



# Pandion Energy AS

Interim financial statements  
(unaudited)

Third quarter 2023



# Disclaimer

The information given in this presentation is meant to be correct, reliable and adequate, and is compiled by Pandion Energy AS's competent team. You may use the information for your own purpose. However, if the information is found to be incomplete, inaccurate or even wrong, Pandion Energy AS is not responsible and does not cover any costs or loss occurred related to the given information.

The information contained in this Presentation may include results of analyses from a quantitative model that may represent potential future events that may or may not be realised, and is not a complete analysis of every material fact relating to the company or its business. This Presentation may contain projections and forward-looking statements. The words “believe”, “expect”, “could”, “may”, “anticipate”, “intend” and “plan” and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in the Presentation, including, without limitation, those regarding the Financial information, the company’s financial position, potential business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the company’s actual results, performance, achievements and value to be materially different from any future results, performance, achievements or values expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the company’s present and future business strategies and the environment in which the company will operate in the future. No warranty or representation is given by the company or any of the Managers as to the reasonableness of these assumptions. Further, certain forward-looking statements are based upon assumptions of future events that may not prove to be accurate. The contents of this Presentation are not to be construed as financial, legal, business, investment, tax or other professional advice. Each recipient should consult with its own financial, legal, business, investment and tax adviser as to financial, legal, business, investment and tax advice.

This Presentation is governed by Norwegian law. Any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Norwegian courts with Oslo District Court as exclusive legal venue.



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

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



# Accounting principles

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

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

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

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the dates and interim periods presented. Interim period results are not necessarily indicative of results of operations or cash flows for an

annual period. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.





# Financial review

## Revenues

In Q3 2023, the company generated total revenues of USD 80.3 million, an increase from USD 54.5 million in the same period last year. The higher revenues were driven by an increase in realised crude oil volumes, partly offset by decreased oil and gas prices. During Q3 2023, average realised oil price before hedging was USD 85.8 per boe, which represents a significant decrease from the USD 105.0 per boe achieved in Q3 2022. The average realised gas price in Q3 2023 was USD 60.2 per boe, down from USD 205.5 per boe in the same period last year. The combined average realised price for oil, gas and NGL during the quarter was USD 82.0 per boe, compared to USD 118.2 per boe achieved in Q3 2022.

The volume of oil sold was 877 kboe in Q3 2023 compared to 392 kboe in Q3 2022. The relatively high volume of oil sold during the quarter was mainly due to a significant underlift on both the Valhall and Hod fields as well as on the Nova field at the end of the second quarter of 2023.

## Operating expenses and financial results

In Q3 2023, the company's EBITDAX amounted to USD 58.8 million, an increase from USD 43.9 million achieved in the same period last year. The higher EBITDAX is explained by significantly higher operating revenues during the quarter.

Operating expenses for the oil and gas sold were recorded at USD 21.2 million in Q3 2023, a significant increase from the USD 11.9 million incurred during Q3 2022 mainly related to higher volume sold.

Profit from operating activities was USD 43.4 million (USD 27.5 million in Q3 2022).



# Financial review

## Capital expenditures

Investments in exploration & evaluation assets amounted to USD 4.3 million in the third quarter of 2023 largely explained by appraisal activities on PL 929 Ofelia. The appraisal well was spudded on 30 September 2023.

The company's investments in fixed assets in Q3 2023 amounted to USD 14.9 million, of which USD 13 million was invested in the Valhall and Hod fields. The majority of this investment was allocated to the Sulphate Removal Unit project, well intervention activities and the Valhall PWP project, which are aimed at increasing the field's production capacity and operational efficiency. An additional USD 1.9 million was invested in the Nova field.

## Financial position

The company's interest-bearing debt was USD 166.5 million at the end of the third quarter, down from USD 191.5 million at the end of the second quarter 2023. The debt is comprised of a bond debt of USD 75 million and an RBL drawdown of USD 91.5 million. The net debt was reduced by USD 22.3 million during the quarter down to USD 148.2 million. Overall, the company maintains its strong financial position with a leverage ratio of only 0.8x 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 September, 41% of the after-tax (11% of pre-tax) crude oil production volumes up to the end of 2024 had been hedged at an average floor price of 54 USD/bbl (USD 51.6/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 Q3 2023 presented as other income. The loss amounted to USD 0.3 million.





# Operational review

## Valhall and Hod fields

During the third quarter, production from the Valhall area dropped to 4.7 thousand barrels of oil equivalents per day, net to Pandion Energy, due to an unplanned shutdown caused by a leakage incident. The leakage, primarily consisting of water and some oil, was collected in a storage tank with no spill to sea. Following a thorough inspection, necessary preventive measures were promptly implemented. Production resumed at 2/3 of installed capacity within a few days and is continuing to ramp up into the fourth quarter. As a result, production efficiency was reduced to 74 percent for the third quarter.

