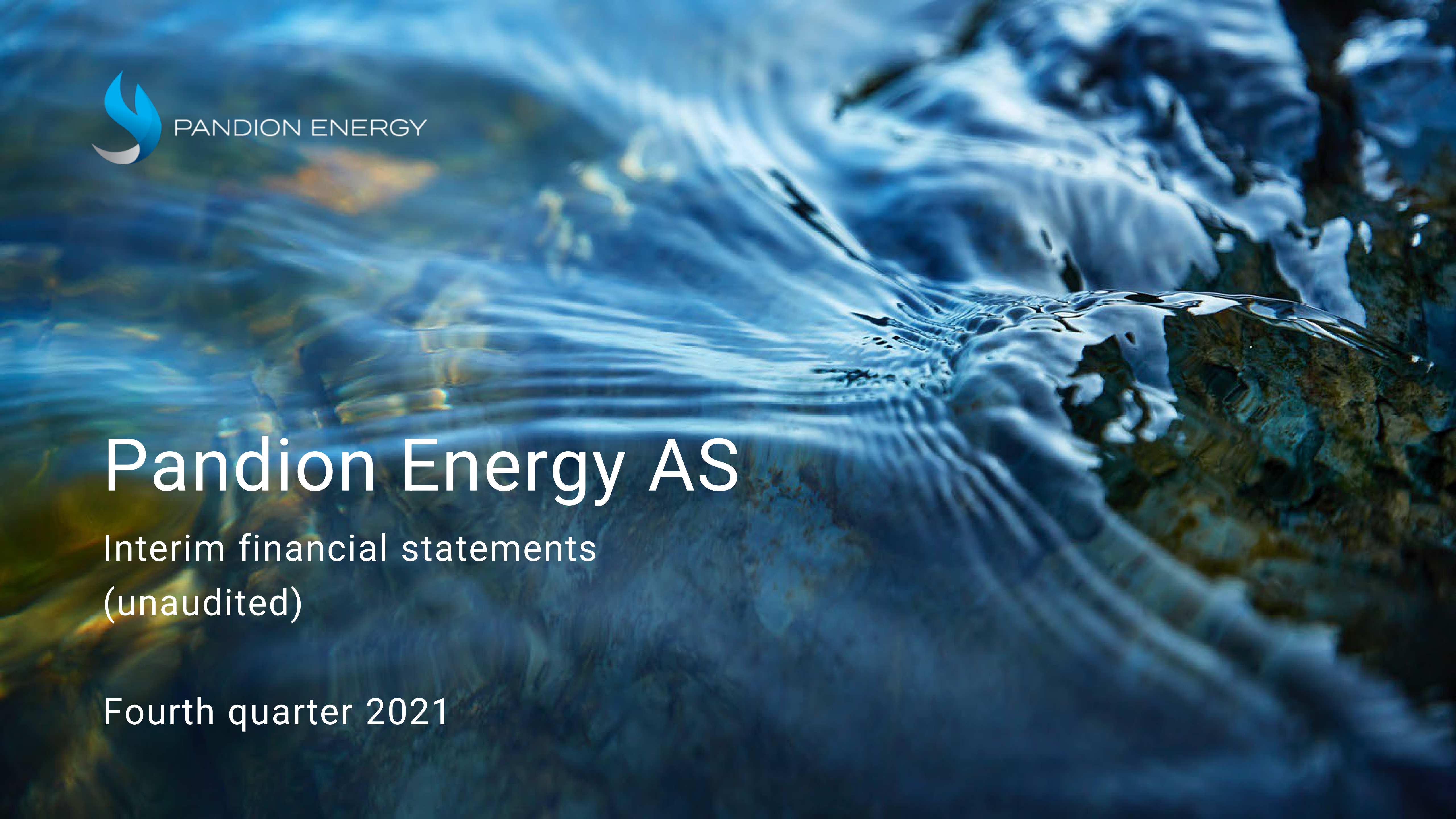

PANDION ENERGY

Pandion Energy AS

Interim financial statements (unaudited)

Fourth quarter 2021

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Content

04 **Introduction**
General information
Accounting principles

06 **Summary of the quarter**
Financial review
Hedging
Operational review
Other activities

12 **Interim financial statements (unaudited)**
Statement of income
Statement of comprehensive income
Statement of financial position
Statement of cash flows

18 **Notes to the interim financial statements**
Notes 1 – 12

33 **Alternative performance measures**

Introduction

General information

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

- The revolving exploration finance facility agreement dated 13 November 2017
- The borrowing base facility agreement dated 9 April 2018
- Bond terms for senior unsecured bond dated 3 April 2018

