– A SHARP EYE FOR NCS OPPORTUNITIES –

ANNUAL REPORT 2023

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.

- History
- Key figures
- Letter from CEO
- Asset overview
- Board of directors
- Management team

- Directors' report
- Responsibility statement
- Financial statements
- Notes to the financial statements
- Auditor's report
- Alternative performance measures

- Introduction
- Corporate governance and compliance
- Climate change
- Environmental impact
- Social impact
- Notes to environmental data
- TCFD index

ABOUT PANDION ENERGY

About Pandion Energy

History

Key figures

Letter from CEO

Asset overview

Board of directors

Management team

From management buyout to full-cycle oil and gas company

Pandion Energy was established in November 2016 on the basis of the operational platform and six licences acquired from Tullow Oil Norge AS in a management buy-out, backed by Kerogen Capital. Today, Pandion Energy is a 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).

Over Pandion Energy's seven years of operation, the company has made six discoveries out of seven drilling campaigns, representing a success rate exceeding 85 per cent. It has built a focused portfolio of production, discoveries, and exploration upsides near infrastructure, with a daily low cost production of 8,300 barrels of oil equivalent.

The company's geographical footprint remains in the mature areas close to existing infrastructure in the greater Valhall and Gjøa areas of the North Sea, and the Haltenbanken area of the Norwegian Sea.

Getting started

Pandion Energy prequalified as a licensee and completed the management buyout from Tullow Oil Norge in 2017, with Duva as its first development asset. The first year was dedicated to organisational development and regulatory approvals. The company has built a strong culture, based on short decision lines, a high level of competence, professionalism and active interdisciplinary cooperation. From the very start, the management group has had an equal ratio of men to women.

Building the business

Late in 2017, Pandion Energy became a 10 per cent partner in the producing Valhall and Hod fields, thereby advancing to being a full-cycle oil and gas company much earlier than planned.

In 2018, a robust financial platform was secured, including a reserve based lending facility (RBL) of USD 150 million and a senior unsecured bond, listed on the Nordic ABM of NOK 400 million. The debt financing package enabled continued development of the company's assets and expansion of our portfolio.

The Duva plan for development and operation (PDO) was approved in 2019, and the company's 20 per cent interest in the field was divested in November same year. The Duva development demonstrated the core of Pandion Energy's strategy of adding value to high-quality assets and maturing them – in this case with an increase in recoverable resources of more than 50 per cent since the initial discovery. With this divestment some of the value created in the portfolio to date was crystallised, and further strengthened the company's capacity to take advantage of future opportunities on the NCS.

In 2020, a 20 per cent interest in the Slagugle discovery was the largest addition to the company's resource base and also the biggest discovery on the NCS that year.

During the spring of 2020, investment activity was resumed as a direct consequence of the temporary amendments to the Petroleum Tax Act enacted by the Storting (Norwegian Parliament) in the wake of the COVID-19 pandemic.

The Hod field redevelopment became the first project realised under the temporary tax changes. A PDO for Hod, where Pandion Energy holds a 10 per cent equity interest, was submitted in June 2020 and approved that December. In the summer of 2021, the Hod B platform was installed on the field at the southern end of Norway's North Sea sector.

During this period Pandion Energy had formulated its own ambitions related to the digitalisation drive in the industry, in 2021, Pandion Energy officially launched Wellify, a digital visualisation tool for analysing geochemical and mineralogical data from drill cuttings. These data contain valuable information for companies exploring for oil and gas, and can be further utilised to improve efficiency and safety in drilling operations. The Wellify tool can also be used to identify reservoir zones suitable for CO_2 storage.

Net zero and further expansion

The company fully recognises that climate change is of critical importance to the future of the planet and

History

Key figures

Letter from CEO

Asset overview

Board of directors

Management team

supports the goal of the Paris Agreement to achieve a carbon-neutral global economy. Despite having one of the lowest green house gas (GHG) intensities on the NCS and in the global E&P industry, the company still acknowledges the importance of further minimising its carbon impact as swiftly as possible. In 2020, Pandion Energy became one of the first E&P companies to achieve carbon neutrality for scopes 1 and 2 emissions.[1]

Pandion Energy is committed to maintaining a low carbon footprint and has been a proponent of electrification since its inception. At 1.5 kilograms of CO_2e per barrel of oil equivalent in 2023, the company's carbon intensity levels per barrel are amongst the lowest in the Norwegian and global E&P industry. All of the producing fields in the portfolio are powered by electricity from shore.

In March 2022, an agreement to acquire ONE-Dyas Norge AS was signed, and included a 10 per cent share of the Nova field and a total of ten 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 as it represents a leap forward in the Pandion Energy story and constitutes a solid foundation for further growth.

Realising value created

In December 2022, Pandion Energy partnered in its 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 Energy holds a 10 per cent interest in the Valhall field. The PDO was approved by the Storting (Norwegian Parliament) in June 2023. This joint development involves a new, centrally located production platform with 24 well slots at Valhall. 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.

The strategy going forward remains being an active and responsible non-operator partner driving value in high-quality assets based on a full-cycle investment mandate.

Pandion Energy aims to enhance production performance at the Valhall, Hod and Nova fields, while also maximising the value of existing assets by advancing discoveries through to development stages. 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.

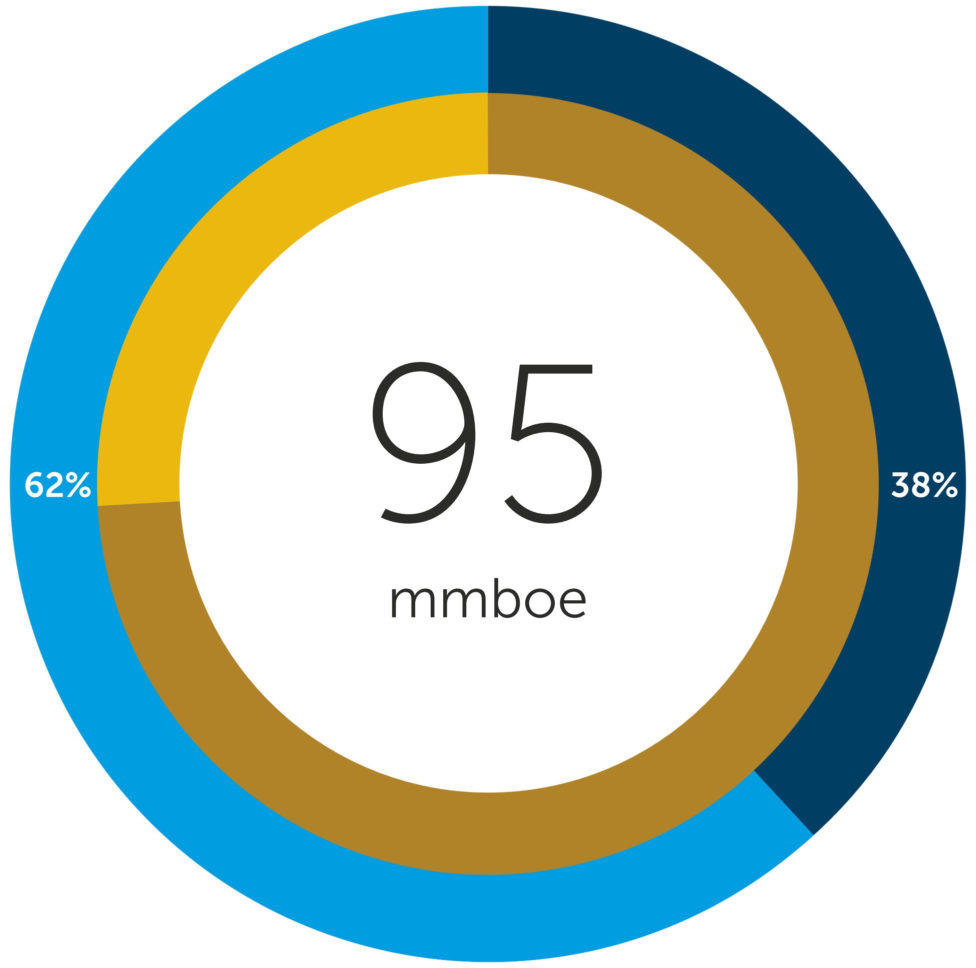
[1] The commitment to carbon neutrality has been achieved initially by offsetting re remaining balance of hard-to-abate CO2e emissions through programmes that are aligned with the UN Sustainable Development Goals. The use of offsets is seen as part of an overall plan to reduce carbon impact of its operations with the continued focus on reducing remaining absolute emissions further towards near zero over time.

About Pandion Energy

History
Key figures
Letter from CEO
Asset overview
Board of directors
Management team

Key figures end 2023

Reserves & Resources[1]



2P reserves[2]
~36 mmboe net

2C resources[3]
~59 mmboe net

Liquids
74%

Gas
26%

Financial summary

	2023	**2022**
Production in boepd[4]	8,304	5,697
Net sales in boepd	7,462	5,515
Average realised price oil (USD/boe)	84.8	101.8
Average realised price gas (USD/boe)	77.7	151.8

(USD` 000)

Revenues	223,385	213,137
EBITDAX	182,688	168,075
Total assets	811,491	782,850
Total equity	141,967	143,334
Total interest bearing debt	108,000	191,500

[1] Operator data, independent third-party review and company estimates, year end 2023
[2] Net proven and probable (2P) reserves for Valhall, Hod and Nova
[3] Net contingent resources (2C) for Valhall, Hod and Nova, including reported estimates for the discoveries in Slagugle (PL 891), Sierra/Solberg (PL 263), Ofelia Agat and Ofelia Kyrre (PL 929) and Calypso (PL 938)
[4] Redelivery volumes from Nova to Gjøa/Vega included in production, production figures for 2022 have also been restated to include redelivery volumes.

About Pandion Energy

History

Key figures

Letter from CEO

Asset overview

Board of directors

Management team

Letter from our CEO

As we reflect on the journey of Pandion Energy through 2023, the year stands out as a year with focus on unlocking the inherent value of our portfolio and ensuring safe and efficient operations and production.

The Valhall, Hod and Nova fields have not only met, but surpassed our production targets for the year. We have successfully completed a side-track drilling operation to improve the location of one of the water injector wells on Nova and conducted an effective well intervention campaign at Valhall leading to an impressive production performance despite operational challenges, which included a temporary shutdown at Valhall and Hod fields. This achievement is a testament to our resilience and operational excellence.

The production and wellhead platform (PWP) project on Valhall, with its PDO approved in June, is one year into execution and progressing as planned. It is currently the second largest project on the Norwegian continental shelf, and this is a moment to acknowledge the commendable efforts of our partner, Aker BP, and the relentless spirit of our team.

The results from the Ofelia appraisal well were announced in December, confirming volumes within the expected range of recoverable resources. In addition, a new gas discovery was made in the Kyrre formation, giving total recoverable volume from both discoveries of 27–52 mmboe. Pandion Energy holds a 20 per cent participating interest in the licence, with Neptune as operator. Located in a core area for

Pandion Energy, the size and quality of the Ofelia Agat and Ofelia Kyrre discoveries are highly encouraging. Given the proximity to Gjøa and the operator's development track record, we are confident this will turn into another fast-track, cost-effective and low-carbon development.

In 2023, we were pleased to receive two licence allocations in the APA round, a reflection of our ongoing commitment to organic growth. This is in line with our strategy to maintain our presence through all phases from exploration to production.

Our financial trajectory in 2023 has been nothing short of impressive, with a record-breaking turnover of USD 223.4 million and robust EBITDAX margin. Our cost efficiency has been maintained at USD 10 per barrel produced and we have significantly reduced our debt, boasting a Net debt/EBITDAX ratio of 0.4x.

We have built a good position in the market, with a solid platform for continued growth.

Pandion Energy is committed to maintaining a low carbon footprint and has been a proponent of electrification since its inception. At 1.5 kilograms of CO_2e per barrel of oil equivalent in 2023, our carbon intensity levels per barrel are amongst the lowest in the global E&P industry, as well as Norway. All of the producing fields in our portfolio are powered by electricity from on shore.

We have a clear strategy in place to maintain our net zero carbon status in our operations. This involves active portfolio management only pursuing exploration and appraisal opportunities 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. We also consider the future cost of carbon emissions when evaluating new investments.

We have built a good position in the market, with a solid platform for continued growth. Our overarching strategy going forward remains intact, with a sharpened focus on unlocking the inherent value of our portfolio. This includes continued safe and efficient operations and production, further maturing the discoveries and new exploration activities.

Pandion Energy has built a highly competent team, with extensive subsurface expertise and field development capabilities. Over the company's seven years, we have made six discoveries out of seven drilling campaigns, representing a success rate exceeding 85 per cent. The company's core focus remains in the mature areas close to existing infrastructure in the greater Valhall and Gjøa areas of the North Sea, and the Haltenbanken area of the Norwegian Sea.

Looking towards 2024, we have sharpened focus on maintaining the excellent operating performance on Valhall, Hod and Nova, maturing our discoveries and advancing our PWP project on Valhall. We are also planning an active exploration programme with two wildcat wells, 2024/2025 in Mistral and Horatio.

As we continue to actively participate in the ongoing consolidation of the Norwegian continental shelf, we do so from a position of strength, with a vision of continuous growth. Our organisational structure has remained stable, supporting our strategic objectives and operational demands.

The company remains committed to its strategy of being an active and responsible partner.

I wish to extend a heartfelt thank you to our motivated team, whose dedication I witness firsthand on a daily basis. Your commitment is the foundation of our success. In 2023 I was able to resume my annual visits to Valhall after restrictions resulting from the COVID-19. On Valhall I met a very motivated team, which gives me confidence in our continued solid operations going forward.

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

Jan Christian Ellefsen
CEO

History

Key figures

Letter from CEO

Asset overview

Board of directors

Management team

Creating value based on a full cycle strategy with focus on asset quality

Net reserves & resources [1)]

~ 95 mmboe 2P & 2C

Low cost production [2)]

~ 10 USD/boe

Net production [2)]

~ 8 300 boepd

Strong balance sheet [2)]

0.4x Net debt/EBITDAX

Discovery rate [3)]

>85% (6 in 7 wells)

Premium to brent [4)]

+3-4 USD/boe

1) Operator data, independent third-party review and company estimates, year end 2023
2) Redelivery volumes from Nova to Gjøa/Vega included in production
3) (Cara), Iving, Sierra, Slagugle, Ofelia Agat, Calypso, Ofelia Kyrre
4) Valhall and Nova oil to North Sea Brent crude

About Pandion Energy

History

Key figures

Letter from CEO

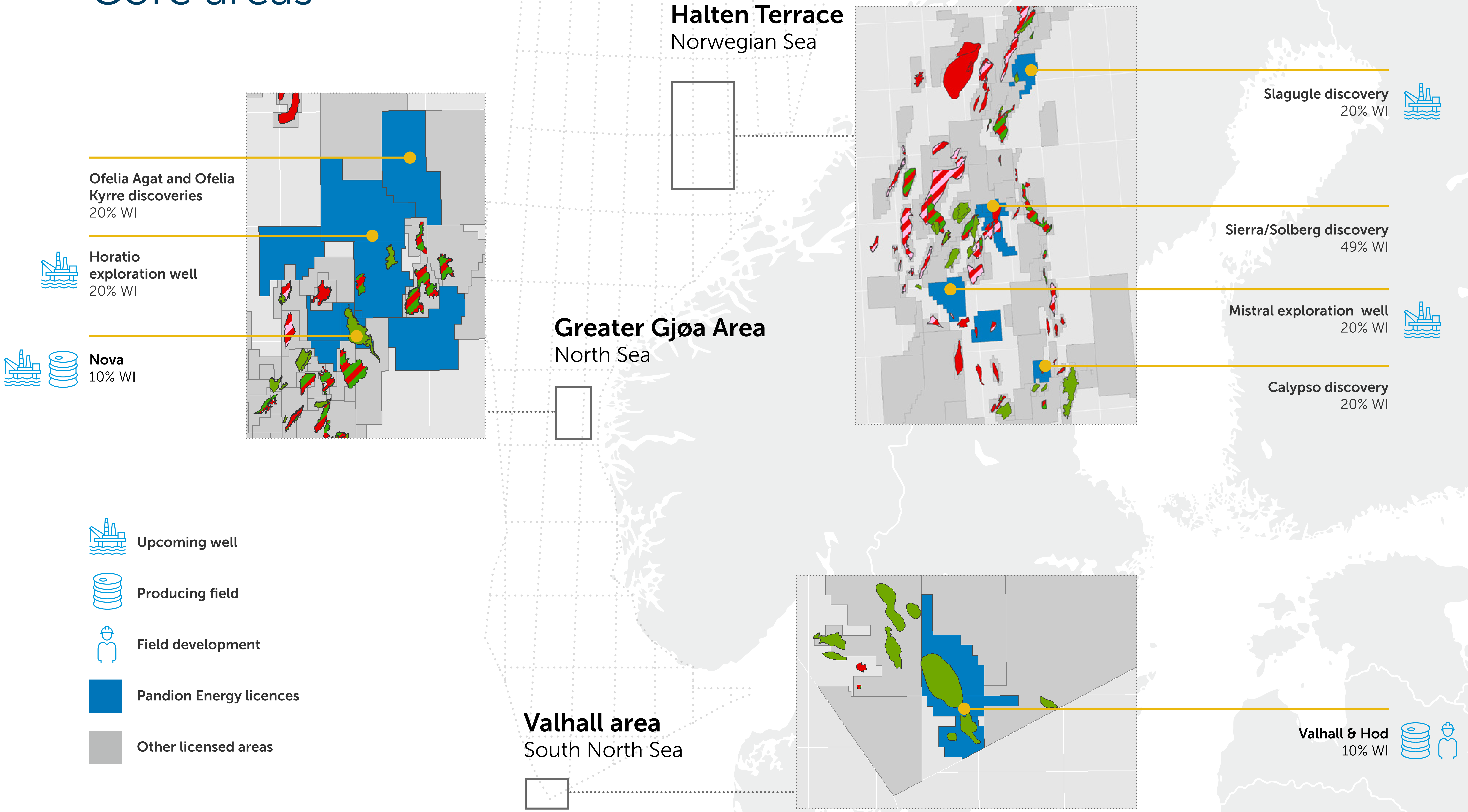
Asset overview

Board of directors

Management team

Licence overview

Core areas



History
Key figures
Letter from CEO
Asset overview
Board of directors
Management team

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.

