PANDION ENERGY

Pandion Energy AS

Interim financial statements (unaudited)

First quarter 2024

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Content

Introduction

General information

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

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

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

Accounting principles

These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 7 February 2022, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with financial statements of the company for the period ending 31 December 2023.

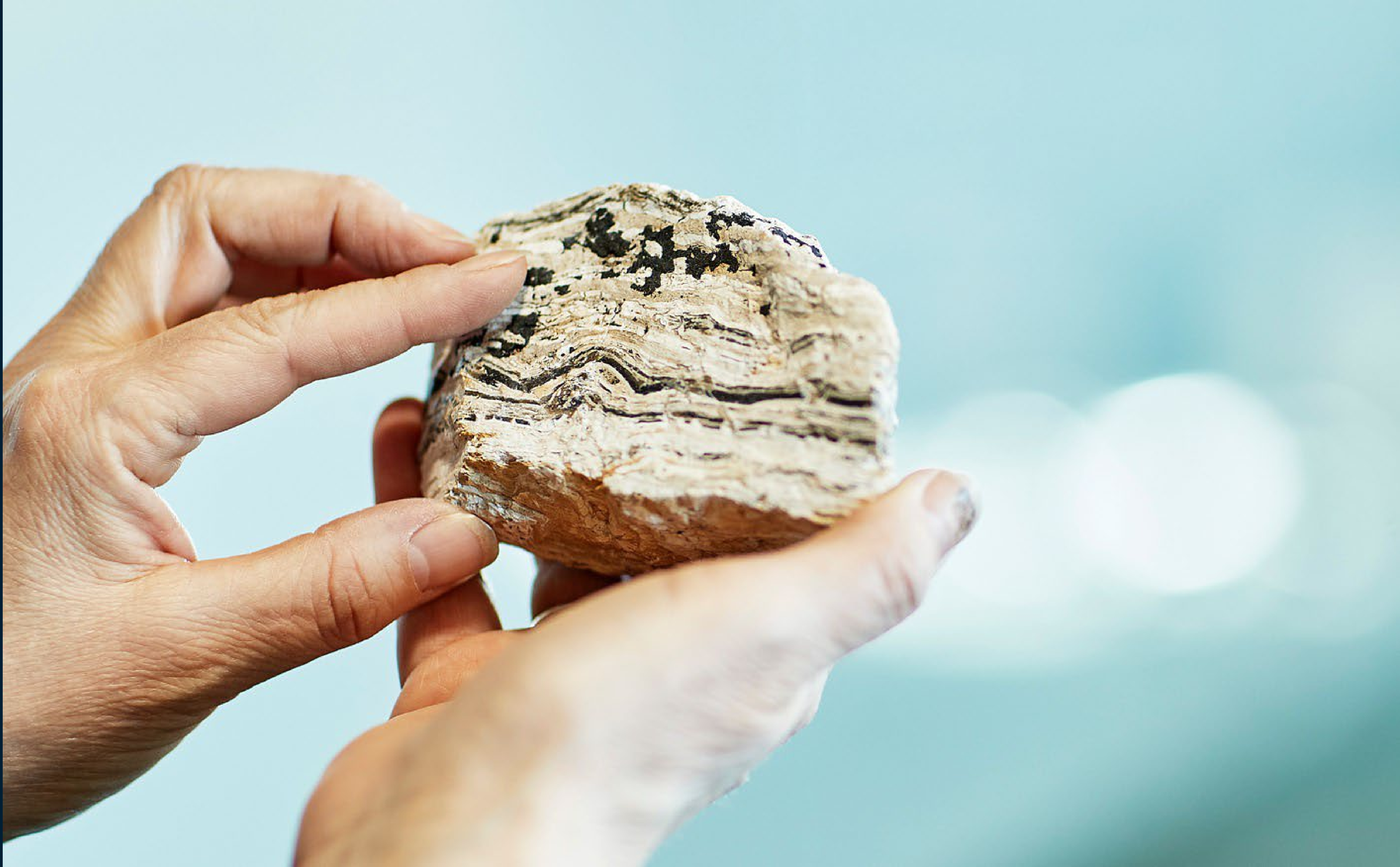
The accounting policies adopted are in all aspects consistent with those followed in the preparation of the financial statements of the company for the year ending 31 December 2023, except from the change described below.