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

Accounting principles

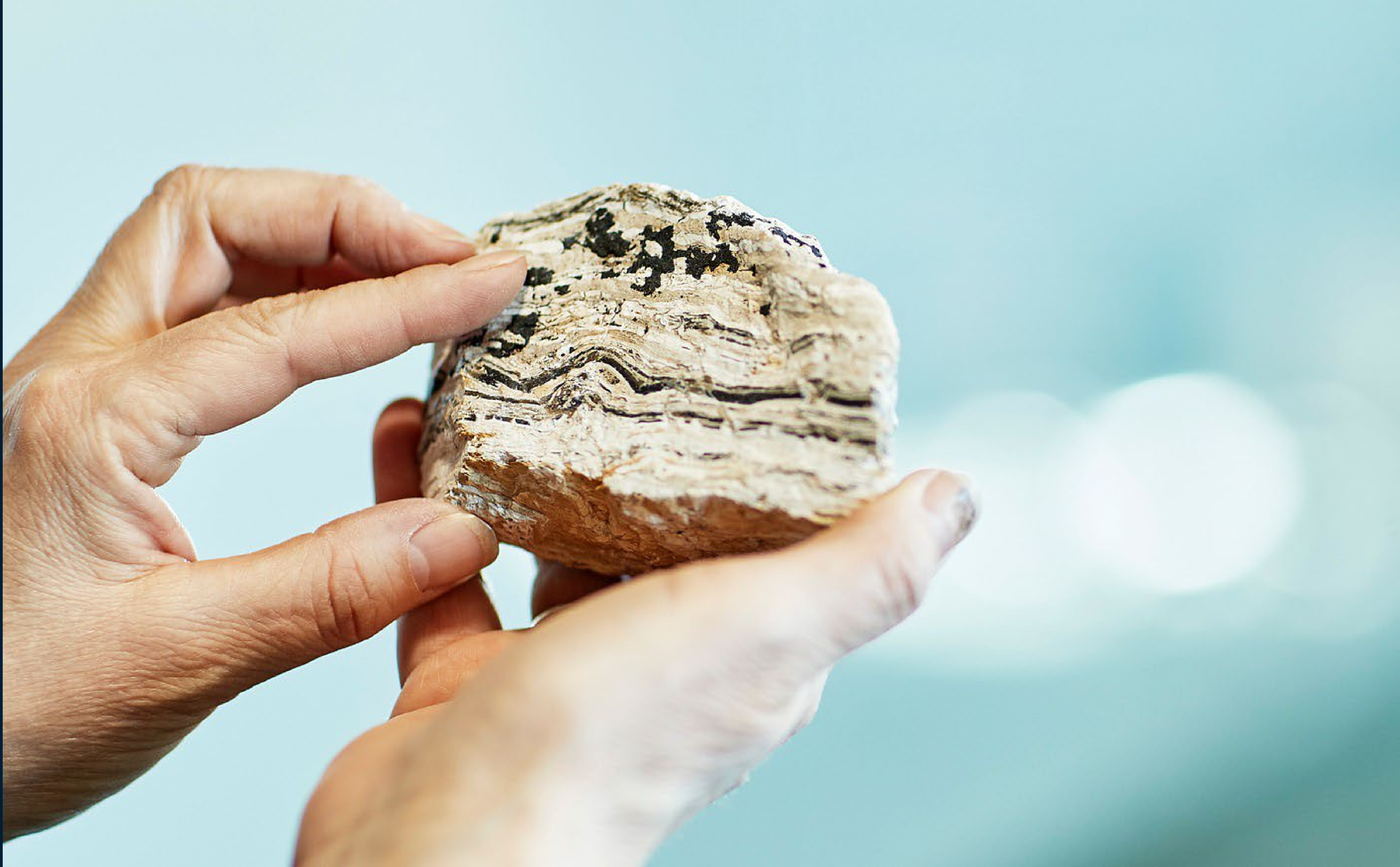
These interim financial statements have been prepared on the basis of simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014, thus the interim financial statements do not include all information required by simplified IFRS and should be read in conjunction with financial statements of the company for the period ending 31 December 2020.

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 ended 31 December 2020.

For further detailed information on accounting principles, please refer to the financial statements for 2020.

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

Total revenues was USD 42.3 (14.0 in Q4 20) million, mainly related to sale of hydrocarbons from the Valhall and Hod fields. The increased revenue was impacted by higher commodity prices with an average realised oil price before hedging of USD 80.6 (USD 45.5 in Q4 2020) per bbl combined with higher oil volume sold (436 kboe in Q4 2021 compared to 274 in Q4 2020).

EBITDAX amounted to USD 33.7 million (11.6 in Q4 2020) with the increase compared to Q4 2020 mainly driven by higher revenues. Profit from operating activities was USD -12.2 million (-31.8 in Q4 2020) driven by higher exploration expenses offsetting the effect of increased revenues. Higher exploration expenses in Q4 2021 compared to Q4 2020 are mainly explained by write-down of previously capitalised exploration expenditures related to downward adjustment of the resource estimate in PL 820 S Iving discovery, and relinquishment decision in relation to licences PL 1047 and PL 1062.