About Pandion Energy

History

Key figures

Letter from CEO

Asset overview

Board of directors

Management team

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.

History
Key figures
Letter from CEO
Asset overview
Board of directors
Management team

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.

History
Key figures
Letter from CEO
Asset overview
Board of directors
Management team

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
Responsibility statement
Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
Notes to the financial statements
Auditor's report
Alternative performance measures

Directors' report

In 2023, the company reported a solid financial performance, with total revenues and income of USD 223.9 million (2022: USD 215.5 million) and an operating profit of USD 114.2 million (2022: USD 117.7 million). Despite a drop in oil and gas prices, revenues increased due to higher volumes of oil and gas. The year was marked by strategic efforts to maximise portfolio value and maintain safe, efficient operations.

Production from the Valhall, Hod and Nova fields exceeded expectations, and the Valhall PWP project is on track, with the PDO approved and fabrication started. Furthermore, the Ofelia appraisal well confirmed recoverable volumes of 16–33 mmboe and a new gas discovery in the Kyrre formation added another 11–19 mmboe.

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 based on 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.

The company has built a focused portfolio of production, discoveries, and exploration upsides near infrastructure. Pandion Energy's current portfolio comprises 19 licences and daily production of 8,300 barrels of oil equivalent (boe). The portfolio includes 36 million barrels of oil equivalent (mmboe) of net proven and probable (2P) reserves and 59 mmboe of net contingent resources (2C), including reported estimates for the discoveries in Slagugle (PL 891), Ofelia Agat/Ofelia Kyrre (PL 929), Calypso (PL 938) and Sierra/Solberg (PL 263).

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.

The company's strategy going forward is to be an active and responsible non-operating partner, driving value by further development of its producing fields and discoveries and maturing new exploration upsides near infrastructure. Supported by a solid capital structure, the company will also search for and evaluate opportunities to make value-accretive investments through acquisitions, farm-ins, licencing rounds, swaps and to seek business combinations that may lead to further profitable growth.

The company's ability to create long-term, lasting value also 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 that are among the lowest in the Norwegian and global E&P industry, i.e. carbon intensity levels of 1.1-3.4 kilograms of CO_2 per barrel of oil. Pandion Energy has an established strategy for achieving and sustaining net zero carbon emissions (on scope 1 and scope 2 basis). This includes reducing the carbon footprint of its operations by only pursuing exploration and appraisal opportunities in areas with existing or plausible future access to renewable energy sources, incorporating greenhouse gas (GHG) emissions and the potential for future emission 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 achieve carbon neutrality for the remaining balance of its equity-based Scope 1 and Scope 2 CO_2e emissions.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

OPERATIONAL REVIEW

Production and field development

Valhall and Hod fields

The Valhall area has been in production since 1982 and consists of the Valhall and Hod fields in the southern part of the Norwegian sector of the North Sea. Since 2013, the Valhall area has received electrical power from onshore via Lista in Southern Norway, thereby keeping its emissions to the atmosphere very low during normal operations. Pandion Energy holds a 10 per cent interest in the Valhall area, which is operated by Aker BP.

Production from Valhall and Hod averaged 5,561 barrels of oil equivalent per day (boepd) net to Pandion in 2023, up from an average of 5,051 boepd in 2022. The production increased from last year despite downtime related to an unplanned shutdown of production caused by a leakage incident in the third quarter. The leakage, primarily comprising water and some oil, was collected in a storage tank, and there was no spillage in the sea. Following a thorough inspection, the necessary preventive measures were promptly implemented, and production resumed.

The work of modernising the Valhall area is well underway, and involves removing old platforms, plugging old wells, and investing in new wells and infrastructure. The current infrastructure on the Valhall and Hod fields comprises a field centre with three bridge-connected platforms. There are also five unmanned flank platforms (North, South, West, Hod A and Hod B).

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. The campaign has been successful and has significantly reduced the intervention backlog. It has also improved flexibility to handle and recover well instabilities going forward. Towards the end of the first quarter, the rig was moved to Hod to embark on the first phase of a campaign to permanently plug and abandon eight wells at the old Hod A platform. This work was completed in the third quarter.

The Noble Invincible rig completed the drilling of a new infill well on the North flank of Valhall in Q4. It also completed workovers of two other wells in the area. The rig was moved to Hod A to begin the second phase of the Hod A plugging and abandonment campaign.

The development of a new, centrally located production and wellhead platform (PWP), bridge link to the Valhall central complex progressed as planned during 2023. In December 2022, a revised plan for development and operations (PDO) for the PWP project was submitted to the MPE. This is a joint development with the Fenris field (formerly King Lear), which will be tied back to the PWP installation. The PDO was approved by the Storting (Norwegian Parliament) on 5 June and by the Ministry of Energy on 28 June. Engineering and procurement activities are on schedule, and fabrication has started at several locations both in Norway and abroad. Recoverable resources for Valhall PWP are estimated to be 70 mmboe gross. The development leverages Valhall's existing ultra-low-emission, onshore power supply and 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 with two subsea templates tied to the Gjøa semi-submersible production and processing unit. Pandion Energy holds a 10 per cent interest in the Nova field following its ONE-Dyas Norge acquisition in 2022. The field is operated by Wintershall Dea Norge AS. The resources from Nova are being extracted with minimal environmental impact, due to the use of existing infrastructure partially powered from onshore. The Nova field is a subsea 17 km tie-back to the existing Gjøa floating production unit, operated by Neptune and located approximately 45 kilometres west of Florø.

2023 was the first full year of production for the Nova field and production averaged 2,743 barrels of oil equivalent per day (boepd) net to Pandion.

A side-track drilling operation to improve the effect of one of the injector wells was successfully completed in the second quarter, leading to improved water injection and increased production. Production on Nova remains somewhat limited due to the reduced effectiveness of the water injectors. A rig has been secured to drill a fourth water injector well in the second half of 2024, which will further improve water injection efficiency in the field. The drilling of a new production well is currently being evaluated by the licensee. These efforts demonstrate the company's commitment to optimising the field's production and maximising its long-term value.

Appraisal activities
Appraisal drilling on the Ofelia discovery in PL 929 was completed in December by the operator Neptune Energy. The company holds a 20 per cent interest in the discovery. The successful appraisal well confirmed volumes within the expected range of recoverable resources. The estimated recoverable volume is in the range of 16–33 million barrels of oil equivalent (mmboe). In addition to the appraisal well for Ofelia, a side-track was drilled into the overlying Kyrre formation, resulting in a new gas discovery. Estimated recoverable resources are between 11–19 mmboe of gas, bringing the total recoverable volume from both discoveries to approximately 27–52 mmboe. Ofelia Agat and Ofelia Kyrre are located 23 kilometres north of the Gjøa platform and will be considered for development as tie-back to Gjøa. Given the proximity to Gjøa and the operator's development track record, this is potentially a fast track, cost-effective and low-carbon development.

The partners in PL 891 prepared for a second appraisal well for the Slagugle discovery, planned for drilling in the fourth quarter 2024. The operator has secured the Deepsea Yantai semi-submersible rig for the drilling operations. The company holds a 20 per cent interest in the discovery.

The partners in PL 938 conducted a technical and economic evaluation after the Calypso discovery made in November 2022. The partnership is evaluating options to develop the discovery utilising nearby infrastructure. The company holds a 20 per cent interest in the discovery.

In PL 263 (Sierra/Solberg) a minor gas discovery was made in 2020 and the partnership is assessing options to develop the discovery in conjunction with other discoveries and prospects within the licence boundary. Potential commercial development under review. The company holds a 49 per cent interest in the discovery.

Exploration activities
In January 2023, Pandion Energy AS was awarded two licences under the 2022 APA (awards in predefined areas) licensing round on the NCS. The areas awarded included one new licence, PL 1180 (30 per cent interest) and one licence with additional acreage to 1149 (30 per cent interest), which was already in the portfolio. Both licences are in the greater Gjøa area, one of the company's core areas and are well suited to fit with Pandion Energy's existing portfolio, including the Nova field and the Ofelia discovery.

In 2023, the PL 1119, operated by Equinor, secured the semi-submersible rig Deepsea Atlantic for drilling an exploration well on the Mistral South prospect. The company holds a 20 per cent interest in the licence. The well is planned for drilling in the third quarter 2024. A site survey and coral study were performed in 2023.

In August, the partners in PL 1109, operated by OMV sanctioned an exploration well for drilling the Horatio prospect. The company holds a 20 per cent interest in the licence. The drilling unit Transocean Norge has been secured, and the well is planned for early 2025.

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 flow 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 2023.

The company's financial statements have been 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 7 February 2022.

Statement of income
Revenues
In 2023, the company generated revenues from the sale of liquids and natural gas of USD 223.4 million (2022: USD 213.1 million). The increase in revenues mainly reflects the higher volumes sold, partially offset by lower oil and gas prices.

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

2023 was the first full year with production for both the Nova and Hod fields and average net production for Pandion Energy increased to 8,304 boepd, compared to an average of 5,697 boepd in 2022. Valhall and Hod net production to Pandion was 5,561 boepd, up from 5,051 boepd in 2022. Nova net production to Pandion was 2,743 boepd compared to 646 boepd in 2022.

The Nova field licence group is obligated to compensate the Gjøa licence group for deferred production due to the tie-in operations. The compensation will be paid in kind from the Nova group's own production. The compensation volume in 2023 was 583 boepd (2022: 406 boepd) net from Pandion Energy.

Average net sales for Pandion Energy amounted to 7,462 boepd (2022: 5,515 boepd). The net sales were lower than production due to the above-mentioned compensation volume as well as a change in over/underlift contributing with reduced sales of 259 boepd.

Before hedging, the average oil price achieved by Pandion Energy in 2023 for its net sales of oil was USD 85 (2022: USD 102) per boe. The average realised gas price was USD 78 (2022: USD 152) per boe. The combined average realised price for oil, gas and NGL during 2023 was USD 82 (2022: USD 106) per boe.

Expenses

Operating expenses, including inventory movements and change in value of deferral settlements on Nova, amounted to USD 41.2 million for 2023, compared to USD 47.4 million in 2022. The effect of lower electricity prices and lower well intervention activities on the Valhall and Hod fields was partially offset by additional activities on the Nova field.

The per-barrel production cost for the year amounted to USD 10 per boe (2022: USD 18 per boe). The reduction was mainly due to higher produced volumes together with lower electricity prices.

Depreciation, amortisation, and net impairment losses amounted to USD 61.9 (2022: 35.3) million. The change was mainly driven by a full year of depreciation of Nova and Hod fields together with revised reserve estimates. No impairments of oil and gas assets and related intangible assets or technical goodwill were recognised in 2023.

Exploration expenses in the income statement for 2023 amounted to USD 6.6 million (2022: USD 15.1 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 reduced exploration expenses for 2023 were mainly attributable to lower write-downs of previously capitalised exploration costs.

The company recorded net financial expenses of USD 27.6 million for 2023, compared to USD 26.8 million for 2022. Details are provided in Note 11. Net financial expenses mainly comprised interest expenses of USD 17.2 million (2022: USD 13.0 million), which is related to the company's unsecured bond and the reserve-based lending (RBL) facility, as well as accretion expenses of USD 7.1 million (2022: USD 7.5 million) related to asset retirement obligations. The increase in interest expenses in 2023 is mainly due to higher interest rates.

Results

The company generated an EBITDAX* of USD 182.7 million in 2023 (2022: USD 168.1 million). The increase in EBITDAX from 2022 is mainly a reflection of higher oil and gas sales volumes and lower operating expenses.

Although the company's EBITDAX increased in 2023 compared to the previous year, higher depreciation expenses offset the gains, resulting in a profit from operating activities of USD 114.2 million, compared to USD 117.7 million in 2022.

Pandion Energy recorded a profit before income tax of USD 86.6 million for 2023, compared to a profit before income tax of USD 90.9 million the year before. The income tax expense amounted to USD 88.0 million for the year, compared to USD 82.6 million in 2022. This resulted in a net loss of USD 1.4 million for 2023 (2022: net profit of USD 8.3 million). The main reasons for the effective tax rate above 78% are financial items only deductible in corporate tax and depreciation of the assets acquisition value with no deferred tax. Tax rules and tax calculations are described in notes 2 and 12 to the financial statements.

** For definitions of Alternative Performance Measures (APM), please refer to page 55.*

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Statement of financial position
The company's total assets as of 31 December 2023 amounted to USD 811.5 million (2022: USD 782.9 million).

Property, plant, and equipment amounted to USD 582.9 million (2022: USD 552.8 million), an increase of USD 28.8 million. This was mainly driven by investments in drilling and workovers on Flank North, the Sulphate Removal Unit project and the PWP project on the Valhall field, as well as the side-track water injection well drilled on the Nova field.

Intangible assets and goodwill amounted to USD 148.4 million as of 31 December 2023 (2022: USD 126.5 million). The increase from 2023 is largely explained by appraisal activities on PL 929 Ofelia.

Pandion Energy has a robust and diversified capital structure, made up of committed equity and a debt financing package.

The company's major shareholder is Kerogen Capital, an independent private equity fund manager, which has invested USD 109 million in equity into the company. Kerogen Capital has committed an additional USD 46 million in equity which can be drawn upon approval of the board of directors of the company. Further, the Pandion Energy team has invested around USD 5.9 million in equity into the company.

The debt financing package at the end of 2023 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 to USD 200 million and a tenor of seven years. The purpose of this process was to optimise the capital structure on the back of the acquisition of ONE-Dyas Norge AS. BNP Paribas, a lender in Pandion Energy's reserve-based lending ("RBL") facility announced in 2023 an energy transition strategy which included an exit path from oil production financing. BNP Paribas has now transferred their shares in Pandion Energy's RBL facility to Deutsche Bank, an incumbent lender, while also bringing aboard a new lender, SpareBank 1 SR-Bank. Total equity as of 31 December 2023 amounted to USD 142.0 million, down from USD 143.3 million a year earlier. The company's equity ratio as of 31 December 2023 was 17.5 per cent. The total share capital issued as of 31 December 2023 was USD 13.6 million.

The company's interest-bearing debt totalled USD 108.0 million as of 31 December 2023, down from USD 191.5 million a year earlier. The net debt was reduced by USD 92.7 million during the year down to USD 77.6 million at year end. The reduction in debt was facilitated by a strong free cash flow due to high revenues together with tax refunds for tax losses received during the fourth quarter of the year.

More details of debt financing are provided in Note 23.

Statement of cash flows
Net cash flow from operating activities in 2023 was USD 194.7 million, up from USD 153.7 million in 2022. This increase was primarily driven by settlement of the value of historical tax losses. The difference between cash flow and profit from operating activities mainly reflects the effect of depreciation as well as tax refunds received.

Investing activities in 2023 involved a net cash outflow of USD 102.0 million, compared to USD 220.0 million the year before. Investing activities in 2023 related to the further development of the Nova field and the Valhall and Hod area while the higher investments in 2022 was related to the acquisition of One-Dyas Norge AS.

Financing activities in 2023 involved a net cash outflow of USD 83.5 million (2022: net cash flow of USD 65.6 million). This figure comprises repayment of borrowings under the RBL facility.

