PANDION ENERGY

Pandion Energy AS

Interim financial statements (unaudited)

Second quarter 2023

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Content

Introduction

General information

These interim financial statements for Pandion Energy AS (“Pandion Energy“ or “the company“) have been prepared to comply with:

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

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

Accounting principles

These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with financial statements of the company for the period ending 31 December 2022.

The accounting policies adopted are in all aspects consistent with those followed in the preparation of the financial statements of the company for the year ending 31 December 2022.

For further detailed information on accounting principles, please refer to the financial statements for 2022.

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

Summary of the quarter

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Financial review

Revenues

In Q2 2023, the company generated total revenues of USD 30.1 million, a decrease from USD 39.4 million in the same period last year. The lower revenues were mainly driven by a decrease in the realised oil and gas prices. During Q2 2023, average realised oil price before hedging was USD 84.5 per boe, which represents a significant decrease from the USD 113.9 per boe achieved in Q2 2022. The average realised gas price in Q2 2023 was USD 68.1 per boe, down from USD 129.7 per boe in the same period last year. The combined average realised price for oil, gas and NGL during the quarter was USD 78.5 per boe, compared to USD 111.7 per boe achieved in Q2 2022.

The volume of oil sold was 282 kboe in Q2 2023 compared to 287 kboe in Q2 2022. The relatively low volume of oil sold during the quarter was due to a significant underlift on both the Valhall and Hod and the Nova fields.

Operating expenses and financial results

In Q2 2023, the company's EBITDAX amounted USD 29.2 million, an increase from USD 26.2 million achieved in the same period last year. The higher EBITDAX is explained by significantly lower operating expenses during the quarter.

Operating expenses were recorded at USD 1 million in Q2 2023, a significant reduction from the USD 13.1 million incurred during Q2 2022. This substantial decrease can primarily be attributed to inventory adjustments necessitated by underlift on the oil-producing fields. Furthermore, the reduction in production costs can be attributed to a decline in well intervention expenses at the Valhall field, coupled with the strengthening of the USD against the NOK.

Although the company's EBITDAX increased in Q2 2023 compared to the same quarter in the previous year, higher depreciation expenses offset the gains, resulting in a profit from operating activities of USD 13 million, compared to USD 20 million in Q2 2022. The increased depreciation expenses were mainly driven by the higher production levels at the Valhall and Hod fields, as well as the acquisition of the Nova field.

Financial review

Capital expenditures

Investments in exploration & evaluation assets amounted to USD 2.4 million in the second quarter of 2023 largely explained by appraisal activities on PL 929 Ofelia related to ongoing well planning to be executed in Q3 2023.

The company's investments in fixed assets in Q2 2023 amounted to USD 13.8 million, of which USD 6.1 million was invested in the Valhall and Hod fields. The majority of this investment was allocated to the Sulphate Removal Unit project and the Valhall PWP project, which are aimed at increasing the field's production capacity and operational efficiency. An additional USD 7.7 million was invested in the Nova field, mainly related to the side-track water injection well, drilled in Q2 2023.

Financial position

As of end of Q2 2023, the company's interest-bearing debt remained unchanged from the end of Q1 2023, totalling USD 191.5 million. The debt is comprised of a bond debt of USD 75 million and an RBL drawdown of USD 116.5 million. The net debt was reduced by USD 6 million during the quarter down to USD 170.5 million. Overall, the company maintains its strong financial position with a leverage ratio of only 1.0x net debt/ EBITDAX.

Financial risk management

In order to reduce the risk related to oil price fluctuations, the company has established an oil price hedging programme.

At the end of June, 44% of the after-tax (12% of pre-tax) crude oil production volumes up to the end of Q2 2024 had been hedged at an average floor price of 54 USD/bbl (USD 52.3/bbl net of costs). Additional positions may be added to the program going forward, however, the structure, amounts and levels of any further hedging will depend on how the market for commodity derivatives develops.

The company has recognised a realised loss from hedging in Q2 2023 presented as other income. The loss amounted to USD 0.2 million.