The operating expenses including production expenses, inventory movements and tariff and transportation expenses amounted to USD 8.7 (2.5 in Q4 2020) million. The increase from the comparative period previous year is mainly explained by higher sales quantities.

Investments in fixed assets during Q4 amounted to USD 25.8 million driven by investments in the Valhall & Hod fields, mainly Hod Development project and stimulation and intervention activities on Valhall.

The company’s interest-bearing debt was USD 135.8 million at the end of the fourth quarter, down from USD 171.1 million at the end of the third quarter of 2021.

Financial review

Pandion Energy has a robust and diversified capital structure made up of committed equity and a debt financing pack. USD 190 million has been committed from Kerogen, of which USD 109 million has been injected as of 31 December 2021 in addition to injected capital from the Pandion Energy team.

The current debt financing package includes a Reserve Based Lending Facility of USD 150 million (the “RBL facility”), and a senior Unsecured Bond Loan of NOK 400 million (the “Unsecured Bond). The current borrowing base in the RBL facility is USD 150 million. The company has also extended the Exploration Finance facility (“EFF”) of NOK 400 million by one year. The EFF can be drawn until 31.12.2022 with repayment in Q4 2023.

The company has a low leverage versus EBITDAX and is in a strong financial position.

The arrangement with negative tax instalment means that the refund of the tax value of losses incurred in 2020 and 2021 will be refunded in advance of the tax assessment on a running basis through the instalment tax regime, and provide the company with a significant liquidity boost and unique investment conditions. During the fourth quarter of 2021 Pandion Energy received refunds from tax instalments of net amount of USD 5.8 million.

Exploration

In July 2021, The drilling of appraisal wells on the Iving oil and gas discovery (PL 820S) were concluded. The results showed that the appraisal wells would lead to a downward adjustment of the resource estimate. The feasibility of a commercial discovery has been evaluated, and the project has now been assessed as non-commercial. The capitalised costs in the licence have been expensed.

Hedging

In order to reduce the risk related to oil price fluctuations, the company has established an oil price hedging programme. At the end of December 2021, Pandion Energy had put in place a hedging programme until end of 2022. The hedging program is based on a combination of put options and collar structures.

At the end of December, 54% of after tax (15% of pre tax) crude oil production volumes has been hedged up to the end of 2022 at an average floor price of 47.6 USD/bbl (USD 44.6/bbl net of costs). Additional positions may be added to the program going forward, however, the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

Current hedging positions is sufficient to cover the current hedging requirements in the RBL agreement.

The company has recognised a realised loss from hedging in Q4 2021 presented as other income, the loss amounted to USD 1.6 million.

Operational review

Valhall and Hod fields

Production from Valhall was 5.1 thousand barrels of oil equivalents per day net to Pandion, an increase of 11 percent from the previous quarter driven by higher production efficiency.

The Hod field development and integration activities between Hod B and the Valhall field centre progressed according to plan, and the subsea installation activities commenced in the fourth quarter. Production start from Hod was originally planned for first quarter 2022 but is now expected to be in second quarter due to late arrival of an installation vessel. The jack-up rig Maersk Invincible completed drilling of four wells in the quarter, while the two final wells in the six-well program will be drilled in the first quarter 2022. Meanwhile, the Hod A plug and abandonment (P&A) project, which covers permanent P&A of eight wells, passed decision gate 2 (DG2), and a final investment decision is expected in the second quarter.

During the fourth quarter, a final investment decision was taken on an additional infill well on Valhall Flank West. The well will be drilled by the Maersk Invincible jack-up rig after finishing the six-well program at the Hod field development. The Maersk Reacher rig continued to support stimulation and intervention activity, bringing more wells up to their full production potential.

The Sulfate Removal Unit (SRU) reached the final investment decision in the fourth quarter. The objective of the SRU project is to provide high-quality injection water for Valhall, substantially reducing issues related to hydrogen sulphide and scaling. The project will have a positive effect on work environment, chemicals consumption (opex) and shut-in of production wells. Completion of the project is scheduled for the second quarter 2024.