Cash and cash equivalents increased by USD 9.2 million during 2023 to USD 30.4 million as of 31 December.

Subsequent events
In January 2024, Pandion Energy was awarded additional acreage for PL 1101 under the 2023 APA licensing round on the NCS.

ALLOCATION OF NET PROFIT/LOSS
Pandion Energy AS recorded a net loss of USD 1.4 million for the 2023 fiscal year. The board proposes to allocate the net loss to retained earnings.

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

RISKS AND RISK MANAGEMENT

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

Pandion Energy's board of directors works with the company to develop risk management strategies and processes that enable management to prevent potential incidents and to handle them efficiently when they do occur. The board is also responsible for overseeing the implementation of these strategies by ensuring that the framework for identification, control and monitoring of risk areas is in accordance 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 a 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 potential 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. The regulation of activities on the NCS provides a sound framework for handling these risks and, as a licence partner, the company takes an active and responsible approach. The 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 free of risk. There are also 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 be 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 and focuses 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 the enthusiasm of market players to invest in exploration and new developments, which, 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 2023, the hedging programme was based on put options.

Directors' report
Responsibility statement
Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
Notes to the financial statements
Auditor's report
Alternative performance measures

As of 31 December 2023, 39 per cent of after-tax (11 per cent of pre-tax) crude oil production volumes had been hedged for January to December 2024 at an average floor price of USD 54 per boe (USD 51.7 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 developments in the market for commodity derivatives.

Currency risk
Multi-currency cash flows in Pandion Energy create currency risks. 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 exploration finance facility (EFF) in 2022, the company's debt portfolio only comprises borrowings in USD.

The company's functional and presentation currency is 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 that influence costs are a mix of NOK and USD, in which NOK is the main currency. To reduce the risk associated with exposure to fluctuations in USD/NOK, the company has purchased forward contracts in which 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 exposure to interest-rate risk.

Liquidity risk
Pandion Energy's future capital requirements depend on multiple 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 month) and long-term forecasts to plan its liquidity. These forecasts are updated regularly for various scenarios, and form part of the decision-making 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 that 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.

As a result of the Russian invasion of Ukraine and the conflict in the Middle East, the board acknowledge that economic uncertainty due to geopolitical instability, despite no direct exposure to the regions or sanctions, may have an impact on the company's business and its markets in the future.

Climate-related risk
The response to climate change presents both opportunities and potential risks for the company.

The evolving response to climate change may impact market dynamics and investor behaviour which, in turn, may affect the business operations and financial performance of the company. It may also affect external risks related to regulatory and policy changes, either directly through costs and taxes or indirectly because of technological developments. The negative public perception of oil and gas companies may also have reputational effects.

In the long term, the company's assets may face potential exposure to physical climate risks. These include increased frequency and/or strength of extreme weather events that could disrupt operations or threaten the technical integrity of offshore installations. These risks are currently managed by adhering to design standards and regulatory requirements.

Pandion Energy is committed to maintaining a low-carbon impact within the industry and remaining carbon neutral for Scopes 1 and scope 2 carbon emissions. The company's net zero carbon strategy involves evaluating new growth opportunities based on GHG considerations and climate risk to sustain a resilient asset portfolio. While the company mitigating measures aim to limit exposure, the transition risk remains, with a potential impact on the financial performance of the company. To illustrate the potential impact on financial performance, the company has conducted sensitivity analyses in some areas. 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 and operations can have a profound impact on the environment and on communities. The workforce may also be exposed to safety risks. Taking account of HSE issues is therefore of key importance and a prerequisite for the company.

The board of directors has adopted an HSE policy that applies to 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 that aim to minimise environmental impact.

The company has established a comprehensive HSE management system. This system calls for competent employees and contractors to deliver compliant operations through rigorous standards of planning and execution. It also provides a framework 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 HSE risk management is about embedding HSE practices into the company's organisational culture and operating procedures.

The board has established an Environmental, Social and Governance (ESG) committee. The role of the ESG committee is to proactively identify and address ESG risks and opportunities, including community impacts, climate change and environmental effects. These issues are incorporated into the company's risk management activities at appropriate levels. The ESG committee also ensures that the company's policies and practices align with its values, purposes, and culture, and for integrating climate change and other sustainability issues into the company's strategy and business plan.

Pandion Energy has no operated assets in its portfolio. As a licensee, it collaborates closely with the operators of its assets to identify, control and monitor risks. It proactively and constructively challenges the HSE policies, procedures, and activities of the operators.

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

During the reporting period, no major incidents or environmental claims were reported that involved any of the operating assets in which Pandion Energy participated. Also, the company did not experience any injuries.

In 2020, Pandion Energy was one of the first Exploration & Production (E&P) companies to achieve carbon neutrality for Scope 1 and Scope 2 emissions, as outlined in the GHG Protocol. The company initiated its net zero carbon strategy in 2021.

All of Pandion Energy's production assets are powered by onshore electricity, leading to some of the industry's lowest production carbon intensities. In 2023, the total CO_2e intensity was 1.5 kilograms of CO_2e per barrel of oil equivalent (boe) produced. All the company's exploration and appraisal licences, with offshore activities conducted in 2023 or planned in 2024, meet the criteria established in the company's net zero carbon strategy, as they are in regions with current or plausible future access to renewable energy sources. The company's equity-based Scope 1 and Scope 2 GHG emissions from activities in 2023 are documented in the sustainability section of the combined annual report.

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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 the company's corporate governance framework is to regulate the division of roles between shareholders, the board and executive management.

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), which adheres to the rules set 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 strive to provide investors with the necessary information needed to assess the company's fair value and understand the associated risks.

In 2022 and 2023, the company specifically focused on fulfilling its obligations under the recently enacted Norwegian Transparency Act, effective from July 2022. Pandion Energy has performed a strategic level due diligence, identified measures to mitigate risks, as well as areas that require further evaluation. The first annual account of the company's due diligence process in relation to the reporting obligations of the Transparency Act was published in June 2023. An updated account will be made available on the company's website by 30 June 2024.

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 0.8 million in research and development in 2023 (2022: USD 1.4 million).

In addition to contributions to general and specific R&D activities undertaken by the operators of the fields in which the company has a vested 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. Pandion Energy interprets the Act and the regulation to mean that only payments made directly by the company to governments are to be reported.

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

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.

ORGANISATION

As of 31 December 2023, the company had 25 employees.

The working environment at Pandion Energy is considered good. Sickness absence in 2023 was 2.1 per cent, compared to 1.8 per cent the year before. However, since Pandion Energy has relatively few employees, sickness absence by just one or two people could significantly affect the overall percentage.

Pandion Energy aims to reduce sickness by constantly improving working conditions. The company also 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.

As of 31 December 2023, 36 per cent of employees were female, the same as the previous year. Women made up 50 per cent of the management team, while one in six directors is female.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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 of conduct 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 that is consistent with the principles of the code. The code of conduct is available on the company's website at www.pandionenergy.no.

OUTLOOK

Pandion Energy has a robust capital structure and is fully financed and ready to meet its commitments and pursue future growth opportunities. The company's strong balance sheet allows for merger and acquisition activities in the future.

Operationally, delivering on production targets and driving value creation on the Nova, Valhall and Hod fields continues to be a major priority for Pandion Energy and the board. An important part of this is the joint development of Valhall and Fenris, in which engineering, and procurement activities are on schedule and fabrication has started at several locations both in Norway and abroad. The company will proceed with the maturing of the discoveries on Slagugle, Ofelia, Calypso and Sierra/Solberg.

The company remains committed to its strategy of being an active and responsible partner on the NCS. As part of this, the company is actively searching for and evaluating new investment opportunities (through acquisitions, farm-ins, licensing rounds and swaps, etc.) and to divesting assets to realise the value of its existing portfolio (through sale, farm-downs and swaps, etc.), and/or to seek business combinations that may lead to further profitable growth.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Oslo, Norway, 25 April 2024

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

Directors' report &
financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Responsibility statement

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2023 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, 25 April 2024

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
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Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Statement of income

Statement of income

(USD` 000)	Note	2023	2022
Revenues		223,385	213,137
Other income		550	2,368
Total revenues and income	4	**223,935**	**215,505**
Operating expenses	5, 9	(41,246)	(47,430)
Depreciation, amortisation and net impairment losses	6, 7, 8	(61,863)	(35,275)
Exploration expenses	5, 9	(6,629)	(15,111)
Total expenses		**(109,739)**	**(97,816)**
Profit from operating activities		**114,195**	**117,689**
Interest income		2,002	381
Interest expenses		(18,996)	(16,018)
Other financial expenses		(10,556)	(11,198)
Net financial items	11	**(27,550)**	**(26,836)**
Profit before income tax		**86,645**	**90,854**
Income tax	12	(88,009)	(82,588)
Net profit (loss)		**(1,364)**	**8,266**

Statement of comprehensive income

(USD` 000)	Note	2023	2022
Net profit (loss)		(1,364)	8,266
Items that may be subsequently reclassified to the Statement of income			
Net gain (loss) arising from hedges recognised in OCI	13	-	14,126
Net amount reclassified to profit and loss	13	-	(11,728)
Tax on items recognised over OCI	12, 13	-	(527)
Other comprehensive income		**-**	**1,871**
Total comprehensive income (loss)		**(1,364)**	**10,137**

Directors’ report & financial statements

Directors’ report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor’s report

Alternative performance measures

Statement of financial position

Assets

(USD` 000)	Note	2023	2022
Goodwill	7	63,138	63,138
Intangible assets	7	85,230	63,339
Property, plant and equipment	6	582,886	552,770
Prepayments and financial receivables		119	122
Right-of-use assets	16	775	982
Total non-current assets		**732,147**	**680,351**
Inventories		7,,881	9,914
Trade and other receivables	18	39,528	19,005
Financial assets at fair value through profit or loss	19	1,507	951
Tax receivable	12	-	51,433
Cash and cash equivalents	20	30,428	21,197
Total current assets		**79,344**	**102,499**
Total assets		**811,491**	**782,850**

Equity and liabilities

(USD` 000)	Note	2023	2022
Share capital		13,591	13,591
Other paid-in capital		100,640	100,640
Other equity		27,737	29,104
Total equity	21	**141,967**	**143,334**
Deferred tax liability	12	293,203	225,903
Long-term asset retirement obligations	22	175,161	154,751
Borrowings	23	106,619	188,324
Long-term lease debt	16	530	729
Long-term provision		2,189	3,512
Total non-current liabilities		**577,702**	**573,218**
Short-term asset retirement obligations	22	22,669	7,840
Trade, other payables and provisions	24	47,415	57,477
Tax payable	12	21,189	-
Financial liabilities at fair value through profit or loss	19	363	786
Short-term lease debt	16	185	197
Total current liabilities		**91,822**	**66,300**
Total liabilities		**669,524**	**639,518**
Total equity and liabilities		**811,491**	**782,850**

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Oslo, Norway, 25 April 2024

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
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Directors' report &
financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Statement of cash flows

(USD`000)	Note	2023	2022
Profit before income tax		86,645	90,854
Depreciation, amortisation and net impairment losses	6	61,863	35,275
Expensed capitalised exploration expenses	7	2,463	3,472
Accretion of asset removal liability	11, 22	7,111	7,484
(Increase) decrease in value of financial assets		(414)	(15,534)
Net financial expenses	11	20,439	19,352
Interest and fees paid		(16,102)	(19,583)
(Increase) decrease in working capital		(14,837)	5,828
Net income tax received		47,554	26,553
Net cash flow from operating activities		**194,723**	**153,701**

(USD`000)	Note	2023	2022
Payment for removal and decommissioning of oil fields	22	(17,421)	(7,284)
Investments in furniture, fixtures and office machines	6	(138)	(87)
Investments in oil and gas assets	6	(60,078)	(66,469)
Investments in exploration and evaluation assets	7	(24,355)	(36,155)
Acquisition of oil and gas assets		-	(109,956)
Net cash flow from investing activities		**(101,992)**	**(219,951)**
Proceeds from borrowings		-	241,080
Repayments of borrowings		(83,500)	(175,472)
Net cash flow from financing activities		**(83,500)**	**65,608**
Net change in cash and cash equivalents		**9,231**	**(642)**
Cash and cash equivalents - beginning of period		21,197	21,839
Cash and cash equivalents - end of period		30,428	21,197

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Notes to the financial statements

NOTE 1 ORGANISATION

Pandion Energy AS ("Pandion Energy" or "the company") was established in November 2016 based on 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.

The company's financial statements for the period ending 31 December 2023 were authorised for issue in accordance with a resolution of the board of directors on 25 April 2024.

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 the simplified application of the IFRS issued by the Norwegian Ministry of Finance on 7 February 2022.

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. 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. 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 2023 financial year compared to those followed in the financial statements for 2022.

Certain new accounting standards and interpretations that have been published but are not mandatory for the reporting period ending 31 December 2023 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.

Foreign currency translation

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. Monetary balance sheet items are translated into USD according to the exchange rates prevailing on the balance sheet date, while profit or loss items are translated according to exchange rates on the transaction date. Non-monetary balance sheet items that are measured at historical cost are translated using the exchange rate on the transaction date. Equity transactions are also translated at the exchange rate on the transaction date.

Revenue recognition

Revenue from the sale of oil and gas is recognised upon delivery of products and customer acceptance, which normally is when title passes at point of delivery (sales method). This is usually at the time of loading oil or NGL on vessels used for transport, or at the agreed point of delivery for dry gas.

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. Where Pandion Energy has lifted and sold more than its ownership interest, an accrual is recognised for the cost of the overlift. Where Pandion Energy

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

has lifted and sold less than its ownership interest, costs are deferred for the underlift. Under- and overlift are valued at production cost including depreciation and are presented as an adjustment to cost.

Income tax
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.

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. Tax value of losses in the special tax base (71.8%) is refunded in connection with the tax assessment the following year.

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 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 the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

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 activities 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 group 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 comprises inputs and substantive processes applied to these inputs that have the ability to create outputs. Amendments to IFRS 3 effective 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.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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, as well as 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 will be capitalised. Inspection and overhaul costs associated with regularly scheduled major maintenance programmes planned and carried out at recurring intervals exceeding one year will be capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs will be 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 during 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.

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 the 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.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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.

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 that involves 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 the 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 such 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 in the licence for future drilling.

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 will only be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such cases the carrying amount of the asset will be increased to its recoverable amount. The 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 will not be 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

Pandion Energy uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and commodity prices. Such derivative financial instruments are initially recognised 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 commodity-based derivative financial instruments is recognised in the income statement as other income. The impact of derivative financial instruments is reflected under net financial items.

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.

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

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

well as contingency disclosures. The 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 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.

Proven and probable oil and gas reserves
Proven and probable oil and gas reserves have been estimated based on industry standards. The estimates are based on internal information and information received from the operators. Proven and probable oil and gas reserves comprise 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, with the exception of 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 based on 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 (ARO)
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 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 the 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.

Climate effects on estimation uncertainty
The effects of the initiatives to limit climate changes and the potential impact of the energy transition are relevant to some of the economic assumptions in our estimations of future cash flows. The results of the development of such initiatives, 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 in the future 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

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

over time, which could result in different outcomes from the current projected scenarios. This could lead to significant changes to accounting estimates, such as economic useful life (affects depreciation period and timing of asset retirement obligations), value-in-use calculations (affects impairment assessments) and measurement of deferred tax assets.

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 2023, the hedging programme was based on put options.

At 31 December 2023, 39 per cent of after-tax (11 per cent of pre-tax) crude oil production volumes had been hedged for January–December 2024 at an average floor price of USD 54 per boe (USD 51.7 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 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. The company will therefore preferably raise funding in USD. After the refinancing of the senior unsecured bond and repayment of the exploration finance facility (EFF) in 2022, the company's debt portfolio only comprises 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 that 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 in which 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-month) 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 2023, 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. 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 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.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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. The assessment of physical climate-related risks as less material is informed by the expectation that such risks will intensify over a longer term. Future production in the long-term view (beyond 2035) is planned to involve the Valhall and Hod fields and production from discoveries in the current portfolio. The latter is likely to involve newer infrastructure designed to withstand evolving weather conditions, incorporating updated data and structural design limits. While modernisation of the Valhall field is also underway, aiming to mitigate these risks and extend its operational lifespan.

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 (on scope 1 and scope 2 basis). Pandion Energy's strategy for 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 performance may be significantly impacted by the transition risk. To illustrate the potential impact on financial performance, the company has included sensitivity analyses in the following areas:
- Impairment (Note 8): Impairment sensitivity on oil and gas prices in selected IEA scenarios
- Asset retirement obligations (Note 22): The impact on book value of asset retirement obligation if cease of production were accelerated by 10 years on fields with an estimated lifetime after 2040.

