PANDION ENERGY

Pandion Energy AS

Interim financial statements (unaudited)

First quarter 2022

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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 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 2021.

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.

As described in the company`s annual financial statements for 2021, there have been no significant changes to the accounting policies adopted for financial year 2021 compared to those followed in the financial statements for 2020.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

For further detailed information on accounting principles, please refer to the financial statements for 2021.

Summary of the quarter

Financial review

Total revenues was USD 42.4 (31.3 in Q1 21) million, 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 107.6 (USD 61.3 in Q1 2021) per bbl offsetting lower sold volume (314 kboe in Q1 2022 compared to 434 in Q1 2021) due to lower production.

EBITDAX amounted to USD 32.6 million (20.9 in Q1 2021) with the increase compared to Q1 2021 mainly driven by higher revenues. Profit from operating activities was USD 22.0 million (5.0 in Q1 2021). In addition to increased EBTIDAX the increased profit is driven by lower exploration expenses. The reduction in exploration expenses from the comparative periode related mainly to a write down of an exploration well in Q1 2021.

The operating expenses amounted to USD 9.4 (9.7 in Q1 2021) million.

Investments in fixed assets amounted to USD 20.7 million driven by investments in the Valhall & Hod fields, mainly related to drilling on the Hod development project and one infill well at Valhall flank west.

The company's interest-bearing debt was USD 138.9 million at the end of the first quarter up from USD 135.8 million at the end of fourth quarter 2021.

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

At the end of first quarter 2022 the company had a total available liquidity of USD 167.2 (169.9 in Q1 2021) million comprising USD 15.0 (21.9 in Q1 2021) in cash, USD 71.2 (67 in Q1 2021) million in undrawn RBL facility and USD 81 million in committed not injected equity.

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 during the first quarter of 2022 Pandion Energy received refunds from tax instalments of USD 3.7 million.

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 utilised Exploration Finance facility (“EFF”) in 2021 with repayment in Q4 2022.

Pandion Energy has secured credit approval from five banks for a refinancing and extension of existing reserve based facility agreement (RBL). The bank syndicate has been expanded with two new banks. The new facility size will be of USD 200 million, an increase from current size of USD 150 million, with a 7-year final maturity date. The coming into effect of the extension and increase is pending agreement on satisfactory documentation, KYC completion and signing of final agreement. The facility is structured by BNP Paribas, DNB and ING, which alongside ABN AMRO Bank and Deutsche Bank form part of the Mandated Lead Arranger group. The new capital structure provides Pandion with substantial funding for the ongoing investments in the company`s high-quality asset portfolio, and flexibility to support the future growth of Pandion Energy.

The company intends to refinance the Bond in full in 2022 as well.

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 March 2022, Pandion Energy had put in place a hedging programme until end of Q1 2023. The hedging program is based on put options.

At the end of March, 54% of after tax (15% of pre tax) crude oil production volumes has been hedged up to the end of Q1 2023 at an average floor price of 48.8 USD/bbl (USD 45.8/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 Q1 2022 presented as other income, the loss amounted to USD 0.2 million.

Exploration

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 has drilled 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.

The Slagugle discovery was matured further during the quarter with a new appraisal well spudded early in March 2022 and the results are being evaluated and will be published in second quarter.

Operational review

Valhall and Hod fields

Production from Valhall was 5.1 thousand barrels of oil equivalents per day net to Pandion, slightly down compared to the previous quarter. Production efficiency was 89(84) percent.

The Hod field development project progressed according to plan, and first oil was achieved in April, only 22 months after the project was sanctioned. Hod is developed with a normally unmanned wellhead platform, remotely operated from the Valhall field centre. Six wells have been drilled and completed. Two of these wells have started production, and work will continue to stimulate the remaining wells and bring them on stream. The Hod field is powered from shore via Valhall and hence the CO2 emissions from the field will be close to zero.

Preparation for an additional infill well on Valhall Flank West also progressed according to plan. The well will be drilled by Maersk Invincible in the second quarter.

During the quarter, the Maersk Reacher jack-up rig was replaced by Maersk Integrator. The rig will continue to support stimulation and intervention activities and bring more wells up to their full production potential.

The joint Valhall NCP & King Lear project progressed according to plan in the first quarter. The selected development concept consists of a new process and wellhead platform (NCP). The project will be connected to the existing power from shore solution at Valhall, resulting in close to zero emissions from operations. A final investment decision is targeted in fourth quarter 2022. Production start is scheduled for 2027.