Operational review continued

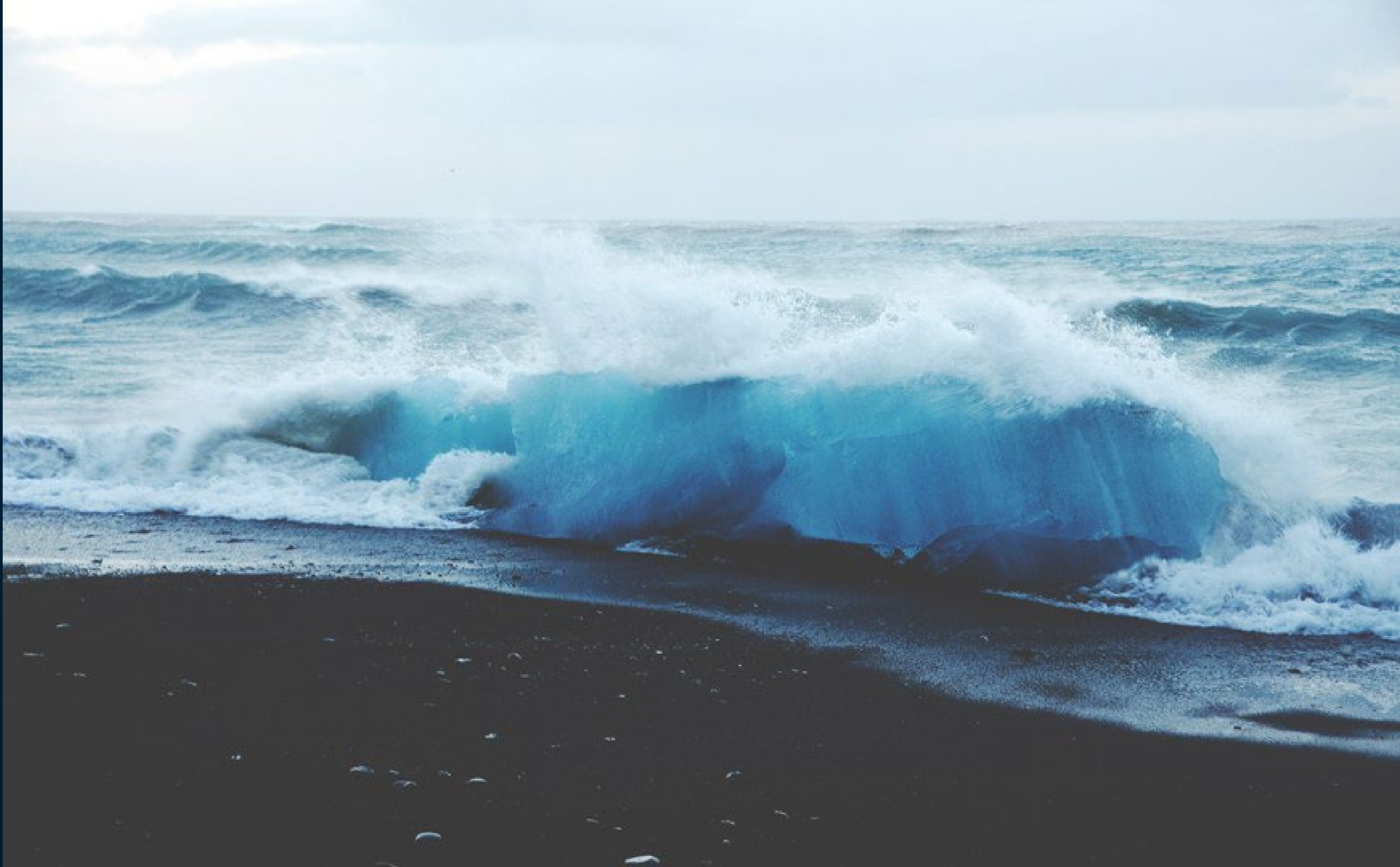
Finally, the joint Valhall NCP & King Lear project passed DG2 in the fourth quarter and has entered the project maturing phase. The concept consists of a new process and wellhead platform (NCP) which will have a bridge connection to the Valhall field centre, located approximately 50 km from the field centre. The project will be connected to the existing power from shore solution at Valhall, resulting in close to zero emissions from operations.

The project will add new slots for further development of the Valhall area and the concept also includes considerable modification work on the Valhall field centre to facilitate recovery of additional barrels. The project is progressing towards a final investment decision in fourth quarter 2022, in time to be covered by the temporary tax scheme. First oil is scheduled for 2027.

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).

Interim financial statements



Statement of income

QUARTERLY				FULL YEAR	
Q4 2021	**Q4 2020**	(USD`000)	**Note**	**2021**	**2020**
42 485	15 273	Revenues	8	137 939	76 675
-	-	Gains from sale of assets		-	35 341
(174)	(1 281)	Other income	8	(2 016)	4 554
42 311	**13 992**	**Total revenues and income**		**135 922**	**116 570**
(8 721)	(2 523)	Operating expenses		(35 137)	(27 436)
(11 829)	(38 179)	Depreciation, amortisation and net impairment losses	1,3	(32 521)	(90 941)
(33 921)	(5 050)	Exploration expenses	2	(44 731)	(20 878)
(54 471)	**(45 752)**	**Total expenses**		**(112 390)**	**(139 255)**
(12 160)	**(31 760)**	**Profit (loss) from operating activities**		**23 533**	**(22 685)**
(3 339)	(3 022)	Net financial items	7	(16 917)	(16 159)
(15 499)	**(34 782)**	**Profit (loss) before taxes**		**6 616**	**(38 844)**
14 410	18 399	Income tax		(1 321)	29 411
(1 089)	**(16 383)**	**Net income (loss)**		**5 295**	**(9 433)**