The accounting policy for abandonment provisions has been changed. The discount rate for calculating abandonment provisions has historically included a credit element in addition to a risk-free rate. In line with the development in industry practice with regards to the interpretation of the relevant guidelines in IAS 37, the company has changed the discount rate so that this no longer includes a credit element. Comparative figures have been restated accordingly. As a result, the company has recorded the difference between the remeasured abandonment provision and the historical abandonment provision at 1 January 2023 as an adjustment to property, plant and equipment. The increased property, plant and equipment has led to an impairment charge of goodwill in the income statement in 2023.

For further detailed information on accounting principles, please refer to the financial statements for 2023.

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

Summary of the quarter



Financial review

Revenues

In Q1 2024, the company generated total revenues of USD 54.5 million, an increase from USD 50.8 million in the same period last year. The higher revenues was driven by an increase in the volume of oil sold, which rose from 490 kboe in Q1 2023 to 577 kboe in Q1 2024. The increase in volume is mainly attributed to increased production from the Nova field, partly offset by lower production at the Valhall and Hod fields.

During Q1 2024, average realised oil price before hedging was USD 87.2 per boe, compared to USD 83.1 per boe achieved in Q1 2023. The average realised gas price in Q1 2024 was USD 51.8 per boe, a significant decrease from USD 101.4 per boe in the same period last year. The combined average realised price for oil, gas and NGL during the quarter was USD 83.8 per boe compared USD 82.3 per boe achieved in Q1 2023.

Operating expenses and financial results

In Q1 2024, the company's EBITDAX reached USD 46.9 million, an increase form USD 37.8 million achieved in the same period last year. The higher EBITDAX can be attributed to the increased revenues during the quarter combined with lower operating expenses.

Operating expenses amounted to USD 7.8 million in Q1 2024 compared to USD 14 million in Q1 2023. The decrease was mainly due to lower well maintenance activities at Valhall, reduced cost for tariffs and quality adjustments, as well as change in over-/underlift.

The profit from operating activities came at 28.8 million, an increase from USD 22.1 million in Q1 2023.

Financial review

Capital expenditures

Investments in exploration & evaluation assets amounted to USD 4.2 million in first quarter 2024, mainly related to preparation of the appraisal campaign on PL 891 Slagugle and evaluation of the Calypso and Ofelia discoveries.

The company's investments in fixed assets in Q1 2024 amounted to USD 13.6 million, which included USD 12 million invested in the Valhall and Hod fields. The investments mainly comprises the PWP project, as well as well intervention activities. An additional USD 1.6 million was invested in the Nova field.

Financial position

As of the end of Q1 2024, the company's interest-bearing debt remained unchanged from the end of Q4 2023, totalling USD 108 million. The debt is comprised of a bond debt of USD 75 million and an RBL drawdown of USD 33 million. Overall, the company maintains its strong financial position with a leverage ratio of only 0.4x net debt/EBITDAX.

Financial risk management

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

At the end of March 2024, 52% of the after-tax (15% of pre-tax) crude oil production volumes up to the end of Q2 2025 had been hedged at an average floor price of 54 USD/bbl (USD 51.8/bbl net of costs). Additional positions may be added to the program going forward, however, the structure, amounts and levels of any further hedging will depend on how the market for commodity derivatives develops.

The company has recognised a realised loss from hedging in Q1 2024 presented as other income. The loss amounted to USD 0.1 million.

Operational review

Valhall and Hod fields

During the first quarter, production from Valhall field averaged 4.9 thousand barrels of oil equivalents per day, net to Pandion Energy. Production efficiency dropped from the previous quarter due to a combination of planned well intervention activities and unplanned well-related issues.