Other activities

In March 2022, the company announced signing an agreement with ONE-Dyas Holdings B.V. to acquire ONE-Dyas Norge AS. The transaction included a 10 per cent share of the Nova field, operated by Wintershall Dea, and a total of 10 exploration licences. The Nova field is expected to start production in the second half of 2022. The transaction is subject to customary conditions for completion, including but not limited to approval by the Norwegian Ministry of Petroleum and Energy.

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).

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Statement of income

31 March 2022

(USD`000)	Note	Q1 2022	Q1 2021	2021
Revenues	8	42 381	31 347	137 939
Other income	8	(346)	(605)	(2 016)
Total revenues and income		**42 035**	**30 742**	**135 922**
Operating expenses		(9 407)	(9 680)	(35 137)
Depreciation, amortisation and net impairment losses	1,3	(8 190)	(7 714)	(32 521)
Exploration expenses	2	(2 437)	(8 316)	(44 731)
Total expenses		**(20 034)**	**(25 710)**	**(112 390)**
Profit from operating activities		**22 001**	**5 033**	**23 533**
Net financial items	7	(4 620)	(5 830)	(16 917)
Profit (loss) before taxes		**17 381**	**(798)**	**6 616**
Income tax	10	(11 094)	550	(1 321)
Net income (loss)		**6 287**	**(247)**	**5 295**

Interim financial statements

Statement of comprehensive income

31 March 2022

(USD`000)	Q1 2022	Q1 2021	2021
Net income	6 287	(247)	5 295
Items that may be subsequently reclassified to the Statement of income			
Net gain/losses arising from hedges recognised in OCI	657	227	(1 332)
Net amount reclassified to profit and loss	84	228	3 393
Tax on items recognised over OCI	(163)	(100)	(453)
Other comprehensive income	578	355	1 607
Total comprehensive income	**6 865**	**108**	**6 902**

Interim financial statements

Statement of financial position

31 March 2022

Assets

(USD`000)	Note	31.03.2022	31.03.2021	31.12.2021
Tax receivables from exploration refund		-	7 859	-
Goodwill	2,3	63 138	63 138	63 138
Intangible assets	2,3	48 694	59 953	42 933
Property, plant and equipment	1,3	441 064	347 433	428 526
Prepayments and financial receivables		137	141	136
Right-of-use assets	9	456	688	506
Total non-current assets		**553 489**	**479 212**	**535 239**
Inventories		8 459	8 469	8 394
Trade and other receivables		36 386	15 987	21 325
Financial assets at fair value through profit or loss		269	1 503	222
Tax receivable - short term	10	25 000	51 958	28 501
Cash and cash equivalents		14 998	21 947	21 839
Total current assets		**85 110**	**99 865**	**80 279**
Total assets		**638 601**	**579 076**	**615 519**

Statement of financial position
31 March 2022

Equity and liabilities

(USD`000)	Note	31.03.2022	31.03.2021	31.12.2021
Share capital		13 591	114 230	11 110
Other paid-in capital		100 640	-	103 120
Other equity		25 831	12 171	18 966
Total equity	4	**140 061**	**126 402**	**133 196**
Deferred tax liability	10	135 688	87 602	124 431
Asset retirement obligations	5	182 644	154 650	181 362
Borrowings	6	45 334	135 760	44 889
Hedging derivatives		-	8 123	-
Long term lease debt	9	191	508	264
Total non-current liabilities		**363 857**	**386 642**	**350 946**
Asset retirement obligations - short term	5	9 275	10 553	10 099
Trade, other payables and provisions		29 834	21 068	27 904
Borrowings - short term	6	87 762	33 113	84 602
Hedging derivatives		6 909	-	8 064
Financial liabilities at fair value through profit or loss		641	1 084	468
Short term lease debt	9	262	215	240
Total current liabilities		**134 683**	**66 032**	**131 377**
Total liabilities		**498 540**	**452 675**	**482 323**
Total equity and liabilities		**638 601**	**579 076**	**615 519**