Statement of comprehensive income

QUARTERLY				FULL YEAR	
Q4 2021	**Q4 2020**	(USD`000)	**Note**	**2021**	**2020**
(1 089)	(16 383)	Net income		5 295	(9 433)
		Items that may be subsequently reclassified to the Statement of income			
(372)	1 370	Net gain/losses arising from hedges recognised in OCI		(1 332)	(644)
649	(904)	Net amount reclassified to profit and loss		3 393	603
(61)	(103)	Tax on items recognised over OCI		(453)	9
216	363	Other comprehensive income		1 607	(32)
(873)	**(16 020)**	**Total comprehensive income**		**6 902**	**(9 465)**

Statement of financial position

Assets

(USD`000)	Note	31.12.2021	31.12.2020
Goodwill	2,3	63 138	63 138
Intangible assets	2,3	42 933	57 984
Property, plant and equipment	1,3	428 526	345 298
Prepayments and financial receivables		136	140
Right-of-use assets	9	506	731
Total non-current assets		**535 239**	**467 291**
Inventories		8 394	9 376
Trade and other receivables		20 670	13 805
Financial assets at fair value through profit or loss		222	2 451
Tax receivable - short term	10	28 501	56 891
Cash and cash equivalents		21 839	16 846
Total current assets		**79 624**	**99 369**
Total assets		**614 864**	**566 660**

Statement of financial position

Equity and liabilities

(USD`000)	Note	31.12.2021	31.12.2020
Share capital		11 110	114 230
Other paid-in capital		103 120	-
Other equity		18 966	12 064
Total equity	4	**133 196**	**126 294**
Deferred tax liability	10	124 431	73 783
Asset retirement obligations	5	181 362	160 936
Borrowings	6	44 889	127 501
Hedging derivatives		-	8 793
Long term lease debt	9	264	555
Total non-current liabilities		**350 946**	**371 569**
Asset retirement obligations - short term	5	10 099	12 737
Trade, other payables and provisions		27 478	31 024
Borrowings - short term	6	84 602	24 168
Hedging derivatives		7 835	-
Financial liabilities at fair value through profit or loss		468	653
Short term lease debt	9	240	215
Total current liabilities		**130 722**	**68 798**
Total liabilities		**481 668**	**440 367**
Total equity and liabilities		**614 864**	**566 660**

Statement of cash flows

(USD`000)	Note	FULL YEAR 2021	2020
Income before taxes		6 616	(38 844)
Depreciation, amortisation and net impairment losses	1,3	32 585	91 018
Expensed capitalised exploration expenses	2	38 252	9 574
Accretion of asset removal liability	5,7	6 098	6 176
(Gains) losses on sales of assets		-	(35 341)
Deferred tax liability on sale of assets		-	6 899
(Increase) decrease in value of operational financial assets		(265)	906
Net financial expenses	7	11 819	9 983
Interest and fees paid		(10 127)	(11 420)
(Increase) decrease in working capital		(8 341)	(17 612)
Net income tax received		76 181	50 158
Net cash flow from operating activities		**151 817**	**71 498**
Payment for removal and decommissioning of oil fields	5	(20 121)	(16 737)
Capital expenditures and investments in furniture, fixtures and office machines	1	(45)	(18)
Capital expenditures and investments in oil and gas assets	1	(80 140)	(62 995)
Capital expenditures and investments in exploration and evaluation assets	2	(27 018)	(30 482)
Cash flow from divestments		-	59 428
Net cash flow from investing activities		**(127 325)**	**(50 805)**
Increase interest bearing obligations, loans and borrowing		28 463	42 676
Decrease interest bearing obligations, loans and borrowing		(47 963)	(93 818)
Proceeds from capital distribution		-	738
Net cash flow from financing activities		**(19 500)**	**(50 404)**
Net change in cash and cash equivalents		4 993	(29 711)
Cash and cash equivalents at the beginning of the period		**16 846**	**46 557**
Cash and cash equivalents at the end of the period		**21 839**	**16 846**

Notes to the interim financial statements

Note 1

Property, plant and equipment

(USD`000)	Oil and gas assets	Tools and equipment*	Total
Carrying amount at 1 January 2020	**285 441**	**152**	**285 594**
Additions	62 995	18	63 013
Disposals	-	(20)	(20)
Asset removal obligation - new or increased provisions	6 486	-	6 486
Asset removal obligation - change of estimate	4 139	-	4 139
Transfers from intangible assets	15 457	-	15 457
Depreciation	(29 294)	(76)	(29 371)
Carrying amount at 31 December 2020	**345 224**	**74**	**345 298**
Additions	80 140	45	80 185
Asset removal obligation - new or increased provisions	14 016	-	14 016
Asset removal obligation - change of estimate	17 795	-	17 795
Transfers from intangible assets	3 817	-	3 817
Depreciation	(32 521)	(63)	(32 585)
Carrying amount at 31 December 2021	**428 471**	**55**	**428 527**
Estimated useful lives (years)	UoP	3-10	

Production plants oil and gas are depreciated according to unit of production method (UoP).