As part of the transition to a lower-carbon economy it is possible that the environmental taxes (EUA price and/or Norwegian CO_2 tax) can increase faster and rise higher than what its anticipated. Due to the company's low carbon intensity the NPV of future carbon costs is limited and Pandion Energy's' carbon price assumptions significantly exceed prices assumed under the IEA's scenarios. The company's sensitivity to carbon prices is further described in the sustainability section of the annual report.

There is significant uncertainty in climate change policies and initiatives, and the degree to which Pandion Energy's operations will be affected by them. Estimating global energy demand and commodity prices towards 2050 is a challenging task, as it 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 result 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:

(USD '000)	**2023**	**2022**
Oil	197,795	171,036
Gas	21,259	37,098
NGL	4,330	5,004
Total revenues	**223,385**	**213,137**

(USD '000)	**2023**	**2022**
Realised gain/(loss) on oil derivaties	(1,016)	(853)
Unrealised gain/(loss) on oil derivates	423	(318)
Other*	1,143	3,539
Total other income	**550**	**2,368**

** "Other" mainly comprises a change in the estimate of contingent considerations.*

Directors' report
Responsibility statement
Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
Notes to the financial statements
Auditor's report
Alternative performance measures

NOTE 5 OPERATING AND EXPLORATION EXPENSES

(USD '000)	**2023**	**2022**
Production costs	30,716	37,402
Tariff and transportation costs	10,593	9,201
Other costs	5,111	4,026
Operating expenses based on produced volumes	**46,421**	**50,628**
Adjustment for over/underlift (-)	586	65
Change in value of deferral settlements	(5,760)	(3,264)
Operating expenses based on sold volumes	**41,246**	**47,430**
Total produced volumes (boe '000)	3,031	2,080
Production costs per boe produced (USD/boe)	10	18
Operating expenses per boe produced (USD/boe)	15	24

(USD '000)	**2023**	**2022**
Expensed costs, seismic and studies	140	2,729
Expensed costs, general and administrative	4,026	8,909
Expensed exploration expenditures previously capitalised	2,463	3,472
Total exploration expenses	**6,629**	**15,111**

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

(USD '000)	**Oil and gas assets**	**Tools and equip-ment***	**Total**
Cost at 01 January 2022	523,774	228	524,002
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
Cost at 31 December 2022	683,257	315	683,573
Accumulated depreciation and impairments at 01 January 2022	(95,303)	(173)	(95,476)
Depreciation	(35,275)	(52)	(35,327)
Accumulated depreciation and impairments 31 January 2022	(130,578)	(225)	(130,803)
Carrying amount at 31 December 2022	**552,680**	**91**	**552,770**
Cost at 01 January 2023	683,257	315	683,573
Additions	46,363	138	46,501
Asset removal obligation - New or increased provisions	2,618	-	2,618
Asset removal obligation - change of estimate	42,932	-	42,932
Cost at 31 December 2023	775,171	453	775,624
Accumulated depreciation and impairments 01 January 2023	(130,578)	(225)	(130,803)
Depreciation	(61,863)	(73)	(61,936)
Accumulated depreciation and impairments 31 December 2023	(192,441)	(298)	(192,739)
Carrying amount at 31 December 2023	**582 731**	**155**	**582,886**
		UoP	3-10

**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 (UoP).

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

(Note 6 continued)

Pandion Energy completed the acquisition of ONE-Dyas Norge AS on 30 June 2022. The transaction included a 10 per cent interest in the Nova field. The transaction was recognised as an asset acquisition under IAS 16 "Property, Plant and Equipment". In accordance with the 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

(USD '000)	**Technical goodwill**	**Exploration and evaluation assets**	**Total**
Cost at 01 January 2022	124,785	90,760	215,545
Capitalised licence costs	-	36,155	36,155
Transfers to tangible assets	-	(12,277)	(12,277)
Cost at 31 December 2022	124,785	114,638	239,423
Accumulated depreciation and impairments at 01 January 2022	(61,647)	(47,828)	(109,474)
Expensed exploration expenditures previously capitalised	-	(3,472	(3,472)
Accumulated depreciation and impairments 31 December 2022	(61,647)	(51,300)	(112,947)
Carrying amount at 31 December 2022	**63,138**	**63,339**	**126,477**
Cost at 01 January 2023	124,785	114,638	239,423
Capitalised licence costs	-	24,355	24,355
Cost at 31 December 2023	124,785	138,993	263,778
Accumulated depreciation and impairments 01 January 2023	(61,647)	(51,300)	(112,947)
Expensed exploration expenditures previously capitalised	-	(2,463)	(2,463)
Accumulated depreciation and impairments 31 December 2023	(61,647)	(53,763)	(115,410)
Carrying amount at 31 December 2023	**63,138**	**85,230**	**148,368**

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

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

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 8 IMPAIRMENT

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 2023:
- 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. The carrying value of the Valhall and Hod fields comprises the carrying values of the oil and gas 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 is required at 31 December 2023, Pandion Energy has used a combination of Brent forward curve from the beginning of 2024 to the end of 2025, a mean of market participant view from 2026 to 2029, and 70 USD per boe in real terms from 2030 and onwards. An inflation rate of 2 per cent per annum and a discount rate of 9 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 2023.

Below is an overview of the key assumptions applied for impairment testing purposes as at 31 December 2023.

	2024	2025	2026	2027	2028	2029	From 2030
Brent oil price, USD/boe, in real 2023 terms	75	70	68	68	71	71	70
Currency rates, USD/NOK	10.1	10.1	9.9	9.6	9.4	9.2	9.0

The table below shows how the impairment of the Nova and the Valhall and Hod fields including goodwill would be affected by changes in the various assumptions, given that the remaining assumptions are constant:

(USD '000)	Change	Impairment
Commodity prices forward period (2024-2025) reduced by	10%	4,674
Commodity prices long term (from 2026) reduced by	10%	29,739
Production profile (reserves) reduced by	5%	16,926
Discount rate increased by	1%	8,509
Inflation reduced by	1%	9,883
Currency rate, USD/NOK reduced by	1 NOK/USD	11,890

Climate-related risk

As described in Note 3 on climate-related risk, sensitivity analyses have been performed on 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 the IEA's dataset for World Energy Outlook 2023. Prices are adjusted for inflation and presented in real 2023 terms. When preparing these illustrative scenarios, we have linearly interpolated between current prices and the prices disclosed in the table below for the different scenarios (next page):

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Brent oil price, USD/boe, in real 2023 terms	Management assumptions	NZE 2050	APS	STEPS
2024	75	75	75	75
2030	70	44	78	86
2040	70	32	70	85
2050	70	26	63	84

Gas price, USD/mcf, in real 2023 terms	Management assumptions	NZE 2050	APS	STEPS
2024	12	12	12	12
2030	8	5	7	8
2040	8	5	7	8
2050	8	4	6	8

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	APS	STEPS
Technical goodwill	62	-	-
Valhall and Hod assets	28	-	-
Nova asset	18	-	-

NOTE 9 PAYROLL EXPENSES AND REMUNERATION

(USD '000)	2023	2022
Salaries & bonuses	6,926	12,469
Employer's National Insurance Contributions (NICs)	809	1,448
Pension expenses	490	571
Other remuneration	161	248
Total payroll expenses	**8,386**	**14,735**

The company had an average of 25 employees in 2023, the same as in 2022. The number of employees at year-end was 25, the same as at the close of 2022.

The decrease in salaries in 2023 is mainly attributable to one-off costs in 2022 related to employee settlement agreements for former employees of Pandion Energy Norge AS (former ONE-Dyas Norge AS). Salaries include bonuses in addition to base salary and holiday pay.

If certain objectives are met, the employees will 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.

As part of the company's bonus scheme, employees may receive phantom shares that 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 recalculated 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).

In addition, the management team and key employees are part of a long-term incentive plan that offers rewards should an exit event occur in the company. 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 the 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 remaining employed when the hypothetical exit event takes place. 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 the Act. Contributions are paid according to pension insurance plans. 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 obligation. The contribution is recognised as a payroll expense. Prepaid contributions are reflected as an asset (pension fund) to the degree that the contribution can be refunded or will reduce future payments.

Directors' report
Responsibility statement
Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows
Notes to the financial statements
Auditor's report
Alternative performance measures

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

(USD '000)	**2023**	**2022**
Salaries	319	328
Bonuses	117	108
Pension expenses	19	20
Other remuneration	4	4

Like other company employees, the CEO is part of a bonus scheme and receives annual benefits ranging from 0-50 per cent of base salary, depending on certain performance-related criteria. In addition, the CEO is part of 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 2023 and USD 50,000 in 2022.

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 0.73 per cent and 0.55 per cent, respectively, of the shares in Pandion Energy AS.

NOTE 10 AUDITOR'S REMUNERATION

(USD '000)	**2023**	**2022**
Audit fees	99	91
Other attestation services	-	12
Tax services	-	6
Other services	20	61
Total remuneration to auditor	**118**	**170**

NOTE 11 FINANCIAL ITEMS

(USD '000)	**2023**	**2022**
Interest income	2,002	381
Total interest income	**2,002**	**381**
Interest expenses	(17,242)	(12,979)
Interest on lease debt	(80)	(216)
Capitalised interest cost, development projects	121	116
Amortised loan costs	(1,795)	(2,938)
Total interest expenses	**(18,996)**	**(16,018)**
Net foreign exchange losses	(4,467)	(1,989)
Foreign exchange gains/losses on derivative financial instruments	1 143	(954)
Accretion expenses	(7,111)	(7,484)
Other financial expenses	(121)	(771)
Total other financial expenses	**(10,556)**	**(11,198)**
Net financial items	**(27,550)**	**(26,836)**

The increase in interest expenses in 2023 is attributable to increased interest rates.

The company has entered into derivative contracts during the financial year. Most of the contracts are over-the-counter (OTC) transactions. OTC transactions comprises (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.

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 in which the underlying transaction is to sell USD and buy NOK.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 12 TAXES

(USD '000)	**2023**	**2022**
Tax receivable from current year tax losses and uplift	-	(2,405)
Tax receivable from prior year tax losses and uplift	-	(15,806)
Tax payables	20,730	-
Change deferred tax balance sheet	67,263	101,472
Change deferred tax from acquisition recorded directly to balance sheet or OCI	-	(527)
Adjustments related to prior periods	17	(146)
Income tax	**88,009**	**82,588**

Reconciliation of statutory tax rate to effective tax rate:

(USD '000)	**2023**	**2022**
Profit before income tax	86,645	90,854
Calculated income taxes at:		
Corporate tax rate 22%	19,062	19,988
Special petroleum tax rate 71.8%*	48,525	50,882
Tax effect of permant differences	(2,280)	(3,024)
Tax effect of financial and other Items allocated onshore	13,829	16,300
Tax effect of change in temporary differences with no deferred tax	11,280	(2,599)
Tax effect of uplift	(1,232)	(6,021)
Tax effect of adjustments prior period	17	412
Tax effect of deferred tax assets not recognised	39	81
Tax effect of currency translation differences	(1,230)	6,569
Income tax	**88,009**	**82,588**
Effective tax rate	101.6%	90.9%

**Norwegian petroleum income is taxable at a tax rate of 71.8 per cent after a deduction of 22 per cent corporate tax in the basis for special petroleum tax [56% / (1-22%)].*

The tax calculation is based on the petroleum tax system enacted in June 2022, with effect from 1 January 2022. The combined tax rate of corporate tax and special petroleum tax (SPT) remained unchanged at 78 per cent, but 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, replacing the rules on depreciation and uplift. The tax value of new losses (both exploration losses and other losses) in the special tax base is refunded in connection with the tax assessment the year following incurrence. The temporary 2020 rules have been retained for qualified future investments with immediate deductions plus a 12.4 per cent uplift for special tax. In connection with the transition to the new tax regime, the tax value of historical losses and utilised uplift was settled in 2023 as part of the tax assessment for 2022.

The difference in the effective tax rate in 2023 compared to the total statutory tax rate of 78 per cent is mainly related to financial items that are only deductible in corporate tax and depreciation of the asset acquisition value with no deferred tax.

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

(USD '000)	**2023**	**2022**
Deferred tax assets on		
Losses and uplift carried forward	830	3,211
Loss carry forward not recognised	(455)	(416)
Asset retirement obligations	154,316	126,827
Other items	2,652	7,011
Total deferred tax assets	157,343	136,633
Deferred tax liabilities on		
Property, plant and equipment	(447,882)	(358,939)
Capitalised exploration expenditures and capitalised interest	(2,505)	(2,411)
Other items	(160)	(1,186)
Total deferred tax liabilities	(450,547)	(362,536)
Net deferred tax liabilities in balance sheet	**(293,203)**	**(225,903)**

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Change in net deferred tax liabilities during the year

(USD '000)	**2023**	**2022**
Net deferred tax liability at 1 January	(225,903)	(124,431)
Charged to the statement of income	(67,300)	(100,945)
Charged to OCI	-	(527)
Net deferred tax liability at 31 December	**(293,203)**	**(225,903)**

Reconciliation of tax receivables

(USD '000)	**2023**	**2022**
Tax receivables at 1 January	51,433	28,501
Net refund from Norwegian tax administration for prior year tax refund	(51,433)	(28,501)
Tax receivable (payable) from current year tax losses (profits)	(21,103)	2,405
Tax receivable from acquisition	-	33,222
Tax receivable from prior year tax losses and uplift	(86)	15,806
Tax receivable (payable) at 31 December	**(21,189)**	**51,433**

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. Cross-Currency Swaps (CCS) instruments were therefore unwound as at 30 June 2022. The accumulated effect recognised through OCI was reclassified to the income statement. The Interest Rate Swaps (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 (CCS) and (IRS). Ultimately, the effect of the hedge was to transform the NOK floating borrowing interest into an interest expense in Pandion Energy's functional currency (USD) at a fixed rate.

NOTE 14 ASSET ACQUISITIONS AND DISPOSALS

Acquisition of licences

The company did not acquire any licences in 2023.

Acquired in 2022:

Licence	*Interest aquired*
PL 263 D/E/F/G	29%
PL 378	12.2%
PL 418 / PL 418 B	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 interest in the Nova field, operated by Wintershall Dea, and a total of nine 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.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Disposals and relinquishment of licences

Relinquishments and withdrawals from licences in 2023:

Licence	*Interest disposed*
PL 1139	20%
PL 976	10%
PL1117	20%

In 2023, the relinquishment of PL976 and PL 1117 was recognised following a decision to relinquish these licences. In addition, Pandion Energy surrendered its interest in PL 1139 to the operator and withdrew from the licence due to a negative majority in the decision to drill the Freke well.

Disposals in 2022:

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

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

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. The actual relinquishment of licences took place in 2023.

NOTE 15 INTERESTS IN LICENCES

Interests in licences on the Norwegian Continental Shelf:

Licence source	Licence portfolio	Jan 24	Dec 23	Jan 23
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%	7.5%
Acquisitions/ APA 2020/ APA 2021	PL 263 D/E/F/G (Appolonia)	49%	49%	49%
Acquisitions	PL 938 (Calypso)	20%	20%	20%
Acquisitions	PL 378	12.12%	12.12%	12.12%
Acquisitions	PL 418 / PL 418 B Nova field	10%	10%	10%
Acquisitions	PL 976	10%	10%	10%
Acquisitions	PL 1094	0%	0%	40%
Acquisitions / APA 2023	PL 1101 / PL 1101 B	20%	20%	20%
Acquisitions	PL 1103	0%	0%	20%
Acquisitions	PL 1109	20%	20%	20%
Acquisitions	PL 1117	20%	20%	20%
Acquisitions / APA 2022	PL 1149 / PL 1149 B	30%	30%	30%
Acquisitions	PL 1151	20%	20%	20%
APA 2017	PL 929 (Ofelia / Kyrre)	20%	20%	20%
APA 2018	PL 985	20%	20%	20%
APA 2020	PL 1108	30%	30%	30%
APA 2020	PL 1119	20%	20%	20%
APA 2021	PL 1139	0%	0%	20%
APA 2021	PL 1166	0%	0%	30%
APA 2022	PL 1180	30%	30%	30%

In January 2023, the company was awarded two licences in the Norwegian APA (Award in Pre-defined Areas) 2022 round. In January 2024, Pandion Energy AS was awarded licence PL 1101 B in the 2023 APA licensing round on the NCS. PL 1101 B is an additional acreage to PL 1101 located in the northern North Sea. Pandion Energy holds a 20 per cent interest in the licence.

The company holds a total of 19 licences following the APA 2023 awards.