Operational review

Valhall and Hod fields

During the second quarter, production from the Valhall area averaged 5.8 thousand barrels of oil equivalents per day, net to Pandion Energy, with continued good well performance. The production efficiency was reduced to 89 percent due to a planned shutdown.

The Noble Integrator rig continued to support the stimulation and intervention activities at Valhall, aimed at bringing more wells up to their full production potential. During the second quarter the rig started the first phase of a campaign to permanently plug and abandon eight wells at the old Hod A platform. The second phase of this campaign is planned to commence in the second half of 2023 with the rig Noble Invincible.

The Plan for Development and Operations (PDO) for the joint Valhall PWP & Fenris development project was approved by the MPE in June 2023. The joint development project comprises a new centrally located production and wellhead Platform (PWP) bridge-linked to the Valhall central complex. The Fenris gas field will be tied badk to the PWP installation.

The PWP project entered the execution phase and the main ongoing activities are detailed engineering and procurement, which are progressing according to plan. In the second quarter fabrication was started at the Aker Solutions yard in Verdal.

Total recoverable resources for Valhall PWP are estimated to 70 mmboe with production expected to start in 2027.

The project will also involve a modernisation of Valhall that ensures continued operation when parts of the current infrastructure are to be phased out in 2028, thus enabling production of the remaining Valhall reserves from 2029 onwards. In addition, the project will add gas capacity to Valhall and thus enable the field to serve as a hub for potential new gas discoveries in the future.

The development will leverage Valhall’s existing power from shore system with minimal emissions, estimated at less than 1 kg CO_2/boe.

Operational review

Exploration and evaluation activities

The company is currently planning to appraise last year's Ofelia discovery in Q3 2023, and ongoing well planning is taking place to facilitate the appraisal process.

Nova field

During Q2 2023, production from the Nova field averaged 2.9 thousand barrels of oil equivalents per day, net to Pandion (including compensation volume).

The Nova field licence group is obligated to compensate the Gjøa licence group for deferred production due to the tie-in operations. The compensation shall be paid in kind by the Nova group's own production. The compensation volume in Q2 2023 was 665 barrels of oil equivalent per day net from Pandion.

Production from Nova has improved during the quarter, but is still limited by reduced effectiveness of the water injectors. A side-track drilling operation to improve the location of one of the injector wells has been completed with injection start in July 2023. A rig has been secured to drill a fourth water injector well in the first half of 2024.

These efforts demonstrate the company's commitment to optimising the field's production and maximising its long-term value.

Other activities

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

Responsibility statement

We confirm, to the best of our knowledge, that the interim financial statements for the period from 1 January to 30 June 2023 have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and generally accepted accounting practice in Norway and give a true and fair view of the assets, liabilities and financial position and result of Pandion Energy AS. The notes are an integral part of the interim financial statements.

We also confirm, to the best of our knowledge, that the operational and financial review includes a fair presentation of important events that have occurred during the first six months of the financial year and their impact on the financial statements and the company's position, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, Norway, 15 August 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 Ellefsen
CEO/ Board Member

Roberta Wong
Board Member

Anish Patel
Board Member

Helge Larssen Nordtorp
Board Member

Interim financial statements

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Statement of income

30 June 2023

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2023	**Q2 2022**	(USD`000)	**Note**	**2023**	**2022**	**2022**
29 064	39 534	Revenues		79 887	81 915	213 137
1 072	(172)	Other income		1 952	(519)	2 368
30 137	**39 362**	**Total revenues and income**	1	**81 839**	**81 397**	**215 505**
(986)	(13 140)	Operating expenses	2	(14 938)	(22 547)	(47 430)
(15 082)	(5 465)	Depreciation, amortisation and net impairment losses	3,5	(29 510)	(13 655)	(35 275)
(1 021)	(721)	Exploration expenses	2	(2 202)	(3 158)	(15 111)
(17 090)	**(19 326)**	**Total expenses**		(46 649)	**(39 360)**	**(97 816)**
13 047	**20 035**	**Profit from operating activities**		**35 190**	**42 036**	**117 689**
(8 549)	(9 646)	Net financial items	6	(19 266)	(14 266)	(26 836)
4 498	**10 389**	**Profit before taxes**		**15 924**	**27 770**	**90 854**
(11 371)	(26 734)	Income tax	7	(34 246)	(37 828)	(82 588)
(6 874)	**(16 345)**	**Net income**		**(18 322)**	**(10 058)**	**8 266**