Statement of cash flows

31 March 2022

(USD`000)	Note	Q1 2022	Q1 2021	2021
Income before taxes		17 381	(798)	6 616
Depreciation, amortisation and net impairment losses	1,3	8 205	7 728	32 585
Expensed capitalised exploration expenses	2	(3)	6 371	38 252
Accretion of asset removal liability	5,7	1 817	1 531	6 098
(Increase) decrease in value of operational financial asset		(195)	1 379	(265)
Net financial expenses	7	2 803	4 299	10 819
Interest and fees paid		(2 063)	(2 247)	(10 127)
(Increase) decrease in working capital		(13 508)	(11 705)	(8 341)
Net income tax received		3 691	9 783	76 181
Net cash flow from operating activities		**18 127**	**16 342**	**151 817**
Payment for removal and decommissioning of oil fields	5	(1 359)	(10 002)	(20 121)
Capital expenditures and investments in furniture, fixtures and office machines	1	(30)	(2)	(45)
Capital expenditures and investments in oil and gas assets	1	(20 713)	(9 862)	(80 140)
Capital expenditures and investments in exploration and evaluation assets	2	(5 758)	(8 341)	(27 018)
Net cash flow from investing activities		**(27 859)**	**(28 206)**	**(127 325)**
Increase interest bearing obligations, loans and borrowing		4 080	16 965	28 463
Decrease interest bearing obligations, loans and borrowing		(1 189)	-	(47 963)
Net cash flow from financing activities		**2 891**	**16 965**	**(19 500)**
Net change in cash and cash equivalents		(6 841)	5 101	4 993
Cash and cash equivalents at the beginning of the period		**21 839**	**16 846**	**16 846**
Cash and cash equivalents at the end of the period		**14 998**	**21 947**	**21 839**

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 Januar 2021	**345 224**	**74**	**345 298**
Additions	80 140	45	80 185
Asset removal obligation - new or increased provisions	14 016	-	14 016
Asset removal obligation - change of estimate	17 795	-	17 795
Transfers from intangible assets	3 817	-	3 817
Depreciation	(32 521)	(63)	(32 585)
Carrying amount at 31 December 2021	**428 471**	**55**	**428 527**
Additions	20 713	30	20 742
Depreciation	(8 190)	(14)	(8 205)
Carrying amount at 31 March 2022	**440 993**	**71**	**441 064**
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 2021	**63 138**	**57 984**	**121 122**
Acquisition	-	6 926	6 926
Capitalised licence costs	-	20 092	20 092
Expensed exploration expenditures previously capitalised	-	(38 252)	(38 252)
Transfers to tangible assets	-	(3 817)	(3 817)
Carrying amount at 31 December 2021	**63 138**	**42 933**	**106 071**
Capitalised license costs	-	5 758	5 758
Expensed exploration expenditures previously capitalised	-	3	3
Carrying amount at 31 March 2022	**63 138**	**48 694**	**111 832**

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

Note 3
Impairments

The remaining goodwill as at 31 March 2022 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.

Following the increases oil price environment during the first quarter 2022 the company has not recognised any impairment in Q1 2022.

Note 4

Equity and Shareholders

(USD`000)	Share Capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
Shareholders' equity at 1 January 2021	**114 230**	**-**	**(3 478)**	**15 542**	**126 294**
Share capital decrease – unregistered	(103 120)	103 120	-	-	-
Net income (loss) for the period	-	-	-	5 295	**5 295**
Other comprehensive income (loss) 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 decrease	2 481	(2 481)	-	-	**-**
Net income for the period	-	-	-	6 287	**6 287**
Other comprehensive income for the period	-	-	578	-	**578**
Shareholders' equity at 31 December 2022	**13 591**	**100 640**	**(1 293)**	**27 123**	**140 061**

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 9,119,212.94 shares as at 31 March 2022. The company is included in the consolidated financial statements of the parent company Pandion Energy Holding AS. The consolidated financial statements of Pandion Energy Holding AS can be obtained at the company's registered address Lilleakerveien 8, 0283 Oslo.

A Subscription and Investment Agreement between Pandion Energy Holding and Kerogen has been executed for 190 USD million in equity, of which 109 USD million (889,4 NOK million) has been injected as of 31 March 2022 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 2021	**173 673**
	14 016
New or increased provisions	17 795
Asset removal obligation - change of estimate	(20 121)
Amounts charged against asset retirement obligations	6 098
Accretion expenses	**191 461**
Asset retirement obligations at 31 December 2021	**173 673**
Amounts charged against asset retirement obligations	(1 359)
Accretion expenses	1 817
Asset retirement obligations at 31 March 2022	**191 919**
Non-current portion 31 March 2022	182 644
Current portion 31 March 2022	9 275

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

Note 6
Borrowings

Revolving exploration loan facility

(USD'000)	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
At 31 March 2022	NOK	19 319	-	NIBOR + 1.75 %	Dec 2022	19 239
At 31 December 2021	NOK	19 276	-	NIBOR + 1.75 %	Dec 2022	19 174

The total credit limit for the company at 31 March 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 could be drawned until 31.12.2021 with repayment in Q4 2022.

Unsecured bond

(USD'000)	Facility currency	Utilised amount	Interest	Maturity	Carrying amount
At 31 March 2022	NOK	49 566	10.61%	April 2023	44 334
At 31 December 2021	NOK	49 566	10.61%	April 2023	43 889

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 March 2022	USD	70 000	80 000	LIBOR + 3.25%	July 2026	68 523
At 31 December 2021	USD	67 000	83 000	LIBOR + 3.25%	July 2026	65 429

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. The margin was reduced from 3.5% to 3.25% per annum in Q3 2021 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.