Directors' report & financial statements

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 16 LEASES

Pandion Energy has recognised a lease related to its office premises as a lease under IFRS 16. The original contract ran from 2018 and was renewed in January 2024 until 20 January 2029. 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 exercising of such options to be reasonably certain. The incremental borrowing rate applied to 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)	
Total lease debt after IFRS 16 at 1 January 2022	504
Remeasurement of lease liability	655
Lease payments	(296)
Interest expense	216
Currency adjustments	(154)
Total lease debt after IFRS 16 at 31 December 2022	**926**
Remeasurement of lease liability	47
Lease payments	(279)
Interest expense	80
Currency adjustments	(58)
Total lease debt after IFRS 16 at 31 December 2023	**715**

(USD '000)	**2023**	**2022**
Within 1 year	307	285
1 to 5 years	615	855
After 5 years	-	-
Total nominal lease debt	**922**	**1,140**

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 in which 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 2023.

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 rigs 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 use 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 Invincible on the Valhall and Hod fields. Noble Invincible has supported drilling of a new infill well on the North Flank of Valhall. It also completed workovers of two other wells in the area. The rig was moved to Hod A to begin the second phase of the Hod A plugging and abandonment campaign. In addition to Noble Invincible, rig agreements have been entered into by the operators on behalf of partners in PL 891 to be used for appraisal drilling of the Slagugle discovery, PL 1119 and PL 1109 to be used for drilling of the Mistal and Horatio exploration wells, and by the operator on the Nova field to be used in an infill drilling operation in 2024.

(USD '000)	**2023**	**2022**
Within 1 year	42,020	33,093
1 to 5 years	10,578	11,859
After 5 years	1,081	3,265
Total commitments	**53,679**	**48,217**

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 18 TRADE AND OTHER RECEIVABLES

(USD '000)	**2023**	**2022**
Trade receivables	13,536	7,939
Accrued income from sale of petroleum products	9,387	-
Value deferral profiles	4,463	-
Other receivables, mainly balances with licence operators	12,141	11,066
Total trade and other receivables	**39,528**	**19,005**

Trade receivables are recognised in the statement of financial position at nominal value with no provision for credit losses as historically there have been no significant credit losses. The company's customers are mainly large, financially sound oil companies. Trade receivables consist of receivables related to the sale of oil and gas. Accrued income from sale of petroleum products comprises lifted oil production that was not due for invoicing at the reporting date. The value of deferral profiles comprises the net present value of compensation volumes to be redelivered to Nova from Gjøa and Vega partners.

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

(USD '000)	**Oil derivatives**	**Currency futures**
Financial assets (liabilities) at 1 January 2022	(468)	222
New contracts at cost	-	-
Expired contracts at cost	(718)	-
Value increase	399	729
Financial assets (liabilities) at 31 December 2022	**(786)**	**951**
New contracts at cost	-	-
Expired contracts at cost	(1,016)	-
Value increase	1,439	556
Financial assets (liabilities) at 31 December 2023	**(363)**	**1,507**

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 2023, Pandion Energy put in place a hedging programme until 31 December 2024. The outstanding hedges at year-end comprised put options. The negative fair value of the options at 31 December 2023 is due to the options being purchased with a deferred premium.

NOTE 20 RESTRICTED BANK DEPOSITS

(USD '000)	**2023**	**2022**
Withheld employee taxes	323	524

NOTE 21 EQUITY AND SHAREHOLDERS

(USD '000)	**Share capital**	**Other paid in capital**	**Other reserves**	**Retained earnings**	**Total equity**
Shareholders' equity as of 1 January 2021	11,110	103,120	(1,871)	20,837	133,196
Share issue	2,481	(2,481)	-	-	-
Net income for the period	-	-	-	8,266	8,266
Other comprehensive income (loss) for the period	-	-	1,871	-	1,871
Shareholders' equity as of 31 December 2022	**13,591**	**100,640**	**-**	**29,103**	**143,333**
Net income for the period	-	-	-	(1,364)	(1,364)
Shareholders' equity as of 31 Desember 2023	**13,591**	**100,640**	**-**	**27,739**	**141,967**

Share capital of NOK 918,578,319.45 comprises 911,921,294 shares at a nominal value of NOK 0.01 per share.

Pandion Energy Holding AS owned all 911,921,294 shares in Pandion Energy AS at 31 December 2023. 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, are available at the company's registered address: Lilleakerveien 8, 0283 Oslo, Norway.

The company's major shareholder is Kerogen Capital, an independent private equity fund manager, which has invested USD 109 million in equity into the company. Kerogen Capital has committed an additional USD 46 million in equity which can be drawn upon approval of the board of directors of the company. Further, the Pandion Energy team has invested around USD 5.9 million in equity into the company.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 22 ASSET RETIREMENT OBLIGATIONS

(USD '000)	
Asset retirement obligations at 1 January 2022	191,461
New provision through asset acquisition*	9,427
New or increased provisions	4,524
Asset removal obligation - change of estimate	(6,138)
Incurred removal cost	(7,284)
Effects of change in the discount rate	(36,882)
Accretion expenses	7,483
Asset retirement obligations at 31 December 2022	**162,591**
New or increased provisions	2,618
Asset removal obligation - change of estimate	42,932
Incurred removal cost	(17,421)
Accretion expenses	7,111
Asset retirement obligations at 31 December 2023	**197,831**

Non-current portion at 31 December 2023	175,161
Current portion at 31 December 2023	22,669

**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 2022: 5.0 per cent). The nominal discount rate is composed of a risk-free rate and a credit margin. The increase in estimated ARO is mainly due to change in the estimated number of rig days and expenses related to P&A activities.

Climate-related risk

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 2023, 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, and an impairment of Valhall and Hod fields including goodwill of USD 29 million.

NOTE 23 BORROWINGS

(USD '000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 31 December 2023	USD	33,000	167,000	SOFR +3.5%	April 2029	31,486
At 31 December 2022	USD	116,500	83,500	SOFR +3.5%	April 2029	113,643

**Calculated based on a facility size of USD 200 million. The credit-approved borrowing base as at 31 December 2023 was USD 116 million.*

The RBL facility was established in 2018 and is a senior secured 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 unsecured USD 75 million bond. The maturity date of the bond is on 3 June 2026. The RBL facility is for USD 200 million, with an additional uncommitted accordion option of USD 200 million.

The interest rate is a floating 1-6 month 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 an annual 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 loan

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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

(USD '000)	**2023**	**2022**
Bank accounts excluding pledge account EFF	30,428	20,673
Borrowing base assets*	399,321	401,083
Trade receivables	27,387	7,939
Inventory	(1,274)	(688)
Hedging agreements	(363)	(786)
Total	**455,498**	**428,220**

** 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, (iii), licence interests in all borrowing base assets, (iv) hedging agreements, (v) any claims under RBL insurance, as well as (vi) floating charges over trade receivables and inventory.

Unsecured Bond:

(USD '000)	**Facility currency**	**Utilised amount**	**Interest**	**Maturity**	**Carrying**
At 31 December 2023	USD	75,000	9.75%	June 2026	74,132
At 31 December 2022	USD	75,000	9.75%	June 2026	73,680

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

Fair value of the bond and debt is not disclosed when the carrying amount is a reasonable approximation of fair value. Issued bonds and debt are classified in level 2 in fair value hierarchy, since the valuation is based on observable market data in the form of interest rate curves, exchange rates and credit margins.

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:

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

Kerogen Investments no.28 Limited's rights and claims for such a commitment fee is subordinate to the rights and claims of the RBL banks and holders of the Pandion Energy Bond.

Maturity profile based on contractual undiscounted cash flows:

(USD '000)	**2023**	**2022**
Less than 12 months	-	-
1 to 5 years*	109,000	192,500
Over 5 years	-	-
Total	**109,000**	**192,500**

** 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").*

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

NOTE 24 TRADE AND OTHER PAYABLES AND PROVISIONS

(USD '000)	**2023**	**2022**
Trade payables	1,107	5,921
Share of payables in licences	23,279	17,357
Overlift of petroleum	1,637	2,977
Other non-trade payables, accrued expenses and provisions*	21,392	31,221
Total trade, other payables and provisions	**47,415**	**57,477**

** Other non-trade payables include accrued public charges, indirect taxes and payroll liabilities.*

NOTE 25 OTHER COMMITMENTS AND CONTINGENCIES

The company has a secondary obligation for offshore installation removal cost relating to a 20 per cent interest in the divested Duva field. The obligation is limited to approximately USD 6 million. No provision has been made for the potential obligation.

In July 2023, Pandion received a request for arbitration. Pandion has responded to the request and begun the legal process to defend against the claim. The ultimate liability in respect of this claim cannot be determined at this time. Based on management's best judgement of probability, no provision has been made for potential liability related to the claim.

NOTE 26 RESERVES (UNAUDITED)

	million barrels of oil equivalent (mmboe)
Balance at 1 January 2023	40.2
Revision of previous estimates	(2.1)
Discoveries, additions and extentions	0.7
Year 2023 production	(3.0)
Total reserves at 31 December 2023	**35.8**

At the end of 2023, the company's proved and probable oil and gas reserves (2P) were estimated at approximately 35.8 mmboe compared to approximately 40.2 mmboe in 2022. The estimated reserves represent the company's share of reserves in accordance with the Society of Petroleum Engineer's (SPE's) "Petroleum Resources Management System" based on figures received from the operators, together with independent third-party review and internal information.

NOTE 27 SUBSEQUENT EVENTS

In January 2024, Pandion Energy AS was awarded licence PL 1101 B in the 2023 Norwegian APA (awards in predefined areas) licensing round on the Norwegian Continental Shelf. PL 1101 B is an additional acreage to PL 1101 and is located in the northern North Sea. Pandion Energy holds a 20 per cent interest in the licence.

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

Auditor's report

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221
NO-0103 Oslo
Norway

+47 23 27 90 00
www.deloitte.no

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 2023, statement of profit and loss, statement of comprehensive income, 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 2023, and its financial performance and its cash flows for the year then ended in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9.

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 Directors' report applies correspondingly to the report on payments to governments.

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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, 25 April 2024
Deloitte AS

Lars Atle Lauvsnes
State Authorised Public Accountant

This document is signed electronically

Directors' report

Responsibility statement

Financial statements
- Statement of income
- Statement of comprehensive income
- Statement of financial position
- Statement of cash flows

Notes to the financial statements

Auditor's report

Alternative performance measures

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.

Net debt
Gross interest-bearing debt less cash and cash equivalents and current financial investments

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 with lower carbon intensity 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 continue growing over coming decades, emissions need to be materially reduced in order to meet the goals of the Paris agreement.

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. 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.

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. As an integral part of this, the company strongly believes that sound business decisions are a product of a strong team, an active board and a competent owner, underpinned by its core values – professional, agile, commercial and a team player.

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

At 31 December 2023, Pandion Energy was a partner in 19 licences.

A joint operating agreement (JOA) is a common arrangement in the oil and gas industry. On the NCS, it involves a production licence (PL) where one company is assigned the status as the operator, and each partner holds a certain share of equity as a licensee.

The operator is responsible for managing the daily operations of the licence, while the partners have reduced level of control. However, on the NCS, the licensees have a "see to it" duty, which is an obligation to make sure that the operator carries out work in accordance with the regulatory requirements. All licensees on the NCS are prequalified by Norwegian authorities based on their competence, capacity, and commitment to fulfil their licensee obligations. The joint venture structure enables knowledge transfer, oversight of the operator's activities and improved decision making.

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 conducting its "see to it" duty and establish a management system to structure its supervisory work in a systematic manner.

Sustainability

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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 aims to ensure that the company's personnel are qualified and trained, that the operations are planned and executed in accordance with the relevant regulations and best practices, and that the risks are identified and managed effectively.

The company has a team of 25 highly experienced oil and gas professionals with strong and proven track record within technical, financial, and commercial disciplines. It benefits greatly from its borderless interdisciplinary communication and short decision lines, which enable the company to develop a different perspective from the operator when not focusing on day-to-day execution of operations. As a partner, Pandion Energy is reliant on working closely with the operators on sustainability issues and setting the objectives for HSE, compliance and governance matters within its assets.

Reporting principles and materiality

The sustainability section of this 2023 combined annual report is a voluntary disclosure of Pandion Energy's environmental, social, and governance (ESG) performance in 2023. Where relevant, references is made to the Task Force on Climate-related Financial Disclosures (TCFD) and the company's Transparency Act statement.

The report has been prepared in line with the requirements from the ESG committee, which assists and facilitates the board of directors' responsibilities within sustainability matters. The report is also intended to inform and engage relevant stakeholders.

The topics addressed in this section are based on the material topics identified as having the greatest impact for Pandion Energy's stakeholder groups and have been 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 where the company has direct influence based on its non-operator status, such as compliance, environmental impact, and climate change. Also addressed are factors related to human rights and operational health and safety representing higher dependence on cooperation with the operators of the company's production licences.

The company is currently preparing for the Corporate Sustainability Reporting Directive (CSRD) expected to enter into force in the EU and Norway for the 2024 reporting, applicable to Pandion Energy from the 2025 fiscal year. Pandion Energy plans to perform its first double materiality assessment in accordance with European Sustainability Reporting Standards (ESRS) part of the CSRD framework during 2024 and update future sustainability reporting accordingly.

Since 2021, Pandion Energy has strengthened its assessment of human rights issues following the introduction of the Norwegian Transparency Act, issued in a separate report made available on our website by 30 June each year.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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 facilitates competent personnel 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 value chain, 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 sustainability matters.

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

The ESG committee comprises one non-executive board member and one representative from Kerogen Capital, 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, labour and working conditions, including human rights, modern slavery and child labour, anti-corruption, anti-money laundering and tax evasion, 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

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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 2023.

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 is aware that corruption also happens there and is 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 seeks to 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 2023.

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

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

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 2023.

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 2023.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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 should at all times be based 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 22-24.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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. 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 maintained a low carbon footprint – 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 involved aligning the company's investment criteria to ensure that new growth opportunities are evaluated with regard to GHG aspects and climate related risks in order to sustain a resilient asset portfolio.

As the world population continues to grow, so does the need for affordable, reliable and clean energy while simultaneously addressing environmental and energy security implications. 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 in the industry 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. The use of offsets is seen as part of an overall plan to reduce carbon impact of its operations with the continued focus on reducing remaining absolute emissions further towards near zero 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 84.

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 taxes and fees. 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 scenarios from the most recent World Energy Outlook (WEO) published by IEA. These scenarios are commonly used by our industry peers and can help investors and other stakeholders assess portfolio resilience across companies. The IEA 2023 World Energy Outlook describes the following three scenarios:

- **Net zero emissions by 2050 scenario (NZE2050)** – 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 from pre-industrial level by 2100. The scenario aligns with the best practice recommended by the TCFD to assess the company's resilience to a 2°C or lower scenario. NZE2050 is a normative scenario first published by the IEA in 2021, as it has been updated for the 2023 WEO it starts from a higher level of fossil fuel demand and emissions than the previous version, and has a shorter time span to achieve global net zero target by 2050. As a result, reaching this goal requires more extensive efforts than in the previous analysis. In NZE2050, oil demand declines by 75 per cent in 2050 from current level, while natural gas demand is assumed to fall even faster and be almost 80 per cent lower than today by 2050.

Sustainability

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

- **Announced pledges scenario (APS)** which assuming all national energy and climate targets made by governments are met in full and on time. The scenario also includes longer term net zero emissions targets and pledges in Nationally Determined Contributions (NDCs), as well as commitments in related areas such as energy access, irrespective of whether those commitments are underpinned by specific policies to secure their implementation. In the APS, stronger policy action leads global oil demand to peak prior to 2030, marginally down from the current level. Oil demand is then projected to fall by around 40 per cent towards 2050. Global natural gas demand remains at around current levels until 2030, before declining towards 2050 at a pace similar to that of oil.

- **Stated policies scenario (STEPS)** – an outlook based on the latest policy settings, including energy, climate and related industrial policies. It reflects a pragmatic exploration of the current policy landscape and gives a view on where the energy system might be heading in the absence of any new initiatives. In STEPS, both global demand for oil and natural gas continues to grow before peaking around 2030 and remaining at this level throughout the forecast period.

Climate risks and opportunities

Climate-related risks and opportunities are captured in line with the recommendations of TCFD and is an iterative process. The executive management team, ESG committee and board all engage in the risk review process for climate-related risks and opportunities. The risks and opportunities are defined in short (zero to three years), medium (three to 10 years), and long-term (10 to 25 years) perspectives, with a focus on transitioning to a low-carbon economy and reducing GHG emissions. The company's approach to energy transition and climate risk is integrated into the company-wide risk management approach, with a focus on financial impact and stakeholder expectations. In line with the TCFD, the climate related risks are grouped into two major categories: (1) Risks related to the transition to a lower carbon economy, and (2) risks related to the physical impacts of climate change.

A summary of key climate-related risks and opportunities is provided at the end of this section.

Transition risk

The top risk for Pandion Energy is the changing long-term demand for oil. As the world transitions towards a low-carbon economy, there is a potential decrease in the demand for the company's products. This poses a financial risk to the company, as it may experience reduced revenues due to unstable or low commodity prices in the medium to long term. To mitigate this risk, Pandion Energy has focused on building a resilient portfolio of quality assets with cost-efficient production.