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

Note 2
Intangible assets

(USD`000)	Goodwill	Exploration and evaluation assets	Total
Carrying amount at 1 January 2020	**124 785**	**52 583**	**177 368**
Acquisition	-	1 251	1 251
Capitalised licence costs	-	30 217	30 217
Expensed exploration expenditures previously capitalised	-	(9 574)	(9 574)
Impairment	(61 647)	-	(61 647)
Disposals	-	(1 036)	(1 036)
Transfers to tangible assets	-	(15 457)	(15 457)
Carrying amount at 31 December 2020	**63 138**	**57 984**	**121 122**
Acquisition	-	6 926	6 926
Capitalised licence costs	-	20 092	20 092
Expensed exploration expenditures previously capitalised	-	(38 252)	(38 252)
Transfers to tangible assets	-	(3 817)	(3 817)
Carrying amount at 31 December 2021	**63 138**	**42 933**	**106 071**

The amount of Goodwill is entirely related to the acquisition of interest in the Valhall and Hod oil fields.

Expensed exploration expenditures in 2021 were related to dry well in PL 617 (Eidsvoll), downward adjustment of the resource estimate in PL 820 S Iving discovery, and relinquishment decision in relation to licences PL 1047 and PL 1062.

Note 3
Impairments

The remaining goodwill as at 31 December 2021 amounted to USD 63.1 million and consists of technical goodwill related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base by purchase of Valhall & Hod fields. Prior period impairment of goodwill is not subject to reversal.

Technical goodwill is tested for impairment separately for Valhall & Hod fields which gave rise to the technical goodwill. The carrying value of Valhall & Hod fields consists of the carrying values of the oil field assets plus associated technical goodwill. When deferred tax liabilities from the acquisitions decreases as a result of depreciation, more technical goodwill as a result is exposed for impairment.

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

In Q4 2021, two categories of impairment tests have been performed:

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

In the assessment of whether an impairment is required at 31 December 2021, Pandion Energy has used a combination of Brent forward curve from the beginning of 2022 to the end of 2023, a mean of market participant view from 2024 to 2027 and a 2% inflation of the 2027 market participant view from 2028 and onwards, a future cost inflation rate of 2% per annum and a discount rate of 8% to calculate the future post tax cash flows.

Following the increased oil price environment during 2021, no impairment indicators have been identified at the end of 2021 and the company has not recognised any impairment in 2021.

Note 4
Equity and Shareholders

(USD`000)	Share Capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 1 January 2020	**113 491**	**-**	**(3 446)**	**24 975**	**135 021**
Share capital increase	738	-	-	-	**738**
Net income (loss) for the period	-	-	-	(9 433)	**(9 433)**
Other comprehensive income (loss) for the period	-	-	(32)	-	**(32)**
Shareholders' equity at 31 December 2020	**114 230**	**-**	**(3 478)**	**15 542**	**126 294**
Share capital decrease – unregistered	(103 120)	103 120	-	-	-
Net income for the period	-	-	-	5 295	**5 295**
Other comprehensive income for the period	-	-	1 607	-	**1 607**
Shareholders' equity at 31 December 2021	**11 110**	**103 120**	**(1 871)**	**20 837**	**133 196**

Share capital of NOK 918,578,319.45 comprised 911,921,294 of shares at a nominal value of NOK 1.0073. The company's share capital was decreased by NOK 909,459,106.51 to NOK 9 119 212.94 on 3 November 2021, carried out by reduction of the par value of the company's shares. The share capital decrease shall be used as allocation to funds. The finalisation of the decrease is pending expiry of creditor notice period as at 31.12.2021.

Pandion Energy Holding AS owns all 911,921,294 shares as at 31 December 2021. The company is included in the consolidated financial statements of the parent company Pandion Energy Holding AS.

A Subscription and Investment Agreement between Pandion Energy Holding and Kerogen has been executed for USD 190 million in equity, of which USD 109 million has been injected as of 31 December 2021 in addition to capital from the Pandion Energy team.

The capital of USD 190 million is committed to Pandion Energy Holding AS and can be drawn upon approval of the Board of company. Kerogen has further a right, however not an obligation to provide additional funds in an amount up to USD 110 million, resulting in an aggregate funding up to USD 300 million.

Note 5

Asset retirement obligations

(USD`000)	
Asset retirement obligations at 1 January 2020	**173 609**
New or increased provisions	6 486
Asset removal obligation - change of estimate	4 139
Amounts charged against asset retirement obligations	(16 737)
Accretion expenses	6 176
Asset retirement obligations at 31 December 2020	**173 673**
New or increased provisions	14 016
Asset removal obligation - change of estimate	17 795
Amounts charged against asset retirement obligations	(20 121)
Accretion expenses	6 098
Asset retirement obligations at 31 December 2021	**191 461**
Non-current portion 31 December 2021	181 362
Current portion 31 December 2021	10 099

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 4.0 per cent.

