rd party verification report of the Annual climate quota report as required by the NEA, EU ETS verification report
[2] Asset aquired as part fo the aquisition of ONE-Dyas Norge AS, completed on 30 June 2022. Only emission data after this date are included.
[3] Operation was partially conducted in 2019. Total emissions reported in 2020.

NOTE 2 THIRD PARTY VERIFIED DIRECT GHG EMISSIONS

Production assets only; High Assurance to the following standard: European Union Emissions Trading System (EU ETS).

NOTE 3 METHANE EMISSIONS

Emission factor for calculating CO_2e from Methane has been updated from previous report. Historic data has been updated accordingly.

Global warming potential rate in a 100 year perspective (GWP_{100}) used to calculate CO_2e from CH_4 fossil origin is 29.8 based on IPCC Sixth Assessment Report, 2023.

NOTE 4 INDIRECT GHG EMISSIONS IN SCOPE 2

Location based indirect GHG emissions calculated on a net equity basis.

Scope 2 emissions include:

Valhall and Hod	Emissions from Valhall and Hod based on annual imported power consumption.
Nova	Estimated emissions based on emission factor related to imported power consumption apportioned to the Nova production from the host facility, as reported by the operator.

The Valhall field and the Nova host platform receives power from shore from the national grid in Norway which is principally underpinned by hydropower and other renewable energy sources.

Scope 2 emissions reported in 2022 are related to 3 per cent non-renewable energy sources in the Norwegian power supply market. Climate declaration factor from the Norwegian Water Resources and Energy Directorate (NVE) used to calculate emissions is 11 gCO_2e/kWh (2021 factor is used, as 2022 factor will not be available until mid-2022).

Scope 2 emissions in 2021 have been updated with factor for 2021 compared to previous report.

Pandion Energy's scope 2 emissions are relatively immaterial when compared to the overall portfolio, therefore its GHG emissions for its office activities were not measured.

NOTE 5 CO_2 INTENSITY

CO_2 intensity is calculated on the basis of net equity production and associated scope 1 CO_2 emissions.

NOTE 6 INDIRECT GHG EMISSIONS IN SCOPE 3 UPSTREAM

Upstream scope 3 emissions include mapped categories 1-8 allocated to the Valhall and Hod on a net equity basis as reported by the operator.

Mapped upstream scope 3 categories include:

Category 1	Purchased goods and services (cement, chemicals)
Category 2	Capital goods (steel)
Category 3	Fuel and energy related activities (well-to-tank emissions from diesel consumed offshore)
Category 4	Upstream transportation and distribution (platform supply vessels, anchor handling vessels, emergency response and rescue vessels, intervention / well stimulation, heavylift, IMR - inspection, maintenance and repair, other activity)
Category 5	Waste generation in operations (incineration)
Category 6	Business travel (not material, not included)
Category 7	Employee commuting (helicopter transportation)
Category 8	Upstream leased assets (not material, not included)

NOTE 7 INDIRECT GHG EMISSIONS IN SCOPE 3 MIDSTREAM

Midstream scope 3 emissions include estimate of refining of net equity sale of products:

Category 10	Processing of sold products

Non-Energy Adjustment 10% for liquids have been applied, ref. Transition Pathway Initiative (TPI) "Carbon Performance assessment of oil & gas producers: note on methodology", 2020.

Estimated shares of different types of final products from crude and carbon factors of refined products are based on IPIECA "Estimating petroleum industry value chain (Scope 3) greenhouse gas emissions".

Midstream scope 3 emissions have not been reported in previous reports.

NOTE 8 INDIRECT GHG EMISSIONS IN SCOPE 3 DOWNSTREAM

Downstream scope 3 emissions include estimate of net sale of products:
Category 11 Use of sold products

Non-Energy Adjustment 10% for liquids have been applied, ref. TPI "Carbon Performance assessment of oil & gas producers: note on methodology", 2020.

Applied energy content for oil and gas based on NPD conversion-table and in increased for Valhall gas energy content by 8.25%.

Applied effective CO_2 emission factor based on IPCC, 2006. Downstream scope 3 emissions have not been reported in previous reports.

UNAUDITED

This section contains non-financial measures that are subject to measurement uncertainties resulting from inherent limitations in the methods used to determine the figures stated. Choosing different but acceptable measurement techniques can lead to significantly different results and precisions. The main period of information disclosure of this report is from 1 January 2022 to 31 December 2022, unless otherwise specified. Pandion Energy reserves the right to update its measurement techniques and methods in the future.

As Pandion Energy is not an operator, it does not have direct authority to monitor and record operational performance data within the production licences. Internal quality assessment is applied to ensure the accuracy of the data reported from the operators.

Certain economic and market information contained in this report have been obtained from published sources and/or prepared by other parties. While such sources are believed to be reliable, such information has not been independently verified by Pandion Energy.

No audit or independent assurance of this section has been conducted.

TCFD index

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b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 69, 71
Strategy	
a) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Page 27, 71-73
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c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 70-73
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a) Describe the organisation's processes for identifying and assessing climate-related risks.	Page 71
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Abbreviations

ABM	Alternative Bond Market
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalent per day
CCUS	Carbon Capture, Utilisation and Storage
CEO	Chief Executive Officer
CH4	Methane
CO2	Carbon Dioxide
CO2e	Carbon Dioxide equivalents
E&P	Exploration & Production
ESG	Environmental, Social, Governance
EU	ETS European Union's Energy Trading System
EUA	European Union Allowances
GHG	Greenhouse Gas
gCO2e	Grams Carbon Dioxide equivalents
GWP	Global Warming Potential
HSE	Health, Safety, Environment
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IPIECA	International Petroleum Industry Environmental Conservation Association
IUCN	International Union for Conservation of Nature
kWh	Kilowatt-hours
Mtoe	Million tonnes of oil equivalent

NCP	New Central Platform
NCS	Norwegian Continental Shelf
NEA	Norwegian Environmental Agency
NOFO	Norsk oljevernforening for operatørselskap (Norwegian Clean Seas Association for Operating Companies)
NPV	Net Present Value
NVE	Norges vassdrags- og energidirektorat (The Norwegian Water Resources and Energy Directorate)
NZE2050	Net Zero by 2050 Scenario
OECD	Organisation for Economic Co-operation and Development
PL	Production Licence
PV	Photovoltaic
PWP	Production and Wellhead Platform
Scope 1	Direct emissions from owned or controlled sources
Scope 2	Indirect emissions from the generation of purchased energy
Scope 3	Indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
SDS	Sustainable Development Scenario
STEPS	Stated Policies Scenario
TCFD	Task Force on Climate-Related Financial Disclosure
tCO2e	Tonnes Carbon Dioxide equivalents
TPI	Transition Pathway Initiative
UN	United Nations
US FPCA	U.S. Foreign Corrupt Practices Act
VP	Vice President
WEO	Word Energy Outlook

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