Statement of comprehensive income

30 June 2023

QUARTERLY				YEAR TO DATE		FULL YEAR
Q2 2023	Q2 2022	(USD`000)	Note	2023	2022	2022
(6 874)	(16 345)	Net income		(18 322)	(10 058)	8 266
-	13 468	Net gain/losses arising from hedges recognised in OCI		-	14 126	14 126
-	(11 812)	Net amount reclassified to profit and loss		-	(11 728)	(11 728)
-	(364)	Tax on items recognised over OCI		-	(527)	(527)
-	1 292	Other comprehensive income		-	1 871	1 871
(6 874)	**(15 053)**	**Total comprehensive income**		**(18 322)**	**(8 187)**	**10 137**

Statement of financial position

30 June 2023

Assets

(USD`000)	Note	30.06.2023	30.06.2022	31.12.2022
Tax receivable		-	29 166	-
Goodwill	4,5	63 138	63 138	63 138
Intangible assets	4,5	68 545	56 435	63 339
Property, plant and equipment	3,5	546 901	449 803	552 770
Prepayments and financial receivables		111	120	122
Right-of-use assets		902	1 104	982
Investments in subsidiaries		-	58 024	-
Non-current interest-bearing receivables from subsidiaries		-	79 145	-
Total non-current assets		**679 598**	**736 934**	**680 351**
Inventories		14 871	6 551	9 914
Trade and other receivables		28 516	10 238	19 005
Financial assets at fair value through profit or loss		112	-	951
Tax receivable - short term	7	43 776	15 547	51 433
Cash and cash equivalents		20 983	25 290	21 197
Total current assets		**108 256**	**57 625**	**102 499**
Total assets		**787 854**	**794 559**	**782 850**

Statement of financial position
30 June 2023

Equity and liabilities

(USD`000)	Note	30.06.2023	30.06.2022	31.12.2022
Share capital		13 591	13 591	13 591
Other paid-in capital		100 640	100 640	100 640
Other equity		10 779	10 779	29 104
Total equity	8	**125 009**	**125 009**	**143 334**
Deferred tax liability		256 856	192 110	225 903
Asset retirement obligations	9	146 282	181 595	154 751
Borrowings	10	189 622	216 101	188 324
Long term lease debt		595	846	729
Long term provision	11	861	20 919	3 512
Total non-current liabilities		**594 217**	**611 571**	**573 218**
Asset retirement obligations - short term	9	11 797	8 451	7 840
Trade, other payables and provisions	11	56 135	30 534	57 477
Borrowings - short term	10	-	16 924	-
Financial liabilities at fair value through profit or loss		512	1 904	786
Short term lease debt		185	168	197
Total current liabilities		**68 628**	**51 981**	**66 300**
Total liabilities		**662 845**	**669 553**	**639 518**
Total equity and liabilities		**787 854**	**794 559**	**782 850**