The RBL facility is at 31.03.2022 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 in 2022. The RBL will after refinancing of the bond debt in 2022 be again classified as non-current borrowings.

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:

	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)	31.03.2022	31.12.2021
Less than 12 months	89 319	86 276
1 to 5 years	49 566	49 566
Over 5 years	1 000	1 000
Total	**139 884**	**136 841**

Note 7
Financial items

(USD`000)	Q1 2022	Q1 2021	2021
Net foreign exchange gains (losses)	(231)	(574)	1 008
Foreign exchange gains/losses on derivative financial instruments	245	(948)	32
Interest income	3	1	7
Amortised loan costs	(233)	(203)	(1 056)
Accretion expenses	(1 817)	(1 531)	(6 098)
Interest expenses	(2 582)	(2 466)	(10 391)
Other financial items	(6)	(109)	(420)
Net financial items	**(4 620)**	**(5 830)**	**(16 917)**

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. 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 2022**	**Q1 2021**	**2021**
(USD`000)			
Oil	33 825	26 603	117 294
Gas	6 000	2 528	15 988
NGL	2 557	2 217	4 657
Total revenues	**42 381**	**31 347**	**137 939**

Other income	**Q1 2022**	**Q1 2021**	**2021**
(USD`000)			
Realised gain/(loss) on oil derivates	(173)	(174)	(2 202)
Unrealised gain/(loss) on oil derivates	(173)	(431)	185
Total other income	**(346)**	**(605)**	**(2 016)**

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 2018 and contains a renewal option for another three years. In June 2020 Pandion Energy entered into an additional agreement for extra storage space running for five years. The lease does not contain any restriction on the company's dividend policy or financing.

(USD`000)	
Total lease debt at 1 January 2021	**770**
Remeasurement lease liability	20
Derecognition of lease liability	(9)
Lease payments	(307)
Interest expense	56
Currency adjustments	(26)
Total lease debt at 31 December 2021	**504**
Remeasurement lease liability	14
Lease payments	(76)
Interest expense	10
Currency adjustments	1
Total lease debt at 31 March 2022	**453**

Nominal lease debt maturity break down	**31.03.2022**	**31.12.2021**
(USD `000)		
Within 1 year	282	279
1 to 5 years	211	279
Total	**493**	**558**

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 March 2022.

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. In January 2022, the operator on Valhall & Hod fields entered into a rig swap agreement where Maersk Reacher is to be replaced by the Maersk Integrator. The swap took place in the first quarter of 2022.

Commitments partner licences rigs	**31.03.2022**	**31.12.2021**
(USD '000)		
Within 1 year	3 451	3 887
1 to 5 years	251	-
Total	**3 702**	**3 887**

Lease agreements for rigs have been enteres into by the operator on behalf of partners in PL 891, PL 929 and PL 938 licences, to be used for appraisal drilling on Slagugle discovery and the drilling of the Ofelia and Calypso prospects in 2022. These lease commitments are not included in the above overview.

Note 10

Tax

Income taxes for first quarter 2022 is estimated to be USD 11.1 million, an increase from USD minus 0.6 million in first quarter 2021 and USD 1.3 million for the full year 2021. The increase is mainly due to higher profits in 2022 following higher realised oil and gas prices. The effective tax rate in the first quarter of 2022 is 64% compared to 20% for the full year 2021. The increase is mainly due to lower impact from uplift in 2022.

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 Ministry of Finance published a proposal for new petroleum taxes on April 8, 2022. The Governments proposes that the amendments to the petroleum tax regime shall have effect from income year 2022. The proposal suggests extensive changes to the current Petroleum Tax system, however the nominal tax rate of 78% will prevail. The main changes relate to immediate deduction of costs of investments in assets on the Norwegian Continental Shelf against the Special Tax in the year of investment. The right to such deduction replaces the current depreciation and uplift. The amendment will only apply to new investments, not to investments subject to the June 2020 temporary amendments.

In addition, the exploration loss refund and cessation loss refund systems are terminated. Instead, the tax value of new losses (both exploration losses and other losses) in the Special Tax is refunded. As part of the transition to the new tax regime, tax value of losses carried forward and unused uplift is also refunded.

Where Pandion Energy is concerned, the expected new tax rules will increase near-term cash flow owing to accelerated capex depreciation and the annual refund of special petroleum tax losses.

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 limited to approximately USD 6.7 million.

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

The company was not subject to any legal disputes at 31 March 2022.

Note 12
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.

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