Technology and market

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.

The transition is demonstrated in the growing dominance of electricity in final consumption, which will have increased to 30, 41 and 53 per cent in 2050 in the STEPS, APS and NZE2050 scenarios respectively. The three IEA scenarios show increased renewable deployment and increased share of low-emissions electricity generation, with solar PV and wind expanding fast in the coming years, especially in the power sector. The share of fossil fuels in the energy mix, which has remained steady for more than a decade, is set to change significantly with continuous decarbonisation around the world.

In the NZE2050 the oil and natural gas demand is expected to fall nearly 80 per cent by 2050 with commodity prices following the dramatic decline. In this normative scenario, there are no new oil and gas fields approved for development beyond already committed projects as of 2023.

Sensitivity to commodity prices

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 in the figure below. For further details please refer to Note 8 to the financial statements. Compared to the management assumptions, the NPV of the portfolio is reduced by 38 per cent in the NZE2050 scenario and increased by 5 per cent and 22 per cent in the APS and STEPS scenarios respectively.

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

Though demand for oil will decline towards 2050, there could be an incremental short- or medium-term increase. 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.

Policy and legal
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 fiscal 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 the future portfolio by pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources for electrification of production
- 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

Sensitivity to increased carbon cost
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 in all the IEA scenarios.

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 EUA means that companies pay a higher price per tonne of CO_2 emitted in Norway than in most other countries with petroleum activities.

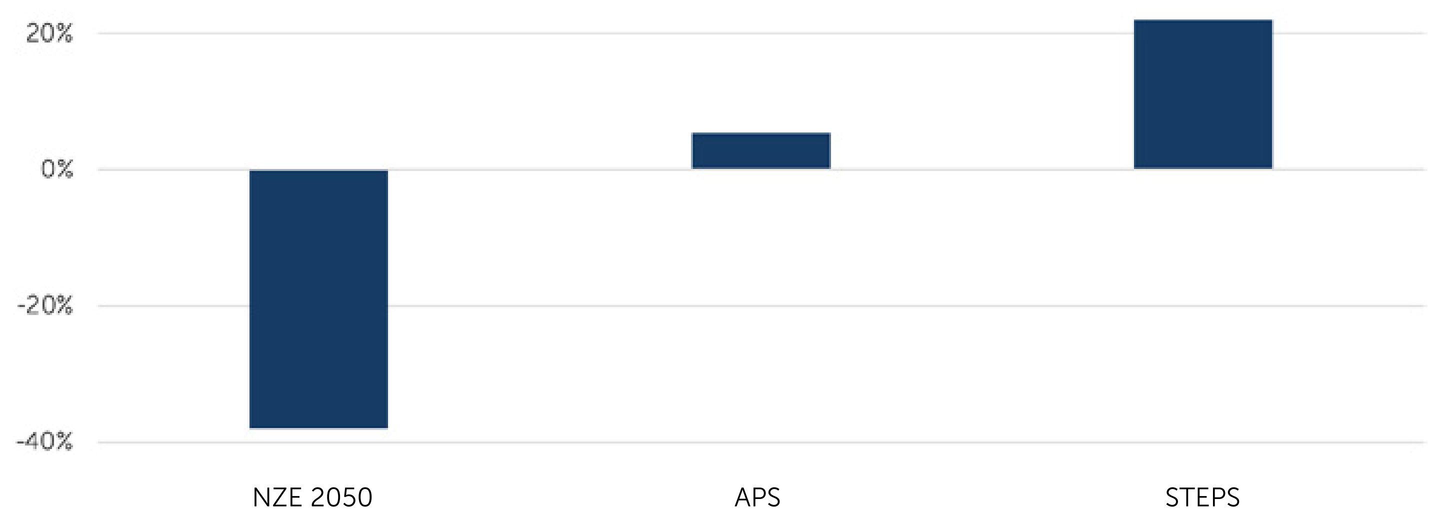
As part of Norway's climate action plan announced in January 2021, Norway has set a target to gradually increase the total cost per tonne of CO_2 from around USD 80 in 2020 to USD 266 in 2030 (real 2023 terms). This target is reflected in the company's

Commodity price assumptions
Scenario price assumptions applied in portfolio stress test

Brent oil price (USD/boe), in real 2023 terms	NZE2050	APS	STEPS
2030	44	78	86
2050	26	63	84

Gas price (USD/mcf)	NZE2050	APS	STEPS
2030	5	7	8
2050	4	6	8

Portfolio stress test 2023
Impact on NPV in selected scenarios relative to company's price assumptions

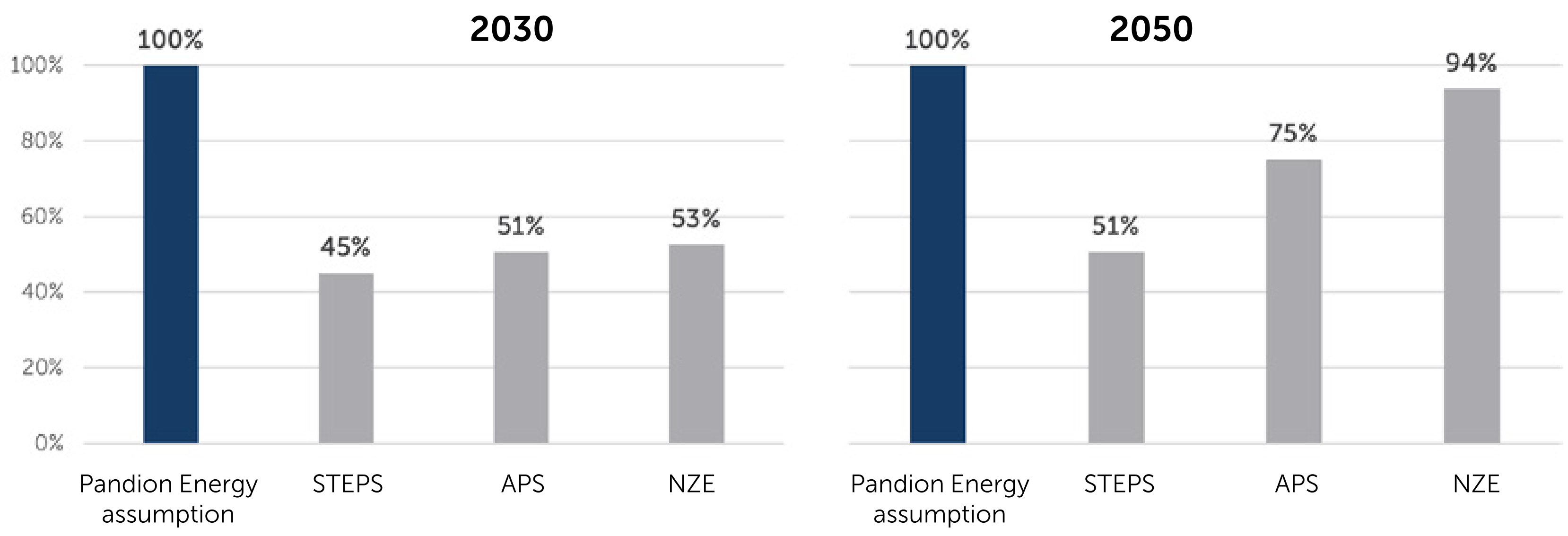


Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

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.

Due to the company's low carbon intensity portfolio the NPV of future carbon costs is limited and Pandion Energy's carbon price assumptions significantly exceed prices assumed under the IEA's scenarios as illustrated in the figure on the following page, demonstrating the company's resilience towards higher carbon prices.

Carbon price assumptions
Company carbon price assumptions relative to selected scenarios



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 potential asset impairment in the long term.

Located in the North Sea, the field centre for the producing Valhall and Hod fields has 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 and updated metocean data collected to form input to infrastructure design of new facilities and working procedures 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. However, uncertainties and limitations are substantial, and Pandion Energy will continue to expand and evolve its scenario analysis to incorporate future market conditions.

Opportunities
Pandion Energy'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 and APS scenarios, assuming continued reliance on oil and gas in the global energy mix.

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

Technological advances driven by the energy transition, such as CCUS or increased electrification, may also positively affect production cost efficiency, prolong asset life or provide new commercial opportunities.

Management of climate risk

Pandion Energy manages climate-related risks through scenario analysis, sensitivity testing, active portfolio management, collaboration as well as compliance and 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 (on scope 1 and scope 2 basis). Pandion Energy's strategy for 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 in Scopes 1 and 2

Aligning investment criteria to maintain a low carbon footprint in its portfolio

Promoting transparency and accountability

Emission reduction
Pandion Energy has been a proponent of electrification since its inception. All of the producing fields in the company's portfolio are already powered by electricity from shore and none have routine flaring. This contributes to keeping the carbon emissions associated with its oil and gas production at an inherently low level, significantly below the NCS GHG intensity average and 90 per cent lower than the global average[1].

Further reductions in its scope 1 and 2 emissions would be considered incremental, nevertheless, Pandion Energy continues working with the operators of its assets to pursue further emission reductions in operations and associated supply chains.

Carbon neutrality
To bring the remaining residual equity share scope 1 and 2 GHG emissions to net zero Pandion Energy sees the use of high-quality carbon removals as part of an overall plan to neutralise the carbon impact of its operations while committing to the target of reducing the remaining balance of Scope 1 and 2 absolute emissions over time further.

To ensure the environmental integrity of offsets, the company will put emphasis on carbon removal offsets which are in-line with the Oxford Principles for Net Zero Aligned Carbon Offsetting.

Investment criteria
Pandion Energy has a target of maintaining its low carbon footprint by actively managing its portfolio. The company has updated its investment criteria to ensure that new growth opportunities are evaluated with regard to GHG and climate related aspects.

This includes:
- Focus on renewable energy sources by incorporating potential for future access to renewable energy sources as a key criterion for the company's exploration and appraisal activities
- Consideration of GHG emissions by taking into account the future cost of carbon emissions where renewable energy sources are not available and the potential for future emission reductions as a key investment criterion for developments and producing assets

Transparency and reporting
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 and works with its joint venture partners, peers, regulators, investors and other stakeholders to promote and accelerate decarbonisation.

[1] *2022 IOGP offshore GHG intensity average*

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

Climate risks and opportunities

	Risk category	Risk driver	Potential impact	Mitigation
Transitional risks	Market/ Reputational	Change in investor and capital market behaviour	Increased cost of capital; Reduced availability of capital; Penalties for fossil energy sectors; Commodity price fluctuations	Net zero strategy; Active portfolio management; Increased transparency through voluntary reporting
Transitional risks	Regulatory and legal	Increased environmental taxes and carbon cost	Increased operation cost; Reduced investment space; Increased competition on low carbon assets (also opportunity)	Low carbon intensity portfolio; Net zero strategy; Investment criteria and internal carbon price assumptions; Scenario analysis and sensitivity testing; Offsetting strategy; Operator cost reduction and emission reduction initiatives
Transitional risks	Regulatory and legal	Policy and legal changes that may negatively affect framework conditions or reduce access	Viability of exploration & development projects; Increased cost; Reduced access to acreage; Early retirement of access	Net zero strategy; Investment criteria & E&A strategy; Properties of current portfolio
Transitional risks	Reputational	Reputational risk from negative public perception	Increased cost of capital and insurance premiums; Reduced access to capital; Stigmatisation of sector and challenges to retain/attract talent	Net zero strategy; Increased transparency; Size of organisation
Transitional risks	Market	Reduced oil and gas demand and lower commodity prices due to energy transition speed and decarbonization efforts	Reduced revenues; Early asset retirement or devaluation due to declining profitability or competitiveness of oil and gas assets	Investment strategy: near infrastructure, cost efficiency, focus on quality assets; Continued focus on cost, CO_2 footprint and investment strategy; Consider actions based on sensitivities towards scenarios
Transitional risks	Technology	Technology risk from the emergence of disruptive or innovative solutions that may render oil and gas obsolete or unattractive or create comitative market environments	Increased cost; Early asset retirement or devaluation	Investment strategy: near infrastructure, cost efficiency, quality assets; Continued focus on cost, CO_2 footprint and investment strategy
Physikal risks	Chronic	Chronic physical risk from changes in temperature or precipitation patterns that may affect the working environment or operating models	Increased operating cost or modification/investment requirements; Early asset retirement or devaluation due to operational limitations or increased costs	Operator's risk procedures & asset risk assessments; Modernisation of infrastructure (Valhall)
Physikal risks	Acute	Operational downtime and asset impairment from extreme weather events and sea level rise	Increased modification/investment requirements; Potential asset impairment; Early asset retirement or devaluation due to operational limitations, increased operational cost or capex requirements.	Operator's risk and integrity management procedures incl. increased monitoring, updated data and evaluations; Modernisation of infrastructure (Valhall)

Opportunity category	Opportunity driver	Potential impact	Mitigation
Technology	Opportunities from technology development such as CCUS, increased use of electricity, repurposing of infrastructure etc.	Increased cost efficiency; New commercial or investment opportunities; Prolonged commercial live; Delayed asset retirement	Monitor market opportunities
Market competition	Potential opportunity in competitive advantage due to superior carbon efficiency levels and lower costs	Positioned for divestment opportunities and capital raising; Positive NPV effect in higher oil price scenarios; Prolonged asset life	Low carbon intensity portfolio, cost efficiency, Investment strategy, Sensitivity testing
Resilience	Resilient portfolio with limited impairment under low oil price scenarios and high carbon prices	Remaining profitability under reduced market conditions	Continued focus on asset management and cost efficiency
Market	Increased demand for oil and gas produced with low carbon intensity	Premium commodity prices, Prolonged asset life	Low carbon intensity portfolio, Net zero strategy

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

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.

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. The framework is used as part of its decision-making process before entering new licences and, at a later stage, 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 assets in the company's portfolio are managed in accordance with the guiding principles of the ISO 14001 environmental management and ISO 50001 energy management standards.

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. he operators of the producing assets in the company's portfolio hold field-specific permits 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 set out in the ISO 14064 standard and the GHG protocol. 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 to asset emissions, therefore its GHG emissions for its office activities were not measured.

The company's GHG intensity metric calculates the equity share of Carbon (CO_2) and Methane (CH_4) emissions from the company's production assets divided by net company production. Historically the company's GHG intensity level has ranged from 1.1 – 3.4 kg CO_2e per barrel of oil equivalent and has consistently been amongst the lowest in the global E&P industry and Norway. This is mainly attributable to the company's production being fully or partially electrified from shore. Sustaining its low GHG intensity level is an important strategic objective for Pandion Energy. In 2023 the company's equity share GHG intensity was 1.5 kg CO_2e per barrel of oil equivalent.

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

In 2023, the company's scope 1 emissions included emissions from exploration and appraisal drilling on one well with a side track and development and production activities on Pandion Energy's two producing assets Valhall including Hod, and Nova. While scope 2 emissions were related to purchase of electricity for the production assets only.

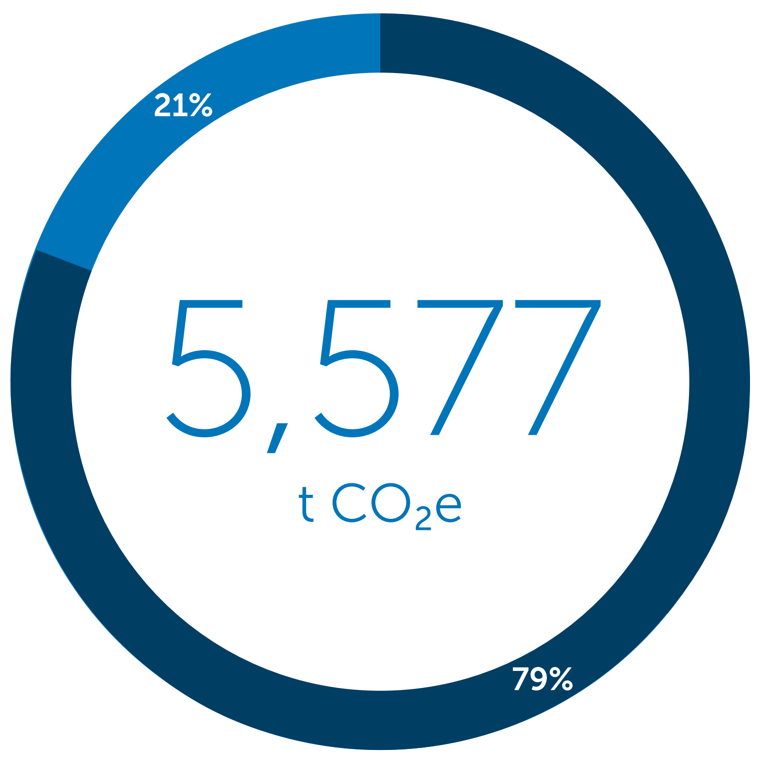
Scope 1
The main source of the company's scope 1 emissions is power generation, related to combustion of liquid fuel (diesel, 79%) or fuel gas (21%). The diesel consumption is mainly related to rig activity, while the fuel gas consumption is related to gas export at the Nova host platform. Power generation accounts for about 75 per cent of the company's equity based CO_2e emissions in scope 1.