During the quarter, production started from a new infill well on Valhall Flank North.

The Hod A plug and abandonment (P&A) project is progressing according to plan. The objective for the project is the permanent plugging and abandonment of the eight wells on the Hod A platform. Noble Invincible rig is used for the work.

Detail engineering, procurement and fabrication progressed according to plan for Valhall PWP project. During the first quarter, fabrication started for both the PWP utility module in Stavanger, the process module in Dubai, and the PWP jacket. In addition, offshore modifications for PWP at Valhall started.

Nova field

During Q1 2024, production from the Nova field averaged 3.3 thousand barrels of oil equivalents per day, net to Pandion Energy (including compensation volume). Production efficiency was 91%.

The Nova field licence group is obligated to compensate the Gjøa licence group for deferred production due to the tie-in operations. The compensation shall be paid in kind by the Nova group's own production. The compensation volume in Q1 2024 was 0.7 thousand barrels of oil equivalent per day net from Pandion Energy.

A rig to drill a fourth water injector well at Nova in the second half of 2024 has been secured. In addition, an additional perforation of water injector W-1 AH is planned in the second quarter of 2024. These two measures will further increase injectivity at the field and are expected to increase oil production.

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

Operational review

Exploration and evaluation activities

In January 2024, the company 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 located in the northern North Sea.

Other activities

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

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Interim financial statements

Statement of income

(USD`000)	Note	Q1 2024	Q1 2023	Restated 2023
Revenues		54 484	50 823	223 385
Other income		309	880	550
Total revenues and income	1	**54 793**	**51 703**	**223 935**
Operating expenses	2	(7 844)	(13 951)	(41 246)
Depreciation, amortisation and net impairment losses	3,4,5	(16 893)	(14 427)	(98 363)
Exploration expenses	2	(1 225)	(1 181)	(6 629)
Total expenses		**(25 962)**	**(29 560)**	**(146 239)**
Profit from operating activities		**28 830**	**22 143**	**77 695**
Interest income		174	99	2 002
Interest expenses		(3 558)	(5 249)	(18 996)
Other financial expenses		(2 238)	(5 567)	(10 556)
Net financial items	6	**(5 622)**	**(10 717)**	**(27 550)**
Profit before income tax		**23 208**	**11 426**	**50 145**
Income tax	7	(28 633)	(22 875)	(88 009)
Net profit (loss)		**(5 425)**	**(11 449)**	**(37 864)**

Statement of financial position

Assets

(USD`000)	Note	31.03.2024	Restated 31.12.2023
Goodwill	4,5	26 638	26 638
Intangible assets	4,5	89 337	85 230
Property, plant and equipment	3,5	621 311	624 637
Prepayments and financial receivables		112	119
Right-of-use assets		1 282	775
Total non-current assets		**738 680**	**737 398**
Inventories		9 022	7 881
Trade and other receivables	8	49 102	39 528
Financial assets at fair value through profit or loss		-	1 507
Cash and cash equivalents		23 651	30 428
Total current assets		**81 775**	**79 344**
Total assets		**820 455**	**816 742**