Statement of cash flows

30 June 2023

(USD`000)	Note	YEAR TO DATE Q2 2023	YEAR TO DATE Q2 2022	FULL YEAR 2022
Income before tax		15 924	27 770	90 854
Depreciation, amortisation and net impairment losses	3	29 538	13 681	35 327
Expensed capitalised exploration expenses	4	158	11	3 472
Accretion of asset removal liability	6,9	3 674	3 624	7 484
(Increase) decrease in value of operational financial asset		(278)	(234)	(15 534)
Net financial expenses	6	15 592	10 642	19 352
Interest and fees paid		(8 898)	(10 305)	(19 583)
(Increase) decrease in working capital		(15 703)	(2 776)	5 776
Net income tax received		-	10 917	26 553
Net cash flow from operating activities		**40 007**	**53 331**	**153 701**
Payment for removal and decommissioning of oil fields	9	(8 186)	(5 039)	(7 284)
Investments in furniture, fixtures and office machines	3	(138)	(56)	(87)
Investments in oil and gas assets	3	(26 531)	(34 901)	(66 469)
Investments in exploration and evaluation assets	4	(5 364)	(13 513)	(36 155)
Investments in subsidiaries		-	(30 811)	-
Acquisition of oil and gas assets		-	-	(109 956)
Net cash flow from investing activities		**(40 220)**	**(84 321)**	**(219 951)**
Proceeds from borrowings		-	224 080	241 080
Repayments of borrowings		-	(110 494)	(175 472)
Payments of borrowings to subsidiaries		-	(79 145)	-
Net cash flow from financing activities		-	**34 441**	**65 608**
Net change in cash and cash equivalents		**(213)**	**3 451**	**(642)**
Cash and cash equivalents at the beginning of the period		21 197	21 839	21 839
Cash and cash equivalents at the end of the period		20 983	25 290	21 197

Notes to the interim financial statements

Note 1

Segment information and disaggregation of revenue

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

The company's revenue is disaggregated as follows:

	QUARTERLY		YEAR TO DATE		FULL YEAR
Revenues	**Q2 2023**	**Q2 2022**	**2023**	**2022**	**2022**
(USD`000)					
Oil	23 475	32 735	64 531	66 559	171 036
Gas	4 953	5 371	12 645	11 371	37 098
NGL	637	1 428	2 711	3 985	5 004
Total revenues	**29 064**	**39 534**	**79 887**	**81 915**	**213 137**

Other income	**Q2 2023**	**Q2 2022**	**2023**	**2022**	**2022**
(USD`000)					
Realised gain/(loss) on oil derivates	(218)	(230)	(434)	(403)	(853)
Unrealised gain/(loss) on oil derivates	169	57	275	(116)	(318)
Other*	1 121	-	2 111	-	3 539
Total other income	**1 072**	**(172)**	**1 952**	**(519)**	**2 368**

*Other comprises change in estimate of the contingent additional consideration in relation to acquisition of ONE-Dyas Norge AS

Note 2

Exploration and operating expenses

The company's exploration and operating expenses is disaggregated as follows:

	QUARTERLY		YEAR TO DATE		FULL YEAR
Operating Expenses	**Q2 2023**	**Q2 2022**	**2023**	**2022**	**2022**
(USD`000)					
Production cost	(6 338)	(9 289)	(15 375)	(17 420)	(37 402)
Change in inventories	8 963	(1 818)	8 888	(665)	(65)
Tariff and transportation cost	(2 777)	(1 350)	(6 466)	(3 035)	(9 201)
Other cost	(833)	(683)	(1 985)	(1 427)	(762)
Total operating expenses	**(986)**	**(13 140)**	**(14 938)**	**(22 547)**	**(47 430)**

Exploration expenses	**Q2 2023**	**Q2 2022**	**2023**	**2022**	**2022**
(USD`000)					
Expensed cost, seismic and studies	(140)	(23)	(140)	(205)	(2 729)
Expensed cost, general and administrative	(806)	(683)	(1 904)	(2 943)	(8 909)
Expensed exploration expenditures previously capitalised	(75)	(14)	(158)	(11)	(3 472)
Total exploration expenses	**(1 021)**	**(721)**	**(2 202)**	**(3 159)**	**(15 111)**

Note 3

Property, plant and equipment

(USD`000)	Oil and gas assets	Tools and equipment*	Total
Carrying amount at 1 January 2022	**428 471**	**55**	**428 527**
Additions	66 469	87	66 556
Addition through asset 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 intangible assets	12 277	-	12 277
Depreciation	(35 275)	(52)	(35 327)
Carrying amount at 31 December 2022	**552 680**	**91**	**552 770**
Additions	23 531	138	23 669
Depreciation	(29 510)	(28)	(29 538)
Carrying amount at 30 June 2023	**546 701**	**201**	**546 902**
Estimated useful lives (years)	UoP	3-10	