During 2021, the ARO liability have increased by USD 17.8 million. ARO provisions have increased by USD 14.0 million related to new wells and installation of the new Hod B platform. Asset removal obligation assumption has further increased by USD 17.8 million due to increased service rate assumed on P&A activities and increased cost of WP removal. The cost of WP has increased after a third party feasibility study and the fact that it has a close proximity to the IP platform which shall not be removed at the same time. The increased liability was partly offset by removal cost of USD 20.1 million in 2021. The accretion of ARO increased the liability with USD 6.1 million.

Note 6
Borrowings

Revolving exploration loan facility

(USD'000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 31 December 2021	NOK	19 276	0	NIBOR + 1.75 %	Dec 2022	19 174
At 31 December 2020	NOK	24 529	22 350	NIBOR + 1.75 %	Dec 2021	24 168

The total credit limit for the company at 31 December 2021 was TNOK 400 000.

The company signed a Revolving Exploration Finance Facility Agreement ("EFF") on 13 November 2017 of TNOK 400 000. The facility is made available through the banks SEB and BNP Paribas, with SEB as lead manager. The EFF can be drawn until 31.12.2021 with repayment in Q4 2022.

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 31 December 2021	NOK	49 566	10.61%	April 2023	43 889
At 31 December 2020	NOK	49 566	10.61%	April 2023	45 077

The bond is an unsecured bond of 400 million NOK and runs from April 2018 to April 2023. Utilised amount in USD reflects the exchange rate at the inception date for the bond. The bond has been swapped into USD using a cross currency swap, removing all foreign exchange risk both on coupons and notional. The interest payments have been fixed using an interest rate swap. The fixed all in rate after the swaps is 10.61%. The bond has similar covenants as the RBL facility.

Note 6

Borrowings cont.

Reserve base lending facility agreement (RBL)

(USD'000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 31 December 2021	USD	67 000	83 000	LIBOR + 3.25%	July 2026(1)	65 429
At 31 December 2020	USD	83 500	66 500	LIBOR + 3.50%	July 2026	81 424

The RBL facility was established in 2018 and is a senior secured seven-year facility. In 2019 the RBL lenders approved to postpone the Final Maturity Date from 9 April 2025 to 1 July 2026. The facility is at USD 150 million with an additional uncommitted accordion option of USD 150 million. The interest rate is from 1-6 months LIBOR plus a margin of 3.25%. The margin was reduced from 3.5% to 3.25% per annum due to the Company delivering positive cash flow for a twelve months preceding period to the accounting end date of the second quarter Financial statements. In addition, a commitment fee is paid for unused credits.

(1)The RBL facility is at year end classified as current liabilities due to final maturity date being defined as the earliest of July 2026 and the date falling 6 months prior to the maturity date of the current bond debt. The company intends to refinance the Bond in full prior to fall 2022, but such refinancing will find place after the reporting period and is considered to be a non-adjusting event. The RBL will after refinancing of bond debt in 2022 be again classified as non-current liabilities.

Note 6
Borrowings cont.

Reserve base lending facility agreement (RBL) cont.

The financial covenants are as follows:

- Net debt to EBITDAX not to exceed 3.5x
- Corporate sources to corporate uses applying a ratio of 1.1 to 1 for the next 12 months period
- Corporate sources to corporate uses applying a ratio of 1 to 1 for the period up to estimated first oil of any development assets
- Minimum cash balance of 10 million USD
- Exploration spending after tax on a yearly basis restricted to the higher of 10 million USD and 10% of EBITDAX unless such spending are funded by new cash equity or subordinated shareholder loan.

Note 6
Borrowings cont.

Non-current liabilities to related parties

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

(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 Commitment Fee is subordinated to the rights and claims of all other existing creditors of Pandion Energy.

Maturity profile on total borrowings based on contractual undiscounted cash flows

(USD`000)	31.12.2021	31.12.2020
Less than 12 months	86 276	24 529
1 to 5 years	49 566	49 566
Over 5 years	1 000	84 500
Total	**136 841**	**158 595**

Note 7

Financial items

(USD`000)	QUARTERLY Q4 2021	Q4 2020	FULL YEAR 2021	2020
Net foreign exchange gains (losses)	970	(607)	1 008	(1 590)
Foreign exchange gains/losses on derivative financial instruments	242	1 232	32	2 451
Interest income	2	246	7	314
Amortised loan costs	(379)	(235)	(1 056)	(988)
Accretion expenses	(1 541)	(1 483)	(6 098)	(6 176)
Interest expenses	(2 572)	(2 416)	(10 391)	(11 057)
Other financial items	(61)	242	(420)	266
Net financial items	**(3 339)**	**(3 022)**	**(16 917)**	**(16 779)**