Most of the remaining scope 1 emissions come from combustion of flare gas, while a small portion come from venting and fugitive emissions (<1.5%). Flaring is generally very limited on NCS and only permitted for safety purposes, such as emergency shutdowns. To reduce emissions to air from flaring, the producing assets in the company's portfolio have closed flares during normal operation. Due to challenges with Oxygen in flare gas on Valhall, the LP flare has been open since February 2022, but is scheduled to be closed again during 2024.

2023 was the first full year of production from the Nova field. Nova is a subsea tie-back and has minimal scope 1 emissions when rig activities are not being conducted on the field. A side-track drilling operation was conducted on Nova during the second quarter of 2023 resulting in scope 1 emissions from power generation for

2023 GHG emissions[1]
Scopes 1 & 2

Exploration & Appraisal activities
Development & Production activities

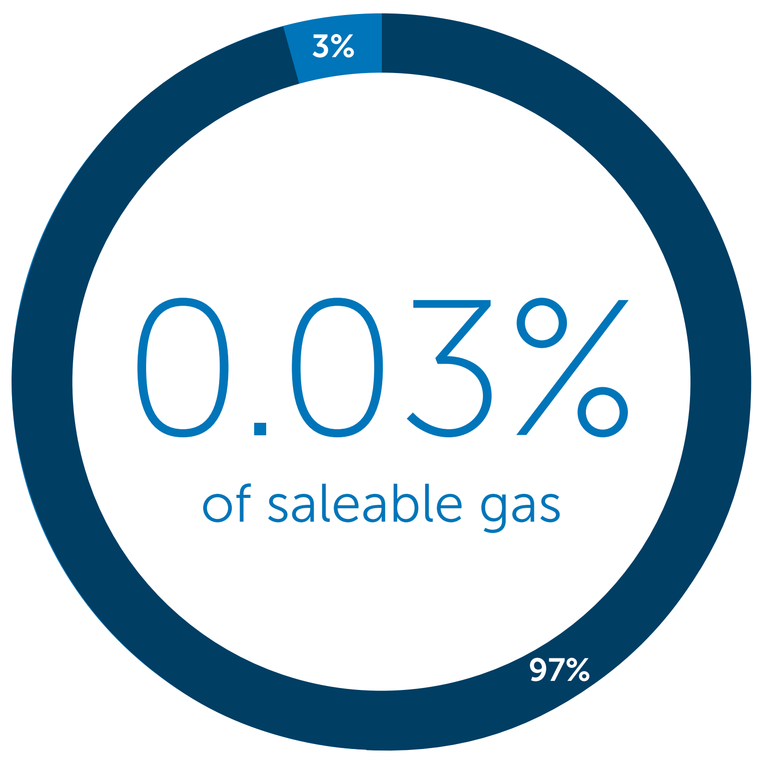


GHG intensity of production[1]
Of production related scopes 1 & 2

Scope 1 – Direct emissions
Scope 2 – Purchased electricity

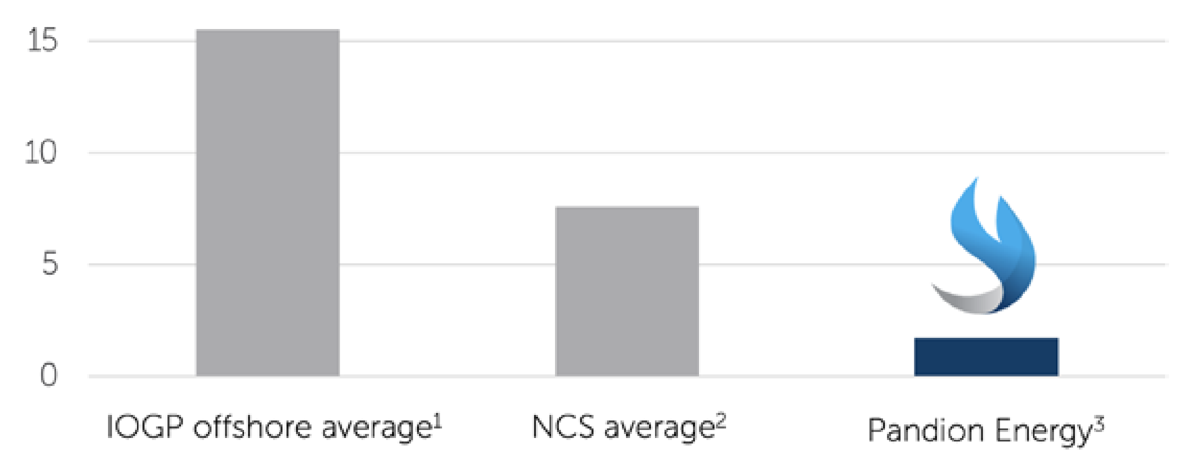
Methane share and intensity[2]
Of production related scopes 1 & 2

CO_2e from Carbon (CO_2)
CO_2e from Methane (CH_4)



[1] Equity share basis
[2] Emission factor 29.8, based on IPCC AR6

GHG intensity
Kg CO_2e per boe produced



[1] IOGP Environmental Performance indicators – 2022 data, 2023 data not published at the time of this report
[2] Offshore Norge, 2022 carbon intensity, 2023 data not published at the time of this report
[3] Pandion Energy net equity basis production, scopes 1 and 2 emissions. 2022: 1.7 kg CO_2e/boe; 2023: 1.5 kg CO_2e/boe

the rig. scope 1 emissions from the Nova host platform, Gjøa, are reported by the host operator. In this report, an estimated portion of the host emissions have been allocated to the Nova field.

All reported emissions to air in 2023 were within the relevant permit requirements.

The fluctuations in annual emissions the last three years are mainly attributable to activity level. While the company participated in fewer exploration and appraisal wells in 2023 compared to previous years, it was the first full operational year for Nova.

Scope 2
Pandion Energy's scope 2 emissions are related to purchase of electrical energy supplied to the Valhall and Hod fields and the Nova host. 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. The share of electricity originating from renewable sources was 95 per cent in 2022[1].

The scope 2 emissions are mainly dependent on the offshore consumption of power from shore. While the electricity consumption has been stable at both assets in the recent years, the increase in the company's scope 2 emissions in the last two years are mainly attributable to acquisition of the Nova field in 2022 and an increase in national import of electricity during the same year. However, the emission intensity of power supplied from the Norwegian grid remains low at <20 g CO_2e/kWh.

Scope 2 emission replaces offshore sources like gas turbines with significantly higher emissions. When the Valhall field were connected to power from shore in 2012 it originally eliminated annual turbine emissions of approximately 320,000 tonnes of CO_2 (gross).

Methane monitoring
The company's methane emissions originate from cold venting, incomplete combustion and flaring of gas, as well as fugitive emissions from the process infrastructure. The reported methane emissions are quantified in accordance with the national industry standards and submitted annually to the environmental authorities.

The methane intensity on the NCS is considered relatively low due to factors such as extended use of subsea pipelines, a prohibition on routine flaring, high taxation levels, and a strong emphasis on minimizing gas leaks for both climate and safety considerations.

Pandion Energy's methane emission intensity for equity share based production was 0.03 per cent CH_4 of saleable gas, which is significantly lower than the industry average of 0.15 per cent[1] and accounts for about 3 per cent of the GHG emissions expressed in CO_2 equivalents.

Scope 3
In 2022, Pandion Energy expanded its reporting of scope 3 emissions. As a licensee, the company is reliant on working closely with the operators on emission monitoring and 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. However, data gathering, quality, methodology and standards are under development and operators and suppliers demonstrate different levels of maturity.
The scope 3 emissions in this report include:

[1] 2023 declaration not available, annual electricity declarations are usually published in May/June the following year. The location-based emission factor for Norwegian power used in 2022 was published in June 2023, after the previous integrated annual report was published, therefore the emissions in 2022 are restated in this year's report, from 498 t CO_2e to 740 t CO_2e.

- Categories 1 – 9 from upstream activities as reported by the operators. These categories are under the operators' influence and are deemed addressable and most relevant for reduction potential. Business travel within Pandion Energy has been significantly reduces since the COVID-19 pandemic in 2020 mainly attributed to increased virtual collaboration practices. Though immaterial, it has been included in category 6.
- Categories 10 & 11 quantified by Pandion Energy. These categories represent virtually all the downstream emissions (categories 10 – 15). As a pure upstream company with no refining and end use sale, the company has limited insight into the properties of these categories and limited to no ability to alter the impact of these emissions.

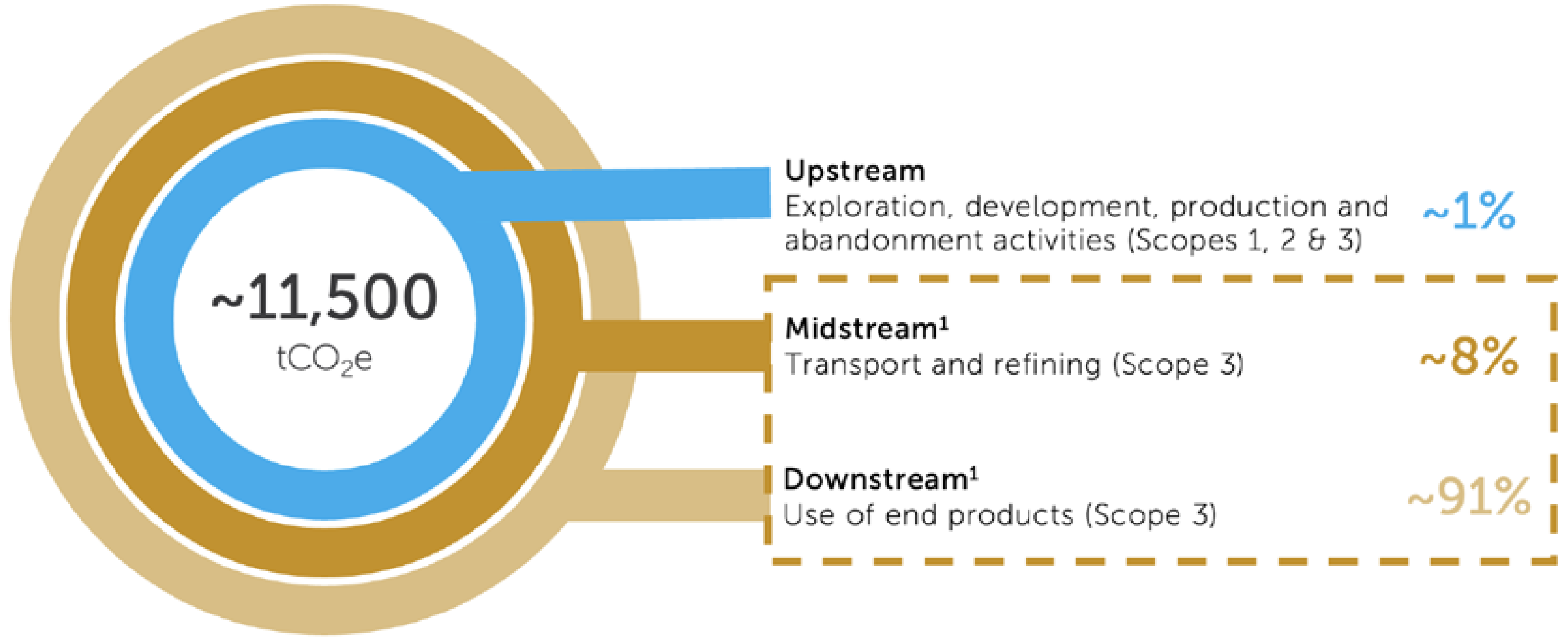
Emission reduction measures
Given the properties of the company's portfolio, improvements in operational practices, reductions in energy consumption and pursuing energy efficient solutions through active energy management are important measures in achieving further incremental emission reductions. It is required on NCS by law to conduct energy management in accordance with the principles of the ISO 50001 standard. The continuous work to pursue energy improvement opportunities within each asset is closely monitored and reported to the authorities annually. As a non-operator, Pandion Energy relies on cooperating with the operators on asset specific carbon reduction strategies based on the emissions profiles and the properties of the individual assets.

During 2023 Valhall and Hod reported energy efficiency and emission reduction measures estimated to 2,097 t CO_2 and savings of 14,980 MWh[2]. Measures implemented during the Ofelia appraisal campaign were estimated to 16,924 t CO_2e related to optimised well test design and an annual saving of 3,636 MWh, corresponding to 940 t CO_2e at the drilling rig[1].

Further reductions in rig and utility emissions will help reaching the target of near zero scope 1 and 2 GHG emissions by 2050. Emissions from platform supply vessels contributing to scope 3 upstream emissions have also been significantly reduced in the last years across most of the fleet. During 2023 energy and emission reduction measures were implemented at the two supply vessels assisting on the Nova field, with annual emission reductions of 1,601 t CO_2[2], while the mobile rig contracted for

[1] Oil and Gas Climate Initiative (OGCI) 2022 performance data
[2] Gross emission and power consumption savings pr year.

GHG emissions across value chain
2023 Pandion Energy net equity basis CO_2e emissions



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

the side track drilling had installed a SCR-unit (selective catalytic reduction) to reduce NOx emissions by 80 per cent.

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.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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.

Following the adaptation of the "Kunming-Montreal Global Biodiversity Framework" in December 2022, a new marine environmental law is also expected to be introduced by the Norwegian authorities as part of the implementation.

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 2023, the average oil concentration was 15,59 mg of oil per litre for the Valhall and Hod fields. Produced water from Nova is managed at the host platform together with several other fields, the weighted average for oil in water from the host platform in 2023 was 27.80 mg of oil pr litre.

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.

There were no reportable oil spills from Pandion Energy's assets in 2023[1]. Two reportable chemical spills have been reported during 2023[2].

[1] *No oil spills >0.001 m^3*
[2] *Chemical spills > 0.01m^3; 6m^3 of chemicals categorised as red*

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

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 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 and shipped to Aker Solutions decommissioning yard at Eldøyane Stord in Norway. The contractual objective for the recycling of the structures was set to 95 per cent or more. The steel will be re-used for a variety of new products.

Disposal work from decommissioning activities completed during 2023 comprised total weight of 9.953 tonnes and recycling factors of 99.6 per cent for the jacket and 97.8 per cent for the topside.

Sustainability

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

Environmental data

Climate change[1]

Scope 1	Note[2]	2023	2022	2021	Units
Direct GHG emissions	1	5,577	5,666	4,073	tonnes CO_2e
Third party verified direct GHG emissions	2	3,463	3,221	2,906	tonnes CO_2e
CO_2 (Carbon dioxide)		5,398	5,524	4,043	tonnes
CH_4 (Methane)	3	179	142	30	tonnes CO_2e
Methane intensity		0,03	0,04	0,01	% CH_4 of saleable gas
Scope 2					
Indirect GHG emissions	4	866	740	498	tonnes CO_2e
GHG intensity					
Equity share GHG intensity	5	1,5	1,7	1,5	Kg CO_2e/boe
Net production	6	8,304	5,697	5,152	boepd
Scope 3					
Scope 3 GHG emissions upstream	7	4,885	7,842	4,729	tonnes CO_2e
Scope 3 GHG emissions midstream	8	100,542	69,995	not reported	tonnes CO_2e
Scope 3 GHG emissions downstream	9	1,110,288	899,073	not reported	tonnes CO_2e

[1] *Unaudited - see page 83*
[2] *Notes to sustainability data - see page 81*

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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.

Pandion Energy operates in a low-risk environment for human rights abuse, as all of 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. Despite significant Norwegian content in its partner-operated assets, the operational activities are exposed to global suppliers. 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.

In response to the introduction of the Transparency Act in 2022, Pandion Energy conducted an overall due diligence assessment in accordance with the principles of the Transparency Act and the OECD Guidelines for Multinational Enterprises. The evaluation incorporated methodology from ISO Standard 31000 for risk management. In the due diligence assessment, the company primarily looked at risks associated with its assets and chose to assess risks at an overall strategic level identifying areas in the value chain with potential risk exposure.

The company seeks to monitor the activities and performance of its licence operators in line with the assessed risk to secure compliance with the company's Code of Conduct and has implemented measures to actively request information and include human rights considerations in the relevant business processes.. A common industry guideline has been developed for this purpose by the NCS industry association, Offshore Norge, to facilitate the process for information exchange as part of the member companies' compliance work with the Transparency Act.