Interim financial statements

Statement of financial position

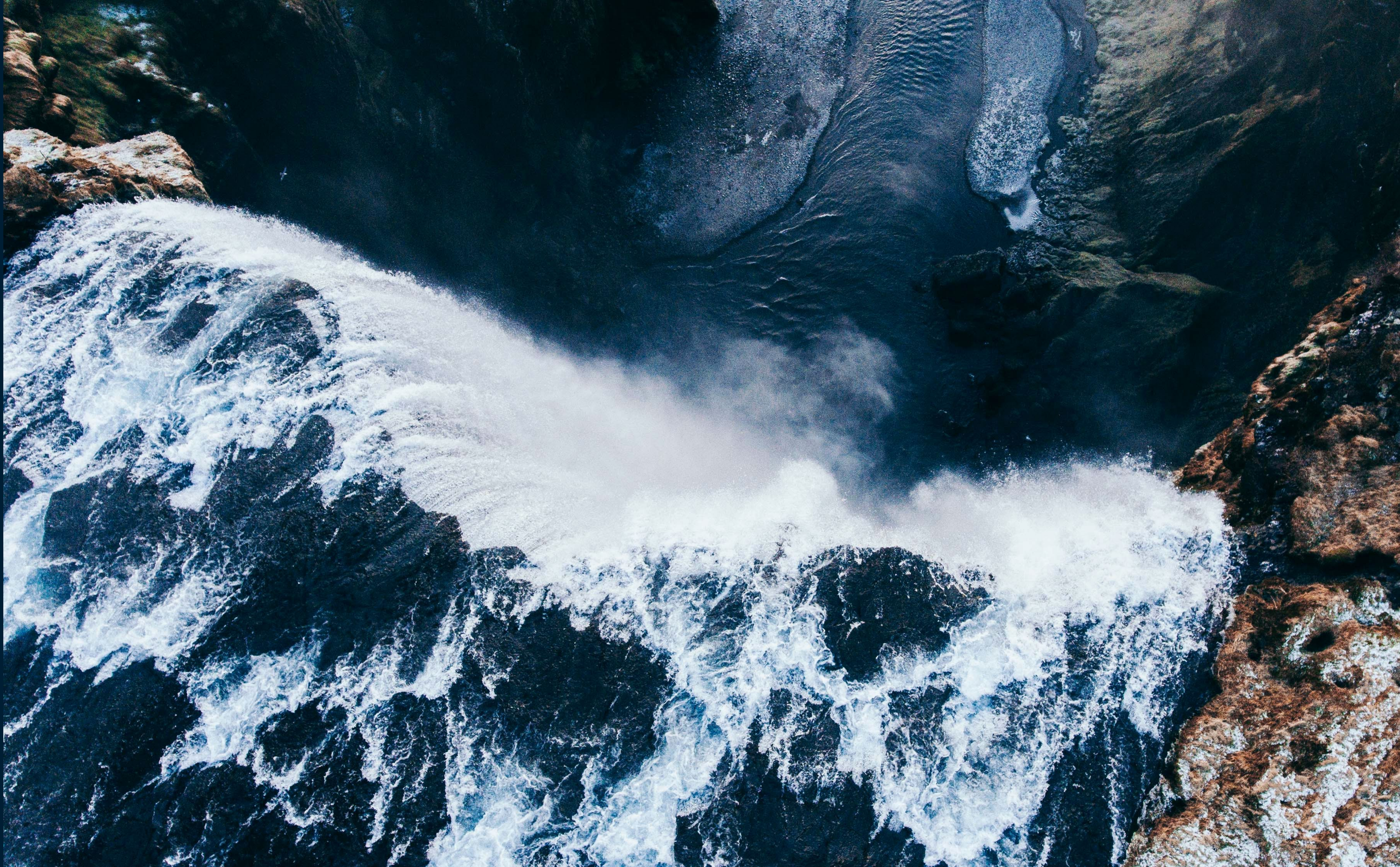
Equity and liabilities

(USD`000)	Note	31.03.2024	Restated 31.12.2023
Share capital		13 591	13 591
Other paid-in capital		100 640	100 640
Other equity		(14 188)	(8 763)
Total equity	9	**100 043**	**105 467**
Deferred tax liability		312 555	293 203
Asset retirement obligations	10	216 576	216 803
Borrowings	11	106 817	106 619
Tax payable		9 281	-
Long term lease debt		970	530
Long term provision	12	-	2 189
Total non-current liabilities		**646 199**	**619 344**
Asset retirement obligations - short term	10	18 022	22 778
Trade, other payables and provisions	12	44 196	47 415
Tax Payable - short term	7	11 065	21 189
Financial liabilities at fair value through profit or loss		770	363
Short term lease debt		161	185
Total current liabilities		**74 213**	**91 931**
Total liabilities		**720 413**	**711 275**
Total equity and liabilities		**820 455**	**816 742**