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

**Addition of the Nova field (10%) through the acquisition and merger of ONE-Dyas Norge AS. The transaction was recognised as an asset acquisition under IAS 16 “Property, Plant and Equipment”

Note 4
Intangible assets

(USD`000)	Technical Goodwill	Exploration and evaluation assets	Total
Carrying amount at 1 January 2022	**63 138**	**42 933**	**106 071**
Capitalised licence costs	-	36 155	36 155
Expensed exploration expenditures previously capitalised	-	(3 472)	(3 472)
Transfers to tangible assets	-	(12 277)	(12 277)
Carrying amount at 31 December 2022	**63 138**	**63 339**	**126 477**
Capitalised license costs	-	5 364	5 364
Expensed exploration expenditures previously capitalised	-	(158)	(158)
Carrying amount at 30 June 2023	**63 138**	**68 545**	**131 683**

Note 5

Impairments

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

In Q2 2023, two categories of impairment tests have been performed:

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

When assessing whether an impairment write-down is required at 30 June 2023, Pandion Energy has used a combination of Brent forward curve from the second half of 2023 to the end of 2024, a mean of market participant view for 2025 and 2026 and 70 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. Below is an overview of the key assumptions applied for impairment testing purposes as at 30 June 2023.

	H2 2023	**2024**	**2025**	**2026**	**2027**
Brent Oil price, USD/boe, in real 2023 terms	75	72	81	79	70
Currency rates, USD/NOK	10.8	10.7	10.4	10.0	9.7

No impairments of oil and gas assets and related intangible assets or technical goodwill were recognised in Q2 2023.

Note 6
Financial items

(USD`000)	QUARTERLY Q2 2023	Q2 2022	YEAR TO DATE 2023	2022	FULL YEAR 2022
Net foreign exchange gains (losses)	(1 416)	(1 612)	(3 956)	(1 842)	(1 989)
Foreign exchange gains/losses on derivative financial instruments	(332)	(1 768)	(1 375)	(1 523)	(954)
Interest income	161	80	260	83	381
Amortised loan costs	(407)	(1 620)	(1 299)	(1 853)	(2 938)
Accretion expenses	(1 806)	(1 807)	(3 674)	(3 624)	(7 484)
Interest expenses	(4 532)	(2 406)	(8 889)	(4 988)	(13 080)
Other financial items	(217)	(513)	(334)	(519)	(771)
Net financial items	**(8 549)**	**(9 646)**	**(19 266)**	**(14 266)**	**(26 836)**

The rise in interest expenses in Q2 2023 compared to Q2 2022 can be attributed to higher borrowings resulting from the acquisition of ONE-Dyas Norge in the previous year, along with an increase in interest rates.

Note 7
Taxes

Income tax for Q2 2023 is estimated at USD 11.2 million, a significant decrease from USD 26.7 million in Q2 2022. The decrease is mainly due to lower profit in Q2 2023 following lower realised oil and gas prices.

The tax calculation is based on the new tax petroleum system enacted in June 2022 with effect from 1 January 2022. According to the new rules, the special petroleum tax (56%) is converted into a cash-based tax with an immediate deductions for expenses incurred. The tax value of new losses (both exploration losses and other losses) in the special tax base is refunded. As part of the transition to the new tax regime, tax value of historical losses and utilised uplift will be settled as part of tax assessment for 2022 during Q4 2023.

(USD`000)	
Tax payable from current year profit	(5 819)
Tax receivable from prior years' tax losses and uplift	49 595
Total tax receivable at 30.06.2023	**43 776**

Note 8

Equity and Shareholders

(USD`000)	Share Capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 1 January 2022	**11 110**	**103 120**	**(1 871)**	**20 837**	**133 196**
Share capital decrease – unregistered	2 481	(2 481)	-	-	**-**
Net profit for the period	-	-	-	8 266	**8 266**
Other comprehensive income (loss) for the period	-	-	1 871	-	**1 871**
Shareholders' equity at 31 December 2022	**13 591**	**100 640**	**-**	**29 103**	**143 333**
Net profit (loss) for the period	-	-	-	(18 322)	**(18 322)**
Shareholders' equity at 30 June 2023	**13 591**	**100 640**	**-**	**10 779**	**125 009**

Share capital of NOK 9,119,212.94 comprised 911,921,294 of shares at a nominal value of NOK 0.01. Pandion Energy Holding AS owns all 911,921,294 shares as at 30 June 2023.