Sourcing of materials and raw materials and fabrication activities abroad related to the development phase were identified as key risk areas with potential of human rights impacts. Currently Pandion Energy is involved in one development project,

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

PWP at the Valhall field. During 2023 the operator of Valhall conducted audits of all alliance partners to ensure compliance with the Norwegian Transparency Act, and own corporate requirements for human rights and decent working conditions. The operator has also conducted human rights audits in high-risk countries to ensure compliance with international standards and participates in a cross-industry initiative by Offshore Qualific, a collaboration between companies and suppliers in the offshore and energy industry. Through this initiative, all operators gain access to shared supplier data and human rights audits results.

An updated statement in accordance with the Transparency Act will be made available on the company's website by 30 June 2024.

Suppliers and business partners

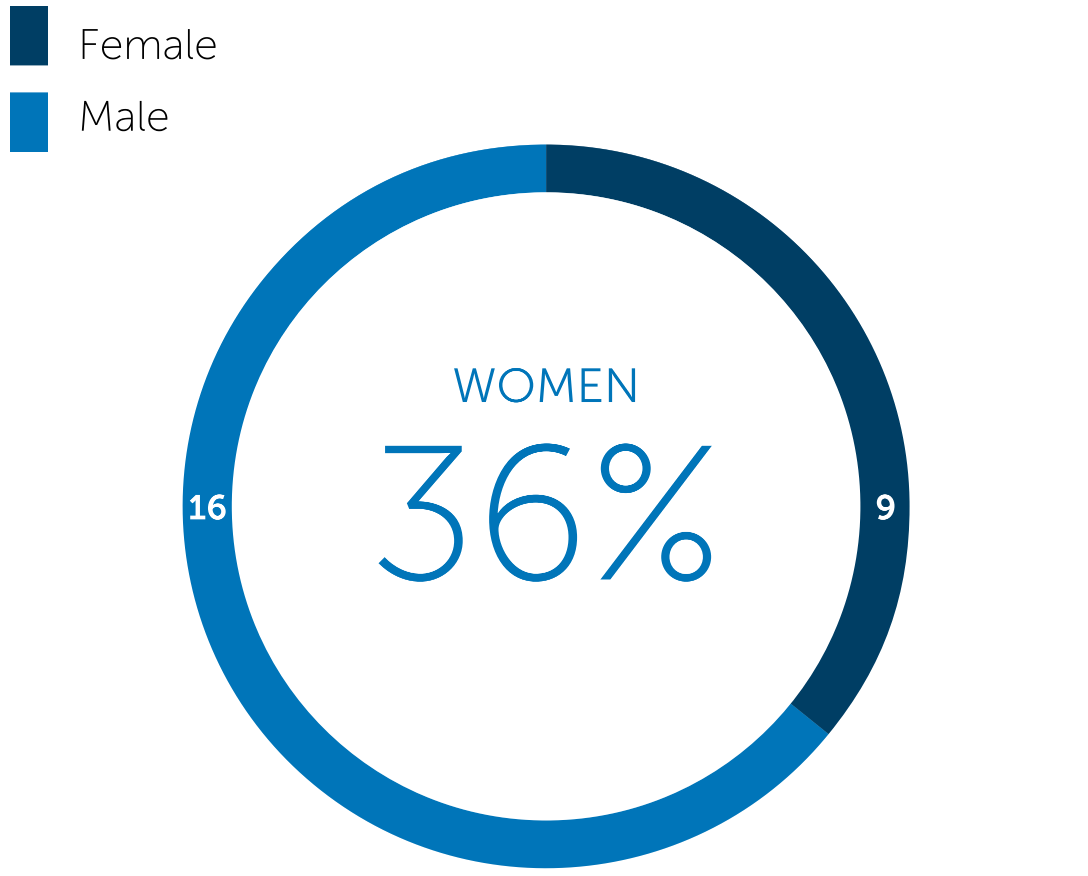
Pandion Energy's business partners and suppliers are essential to its ability to do business, but can also expose it to reputational, operational and legal risk. The company expects its business partners and suppliers to comply with applicable laws, respect internationally recognised human rights, and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

Diversity and employment

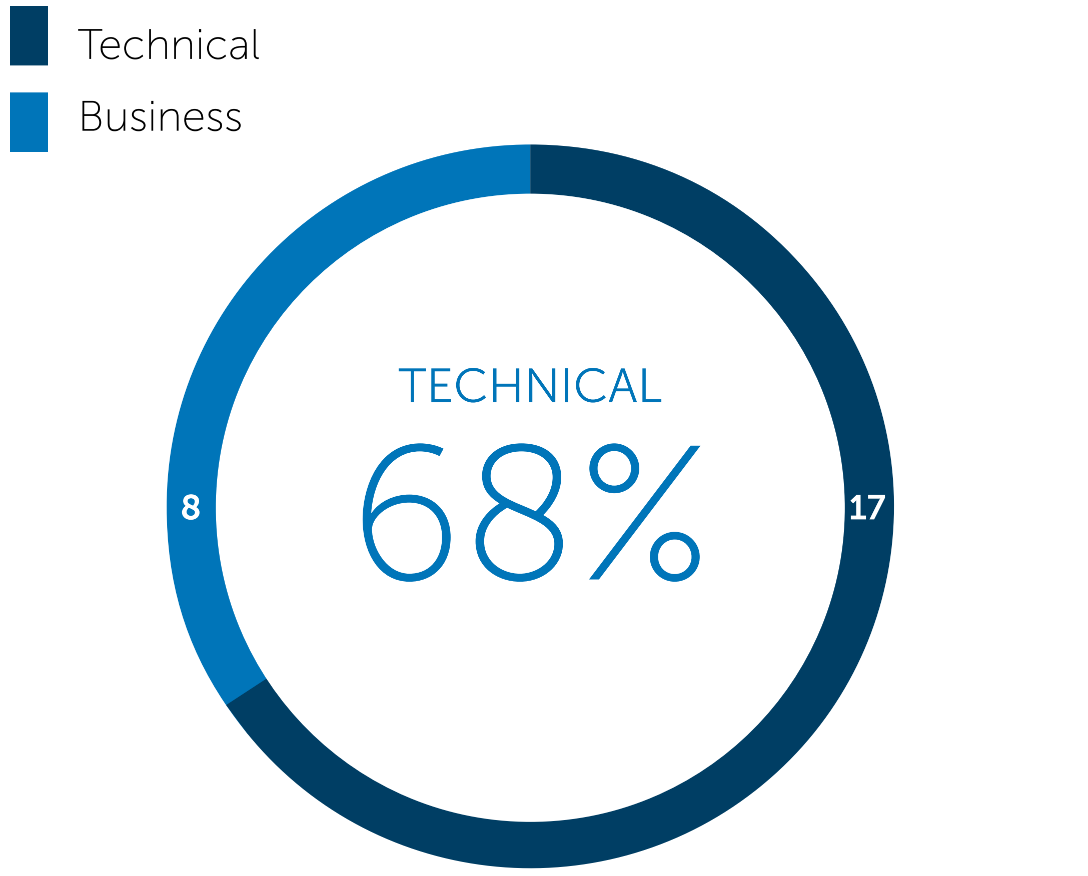
Each member of the Pandion Energy team is valued, and the company is committed to providing an environment free from any form of discrimination, abuse, harassment or intimidation by or towards its employees or others affected by its operations. The company's values define the way people work in Pandion 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

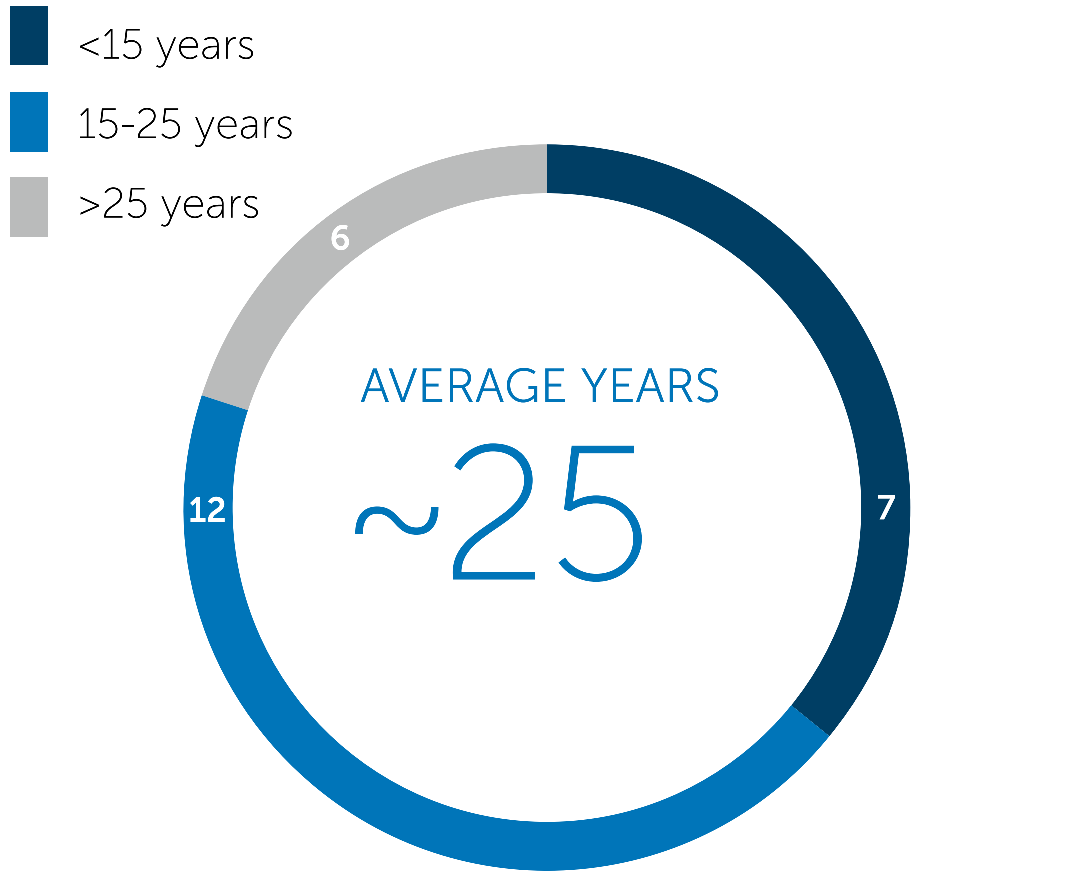
Gender



Business / Technical staff



Experience



Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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.

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 ten 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 2023.

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 2023. However, a total of seven work related injuries were reported during 2023. None of the incidents were classified as serious, two of the incidents were classified as loss time injuries (LTI). All of the injuries were contractor related. In addition, a total of three incidents with no actual harm, but high consequence potential were recorded.

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 2023.

Sickness absence

Sickness absence among Pandion Energy's employees in 2023 was 2.1 per cent, compared with 1.8 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 2023.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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, Hod and Nova[1]. Internal quality assessment is applied to ensure the accuracy of the data reported from the operators. Allocations from host platform(s) are calculated based on actual volume allocations in accordance with the tie in agreement(s) where available, otherwise the assets' share of production at the host platform is applied. Scope 1 emissions in 2022 have been restated applying this approach.

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.

NOTE 2 THIRD PARTY VERIFIED DIRECT GHG EMISSIONS

Production assets only; High Assurance to the following standard: European Union Emissions Trading System (EU ETS). Does not apply to allocations from host platform.

NOTE 3 METHANE EMISSIONS

Emission factor for calculating CO_2e from Methane: 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.

Year	Assets	Activities	Equity Share	Reporting Source	Assurance report[1]
2023 2022 2021	Valhall & Hod (PL 006 B, 003 B, 033)	Drilling, production, development, abandonment	10%	Annual field emissions report Annual climate quota report	YES
2023 2022[2]	Nova (PL 418, 418 B, 378)	Production, development	10%	Annual field emissions report Annual climate quota report Host emissions data apportioned to the Nova production reported within licence	YES
2023	PL 929	Appraisal drilling	20%	Well specific emissions data reported within licence	NO
2022	PL 891, 891 B	Appraisal drilling	20%	Well specific emissions data reported within licence	NO
2022	PL 929	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

[1] 3rd party verification report of the Annual climate quota report as required by the NEA, EU ETS verification report, ref. Note 2.

[2] Asset aquired as part fo the aquisition of ONE-Dyas Norge AS, completed on 30 June 2023. Only emission data after this date are included. Preliminary reporting of host allocations in 2022 have been updated in this report.

Introduction
Corporate governance and compliance
Climate change
Environmental impact
Social impact
Notes to environmental data
TCFD index

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: Emissions estimated based on allocated share of imported power consumption at the host platform.

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 2023 are related to five 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 19 gCO_2e/kWh (2022 factor is applied, as 2023 factor will not be available until mid-2024).

Scope 2 emissions in 2022 have been updated with factor for 2022 compared to previous report where 2021 factor was applied.
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 GHG INTENSITY

CO_2e intensity is calculated on the basis of net equity production and associated scope 1 CO_2e emissions.

NOTE 6 NET PRODUCTION

Redelivery volumes from Nova to Gjøa/Vega included in production, production figures for 2022 have also been restated to include redelivery volumes. Affected metrics have been updated from previous report.

NOTE 7 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 (Pandion Energy only, not asset specific)
Category 7	Employee commuting (helicopter transportation)
Category 8	Upstream leased assets (not material, not included)

NOTE 8 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 were reported first time in 2022.

NOTE 9 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 addition an increase for Valhall gas energy content by four per cent..

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

Sustainability

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

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 2023 to 31 December 2023, 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.

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

TCFD index

	Section in report
Governance	
a) Describe the board's oversight of climate-related risks and opportunities.	Page 22, 60-61, 66
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 64, 66
Strategy	
a) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Page 23, 66-70
b) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Page 23, 66-70
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 66-68
Risk Management	
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Page 66
b) Describe the organisation's processes for managing climate-related risks.	Page 69-70
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 22, 66
Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 67-68, 72-73, 77
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Page 77
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 69, 71, 73

Sustainability

Introduction

Corporate governance and compliance

Climate change

Environmental impact

Social impact

Notes to environmental data

TCFD index

Abbreviations

ABM	Alternative Bond Market
APA	Awards in Predefined Areas
APS	Announced Pledges Scenario
boe	Barrels of oil equivalents
boepd	Barrels of oil equivalent per day
CCUS	Carbon Capture, Utilisation and Storage
CEO	Chief Executive Officer
CH_4	Methane
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalents
CPI	Corruption Perception Index
CSRD	Corporate Sustainability Reporting Directive
E&P	Exploration & Production
EFF	Exploration Finance Facility
ESG	Environmental, Social, Governance
ESRS	European Sustainability Reporting Standards
EU ETS	European Union's Energy Trading System
EUA	European Union Allowances
GHG	Greenhouse Gas
gCO_2e	Grams Carbon Dioxide equivalents
GWP	Global Warming Potential
HSE	Health, Safety, Environment
IAS	International Accounting Standards
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
IMR	Inspection, Maintenance, and Repair
IPCC	Intergovernmental Panel on Climate Change
IPIECA	International Petroleum Industry Environmental Conservation Association
IRS	Interest Rate Swaps
ISO	International Organization for Standardization
JOA	Joint Operating Agreement
kg	Kilogram
IUCN	International Union for Conservation of Nature
kWh	Kilowatt-hours
LP	Low Pressure

LTI	Lost Time Injury
mmboe	Million Barrels of Oil Equivalent
MWh	Megawatt-hour
NCP	New Central Platform
NCS	mmboe: Million Barrels of Oil Equivalent
NEA	Norwegian Environmental Agency
NGL	Natural Gas Liquids
NICs	National Insurance Contributions
NOFO	MWh: Megawatt-hour
NOx	Nitrogen Oxides
NPV	Net Present Value
NVE	Norges vassdrags- og energidirektorat (The Norwegian Water Resources and Energy Directorate)
NZE2050	Net Zero by 2050 Scenario
OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development
OTC	Over-the-counter
PDO	Plan for Development and Operation
PL	Production Licence
PV	Photovoltaic
PWP	Production and Wellhead Platform
RBL	Reserve-Based Lending
Scope 1	Direct emissions from owned or controlled sources
Scope 2	Indirect emissions from the generation of purchased energy
Scope 3	Indirect emissions that occur in the value chain (up- and downstream
SCR	Selective Catalytic Reduction
STEPS	Stated Policies Scenario
TCFD	Task Force on Climate-Related Financial Disclosure
tCO_2e	Tonnes Carbon Dioxide equivalents
TPI	Transition Pathway Initiative
UN	United Nations
US FPCA	U.S. Foreign Corrupt Practices Act
VP	Vice President
VP BD	Deputy CEO & VP Business Development
WEO	Word Energy Outlook
WI	Working Interest

Design
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