Statement of cash flows

(USD`000)	Note	Q1 2024	Q1 2023	Restated 2023
Income before tax		23 208	11 426	50 145
Depreciation, amortisation and net impairment losses	3	16 893	14 440	98 436
Expensed capitalised exploration expenses	4	55	83	2 463
Accretion of asset removal liability	6,10	2 144	1 868	7 111
(Increase) decrease in value of operational financial asset		214	(182)	(414)
Net financial expenses	6	3 478	8 849	20 439
Interest and fees paid		(1 214)	(2 547)	(16 102)
(Increase) decrease in working capital		(23 654)	(21 494)	(14 910)
Net income tax received (paid)		(3 020)	-	47 554
Net cash flow from operating activities		**18 105**	**12 442**	**194 723**
Payment for removal and decommissioning of oil fields	10	(7 129)	(3 310)	(17 421)
Investments in furniture, fixtures and office machines	3	-	-	(138)
Investments in oil and gas assets	3	(13 590)	(12 744)	(60 078)
Investments in exploration and evaluation assets	4	(4 162)	(2 946)	(24 355)
Net cash flow from investing activities		**(24 881)**	**(19 000)**	**(101 992)**
Proceeds from borrowings		-	-	-
Repayments of borrowings		-	-	(83 500)
Net cash flow from financing activities		**-**	**-**	**(83 500)**
Net change in cash and cash equivalents		**(6 776)**	**(6 557)**	**9 231**
Cash and cash equivalents at the beginning of the period		30 428	21 197	21 197
Cash and cash equivalents at the end of the period		23 651	14 639	30 428

Notes to the interim financial statements



Note 1

Segment information and disaggregation of revenue

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

The company's revenue is disaggregated as follows:

Revenues	**Q1 2024**	**Q1 2023**	**2023**
(USD`000)			
Oil	51 380	41 057	197 795
Gas	3 076	7 692	21 259
NGL	29	2 074	4 330
Total revenues	**54 484**	**50 823**	**223 385**

Other income	**Q1 2024**	**Q1 2023**	**2023**
(USD`000)			
Realised gain/(loss) on oil derivates	(107)	(216)	(1 016)
Unrealised gain/(loss) on oil derivates	(264)	106	423
Other*	680	990	1 143
Total other income	**309**	**880**	**550**

*Other mainly comprises expected insurance settlement and change in estimate of contingent considerations

Note 2

Exploration and operating expenses

The company’s operating and exploration expenses are disaggregated as follows:

	QUARTERLY		FULL YEAR
Operating expenses	**Q1 2024**	**Q1 2023**	**2023**
(USD`000)			
Production cost	6 712	9 038	30 716
Tariff and transportation cost	1 685	3 688	10 593
Other cost	1 627	1 151	5 111
Operating expenses based on produced volumes	**10 024**	**13 877**	**46 421**
Adjustment for over/underlift (-)	(1 422)	75	586
Change in value of deferral settlements	(759)	-	(5 760)
Operating expenses based on sold volumes	**7 844**	**13 951**	**41 246**
Total produced volumes (boe ‘000)	747	724	3 031
Production costs per boe produced (USD/boe)	9	12	10
Operating expenses per boe produced (USD/boe)	13	19	15

Exploration expenses	**Q1 2024**	**Q1 2023**	**2023**
(USD`000)			
Expensed cost, seismic and studies	-	-	140
Expensed cost, general and administrative	1 171	1 099	4 026
Expensed exploration expenditures previously capitalised	55	83	2 463
Total exploration expenses	**1 225**	**1 181**	**6 629**