Note 8
Segment information and disaggregation of revenue

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

The company's revenue is disaggregated as follows:

	QUARTERLY		FULL YEAR	
Revenues	**Q4 2021**	**Q4 2020**	**2021**	**2020**
(USD`000)				
Oil	35 138	12 450	117 294	65 312
Gas	7 224	2 757	15 988	9 658
NGL	123	67	4 657	1 705
Total revenues	**42 485**	**15 273**	**137 939**	**76 675**

Other income	**Q4 2021**	**Q4 2020**	**2021**	**2020**
(USD`000)				
Realised gain/(loss) on oil derivates	(1 616)	(712)	(2 202)	4 955
Unrealised gain/(loss) on oil derivates	1 442	41	185	(401)
Total other income	**(174)**	**(671)**	**(2 016)**	**4 554**

Note 9
Leasing and commitments

Pandion Energy has recognised the lease related to office facilities as a lease after IFRS 16. The original contract runs for five years from 2019 and contains a renewal option for another three years. The lease does not contain any restriction on the company's dividend policy or financing.

The company applies exemption for short term leases (12 months or less) and low value leases. Extension options are included when it, based on management's judgement, is reasonably certain to be exercised. The incremental borrowing rate applied in discounting of the nominal lease debt is 7 per cent. Right-of-use assets are depreciated linearly over the lifetime of the lease contract.

Total lease debt at 01.01.2020	**1 253**
(USD`000)	
Remeasurement lease liability	30
New lease debt recognised in the period	12
Derecognition of lease liability	(234)
Lease payments	(383)
Interest expense	63
Currency adjustments	29
Total lease debt 31.12.2020	**770**
Remeasurement lease liability	20
Derecognition of lease liability	(9)
Lease payments	(307)
Interest expense	56
Currency adjustments	(26)
Total lease debt 31.12.2021	**504**

Nominal lease debt maturity break down	**31.12.2021**	**31.12.2020**
(USD `000)		
Within 1 year	279	234
1 to 5 years	279	564
Total	**558**	**798**

Note 9

Leasing and commitments cont.

Pandion Energy is a non-operator and recognises its proportionate share of a lease when Pandion Energy is considered to share the primary responsibility for a licence committed liability. This includes contracts where Pandion has co-signed a lease contract, or contracts for which the operator has been given a legally binding mandate to sign the external lease on behalf of the licence partners. Pandion Energy has assessed the lease contracts in its licences and based on Pandion Energy's judgement no leases have been recognised in the balance sheet as of 31 December 2021.

The company has commitments pertaining to its ownership in partner operated oil and gas fields where the operator has entered into lease agreements for rigs in the licence. For Valhall, the operator has entered into a lease agreement for Maersk Invincible, delivered in May 2017. The contract period is five years, with an additional two years option period.

Commitments partner licences rigs	**31.12.2021**	**31.12.2020**
(USD '000)		
Within 1 year	3 887	7 384
1 to 5 years	0	3 887
Total	**3 887**	**11 272**

Two lease agreements for a rig has been entered into by the operator on behalf of partners in PL 929 and PL 938 licences, to be used for the drilling of the Ofelia an Calypso prospects in 2022. These lease commitments are not included in the above overview.

Note 10

Tax

Certain temporary changes in the Norwegian Petroleum Tax Law were enacted on 19 June 2020. These changes included a temporary ruling for depreciation and uplift, whereas all investments incurred for income years 2020 and 2021 including 24 per cent uplift can be deducted from the basis for special tax in the year of investment. These changes also apply for all investments according to Plans for Development and Operation delivered within 31 December 2022 and approved within 31 December 2023. In addition, the tax value of any losses incurred in 2020 and 2021 will be refunded from the state. The tax effect of the temporary changes is included as of 31.12.2021 and contributes to increase in deferred tax liabilities.

Note 11

Contingent liabilities and assets

The company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is estimated to nominal value of approximately USD 6.6 million. The company has future contractual obligations related to development projects in non operated licences of approximately USD 4.3 million, mainly related to the Hod Development project with first oil expected in Q2 2022.

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

The company was not subject to any legal disputes at 31 December 2021.

Note 12
Subsequent events

In January 2022, Pandion Energy AS was awarded three licences under the 2021 APA (Award in Predefined Areas) licence round on the Norwegian Continental Shelf. The areas awarded include two new licences, where one is planned to be matured alongside PL 891 where the partnership is currently preparing to drill the first appraisal well on the Slagugle discovery made in 2020. One additional acreage in a licence (PL 263) already existing in the portfolio was also awarded.

Alternative performance measures

Pandion Energy may disclose alternative performance measures as part of its financial reporting as a supplement to the interim financial statements prepared in accordance with simplified IFRS and believes that the alternative performance measures provide useful supplemental information to stakeholders.

EBITDAX	Earnings before interest, tax, depreciation, amortization, impairment and exploration expenses
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