Note 9

Asset retirement obligations (ARO)

(USD`000)	
Asset retirement obligations at 1 January 2022	**191 461**
New provision through asset acquisition*	9 427
New or increased provisions	4 524
Incurred removal cost	(7 284)
Asset removal obligation - change of estimate	(6 138)
Effects of change in the discount rate	(36 882)
Accretion expenses	7 483
Asset retirement obligations at 31 December 2022	**162 591**
Incurred removal cost	(8 186)
Accretion expenses	3 674
Asset retirement obligations at 30 June 2023	**158 079**
Non-current portion 31 June 2023	146 282
Current portion 31 June 2023	11 797

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 5.0 per cent.

*Addition from the Nova field (10%) through the acquisition and merger of ONE-Dyas Norge AS

Note 10
Borrowings

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 30 June 2023	USD	75 000	9.75%	June 2026	73 904
At 31 December 2022	USD	75 000	9.75%	June 2026	73 680

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

The financial covenants are as follows:

- Leverage ratio: Net debt to EBITDAX not greater than 3.5x
- Minimum liquidity: Not less than USD 10 million

Note 10

Borrowings cont.

Reserve base lending facility agreement (RBL)

(USD'000)	Facility currency	Utilised amount	Undrawn facility*)	Interest	Maturity	Carrying amount
At 30 June 2023	USD	116 500	83 500	SOFR + 3.5%	April 2029	114 718
At 31 December 2022	USD	116 500	83 500	SOFR + 3.5%	April 2029	113 643

The RBL facility is at USD 200 million with an additional uncommitted accordion option of USD 200 million. The interest rate is floating 1-6 months SOFR with 3.5% margin. In addition, a commitment fee is paid for unused credits.

The financial covenants are as follows:

- Leverage ratio: Net debt to EBITDAX not greater than 3.5x
- Minimum liquidity: Not less than USD 10 million and
- Liquidity test: 12 months test to demonstrate a 1.1:1 ratio of corporate sources to uses
- Funding test: Up to first oil for any developments to demonstrate a 1:1 ratio of corporate sources
- Exploration spending: After tax cost on a yearly basis, maximum the higher of USD 20 million or 10% of EBITDAX unless the after tax cost is funded by permitted distribution or new equity injections

*)Calculated out of facility size of USD 200 million. Credit approved borrowing base as of 30 June 2023 is USD 153 million.

Note 10

Borrowings cont.

Non-current liabilities to related parties

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

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

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

Maturity profile on total borrowings based on contractual undiscounted cash flows

(USD`000)	**30.06.2023**	**31.12.2022**
Less than 12 months	-	-
1 to 5 years *)	192 500	192 500
Over 5 years	-	-
Total	**192 500**	**192 500**

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

Note 11

Trade, other payables and provisions

(USD`000)	30.06.2023	31.12.2022
Trade payables	2 734	8 899
Share of payables in licences	28 144	17 357
Other non-trade payables, accrued expenses and provisions	25 257	31 221
Trade, other payables and provisions	**56 135**	**57 477**

Other non-trade payables, accrued expenses and provisions include contingent considerations. Part of the contingent considerations is recognised as a long-term provision.

Note 12
Other commitments and contingencies

The company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is limited to approximately USD 5.6 million.

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

As of end 30 June 2023, the company was not subject to any legal disputes.

Note 13
Subsequent events

In July 2023, Pandion Energy received a request for arbitration regarding some of its contingent considerations. Pandion Energy will respond to the request and defend against the claim. The company has in its interim financial statements made provisions related to contingent considerations based on its best estimate.

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, impairment and exploration expenses
Net debt/ EBITDAX	Net debt at the balance sheet date divided by 12 months rolling EBITDAX
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