Note 3

Property, plant and equipment

(USD`000)	**Oil and gas assets**	**Tools and equipment***	**Total**
Cost at 1 January 2023	683 257	315	683 573
Additions	46 363	138	46 363
Asset removal obligation - new or increased provisions	2 618	-	2 618
Asset removal obligation - change of estimate	42 932	-	42 932
Asset removal obligation - change in accounting policy**	41 751	-	41 751
Cost at 31 December 2023 (restated)	816 922	453	817 375
		-	
Accumulated depreciation and impairments 1 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 (restated)	**624 482**	**155**	**624 637**
Cost at 1 January 2024	816 922	453	817 375
Additions	13 590	-	13 590
Cost at 31 March 2024	830 513	453	830 966
Accumulated depreciation and impairments 1 January 2024	(192 441)	(298)	(192 739)
Depreciation	(16 893)	(22)	(16 916)
Accumulated depreciation and impairments 31 March 2024	(209 334)	(320)	(209 654)
Carrying amount at 31 March 2024	**621 179**	**133**	**621 312**
Estimated useful lives (years)	UoP	3-10	

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

** Reference is made to the description of change in the accounting principle for abandonment provision. Following the change in accounting principle, the comparative figures have been restated accordingly.

Note 4
Intangible assets

(USD`000)	Technical Goodwill	Exploration and evaluation assets	Total
Cost at 1 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 at 1 January 2023	(61 647)	(51 300)	(112 947)
Expensed exploration expenditures previously capitalised	-	(2 463)	(2 463)
Impairment - change in accounting policy *	(36 500)	-	(36 500)
Accumulated depreciation and impairments 31 December 2023	(98 147)	(53 763)	(151 910)
Carrying amount at 31 December 2023 (restated)	**26 638**	**85 230**	**111 868**
Cost at 1 January 2024	124 785	138 993	263 778
Capitalised licence costs	-	4 162	4 162
Cost at 31 March 2024	124 785	143 155	267 940
Accumulated depreciation and impairments 1 January 2024	(98 147)	(53 763)	(151 910)
Expensed exploration expenditures previously capitalised	-	(55)	(55)
Accumulated depreciation and impairments 31 March 2024	(98 147)	(53 818)	(151 964)
Carrying amount at 31 March 2024	**26 638**	**89 337**	**115 976**

* Reference is made to the description of change in the accounting principle for abandonment provision. See also note 5

Note 5
Impairments

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

Following the change in principle regarding the discount rate that is used for calculating the value of the abandonment provisions, the company has recognised an impairment of technical goodwill related to the Valhall and Hod fields in restated numbers for Q4 2023 amounting to USD 36.5 MUSD.

In Q1 2024, two categories of impairment tests have been performed:

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

No further impairments of oil and gas assets and related intangible assets or technical goodwill were recognised in Q1 2024, mainly due to the increase in forward curves oil prices compared to 31 December 2023. The long-term assumptions for oil and gas prices, currency rates, WACC and inflation rate are unchanged from 31 December 2023. The remaining technical goodwill at 31 March 2024 amounts to USD 26.6 million.

Note 6
Financial items

(USD`000)	**Q1 2024**	**Q1 2023**	**2023**
Interest income	174	99	2 002
Total interest income	**174**	**99**	**2 002**
Interest expenses	(3 114)	(4 380)	(17 242)
Interest on lease debt	(160)	(20)	(80)
Capitalised interest cost, development projects	(48)	43	121
Amortised loan costs	(236)	(892)	(1 795)
Total interest expenses	**(3 558)**	**(5 249)**	**(18 996)**
Net foreign exchange losses	1 386	(2 539)	(4 467)
Foreign exchange gains/losses on derivative financial instruments	(1 432)	(1 043)	1 143
Accretion expenses	(2 144)	(1 868)	(7 111)
Other financial expenses	(48)	(117)	(121)
Total other financial expenses	**(2 238)**	**(5 567)**	**(10 556)**
Net financial items	**(5 622)**	**(10 717)**	**(27 550)**

Note 7
Taxes

Income tax for Q1 2024 is estimated at USD 28.6 million, compared to USD 22.9 million in Q1 2023. The effective tax rate in Q1 2024 was 123% compared to 200% in Q1 2023. The difference from the statutory tax rate of 78% is mainly related to currency movements of the tax balances due to fluctuations in the exchange rate between NOK and USD, and financial items with lower tax rate.

Note 8

Trade and other receivables

(USD`000)	**31.03.2024**	**31.12.2023**
Trade receivables	22 837	13 536
Accrued income from sale of petroleum products	5 963	9 387
Value deferral settlements	5 222	4 463
Other receivables, mainly balances with licence operators	15 080	12 141
Trade and other receivables	**49 102**	**39 528**

Note 9
Equity and Shareholders

(USD`000)	**Share Capital**	**Other paid-in capital**	**Retained earnings**	**Total equity**
Shareholders' equity at 1 January 2023	**13 591**	**100 640**	**29 103**	**143 333**
Restated net profit (loss) for the period*	-	-	(37 864)	**(37 864)**
Shareholders' equity at 31 December 2023 after restatement	**13 591**	**100 640**	**(8 761)**	**105 467**
Net profit (loss) for the period	-	-	(5 425)	**(5 425)**
Shareholders' equity at 31 March 2024	**13 591**	**100 640**	**(14 187)**	**100 043**

* Relates to changes in accounting principle, following the change in principle regarding the discount rate that is used for calculating the value of the abandonment provisions, see page 5.

Share capital of NOK 9,119,212.94 comprised 911,921,294 of shares at a nominal value of NOK 0.01. Pandion Energy Holding AS owns all 911,921,294 shares as at 31 March 2024.

Note 10

Asset retirement obligations (ARO)

(USD`000)	
Asset retirement obligations at 1 January 2023	**162 591**
New or increased provisions	2 618
Asset removal obligation - change of estimate	42 932
Incurred removal cost	(17 421)
Effect of change in the accounting policy	41 751
Accretion expenses	7 111
Asset retirement obligations at 31 December 2023 (restated)	**239 582**
Incurred removal cost	(7 129)
Accretion expenses	2 144
Asset retirement obligations at 31 March 2024	**234 598**
Non-current portion 31 March 2024	216 576
Current portion 31 March 2024	18 022

Reference is made to the description of change in the accounting principle for abandonment provision. Following the change in accounting principle, the comparative figures have been restated accordingly. The calculations for 2023 and Q1 2024 assume an inflation rate of 2.0 per cent and a nominal discount rate before tax (risk-free) of 4.0 per cent.

Note 11
Borrowings

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 31 March 2024	USD	75 000	9.75%	June 2026	74 245
At 31 December 2023	USD	75 000	9.75%	June 2026	74 132

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

The financial covenants are as follows:

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

Note 11

Borrowings cont.

Reserve base lending facility agreement (RBL)

(USD'000)	Facility currency	Utilised amount	Undrawn facility*)	Interest	Maturity	Carrying amount
At 31 March 2024	USD	33 000	167 000	SOFR + 3.5%	April 2029	31 572
At 31 December 2023	USD	33 000	167 000	SOFR + 3.5%	April 2029	31 486

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

The financial covenants are as follows:

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

*) Calculated out of facility size of USD 200 million. Credit approved borrowing base as of 31 March 2024 is USD 98 million.

Note 11

Borrowings cont.

Non-current liabilities to related parties

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

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

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

Maturity profile on total borrowings based on contractual undiscounted cash flows

(USD`000)	**31.03.2024**	**31.12.2023**
Less than 12 months	-	-
1 to 5 years *)	109 000	109 000
Over 5 years	-	-
Total	**109 000**	**109 000**

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

Note 12

Trade, other payables and provisions

(USD`000)	**31.03.2024**	**31.12.2023**
Trade payables	7 562	1 107
Share of payables in licences	18 176	23 279
Overlift of petroleum	1 418	1 637
Other non-trade payables, accrued expenses and provisions*	17 041	21 392
Trade, other payables and provisions	**44 196**	**47 415**

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

Note 13
Other commitments and contingencies

The company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is estimated 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 14
Subsequent events

The company has evaluated subsequent events through the filing of the quarterly report. There have been no such events requiring recognition or disclosures in the financial statements.

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, amortization, impairment and exploration expenses
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