The Noble Integrator rig continued to support the stimulation and intervention activities at Valhall to enhance well production. In the third quarter, the rig completed the first phase of a campaign to permanently plug and abandon eight wells at the old Hod A platform. The rig left the field and is now off contract after supporting the stimulation and intervention activities at Valhall since March 2022.

Drilling of a new infill well on the north flank of Valhall has commenced with the Noble Invincible rig, with first oil expected by year-end. Following this, the rig will be moved to Hod A to begin the second phase of the plugging and abandonment campaign.

Construction activities have commenced for the Valhall PWP project. The joint development project with Fenris comprises a new centrally located production and wellhead Platform (PWP) bridge-linked to the Valhall central complex along with an unmanned installation at Fenris tied back to the PWP. First steel was cut for Valhall PWP at Stord.

Detailed engineering and procurement activities are also in progress. The PDO for the Valhall PWP project was approved by the MPE in June 2023. The total estimated recoverable resources for Valhall PWP amount to 70 mmboe gross, with production scheduled to begin in 2027. The project also includes a modernisation of Valhall, ensuring continued operations when parts of the current infrastructure are phased out in 2028. The development will leverage Valhall's existing power-from-shore system, resulting in minimal emissions estimated at less than 1 kilogram of CO<sub>2</sub> per boe.



# Operational review

## Nova field

During Q3 2023, production from the Nova field averaged 3.0 thousand barrels of oil equivalents per day, net to Pandion Energy (including compensation volume). Production availability was 96%.

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 Q3 2023 was 612 barrels of oil equivalent per day net from Pandion Energy.

A side-track drilling operation to improve the effect of one of the injector wells was successfully completed in the previous quarter, leading to improved water injection and increased production. Production at Nova was negatively impacted by the maintenance at Gjøa in the quarter. Further, production continues to be somewhat limited by lower effectiveness of the water injectors than expected. A rig has been secured to drill a fourth water injector well in the second half of 2024 which will enable the operator to target the best location for Nova's fourth water injector and further improve the water injection at the field.

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

## Exploration and evaluation activities

During the third quarter of 2023, the company was planning a drilling campaign on Ofelia discovery. The drilling of an appraisal well was commenced on 30 September 2023.



# 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.





# Statement of income

30 September 2023

| QUARTERLY       |                 |  |      | YEAR TO DATE    |                 | FULL YEAR       |
|-----------------|-----------------|--|------|-----------------|-----------------|-----------------|
| Q3 2023         | Q3 2022         | (USD`000)  | Note | 2023            | 2022            | 2022            |
| 80 330          | 54 527          | Revenues   |      | 160 217         | 136 443         | 213 137         |
| (338)           | 11              | Other income   |      | 1 614           | (507)           | 2 368           |
| <b>79 991</b>   | <b>54 539</b>   | <b>Total revenues and income</b>                     | 1    | <b>161 831</b>  | <b>135 935</b>  | <b>215 505</b>  |
| (21 220)        | (11 915)        | Operating expenses                                   | 2    | (36 157)        | (34 463)        | (47 430)        |
| (12 716)        | (9 375)         | Depreciation, amortisation and net impairment losses | 3,5  | (42 226)        | (23 030)        | (35 275)        |
| (2 675)         | (5 784)         | Exploration expenses                                 | 2    | (4 877)         | (8 942)         | (15 111)        |
| <b>(36 611)</b> | <b>(27 074)</b> | <b>Total expenses</b>                                |      | <b>(83 261)</b> | <b>(66 434)</b> | <b>(97 816)</b> |
| <b>43 380</b>   | <b>27 465</b>   | <b>Profit from operating activities</b>              |      | <b>78 570</b>   | <b>69 501</b>   | <b>117 689</b>  |
| (4 492)         | (8 827)         | Net financial items                                  | 6    | (23 758)        | (23 094)        | (26 836)        |
| <b>38 889</b>   | <b>18 638</b>   | <b>Profit before taxes</b>                           |      | <b>54 813</b>   | <b>46 408</b>   | <b>90 854</b>   |
| (21 575)        | (25 332)        | Income tax   | 7    | (55 821)        | (63 159)        | (82 588)        |
| <b>17 314</b>   | <b>(6 693)</b>  | <b>Net income</b>                                    |      | <b>(1 008)</b>  | <b>(16 751)</b> | <b>8 266</b>    |



# Statement of comprehensive income

30 September 2023

| QUARTERLY     |                |   | YEAR TO DATE |                | FULL YEAR       |               |
|---------------|----------------|---|--------------|----------------|-----------------|---------------|
| Q3 2023       | Q3 2022        | (USD`000)   | Note         | 2023           | 2022            | 2022          |
| 17 314        | (6 693)        | Net income  |              | (1 008)        | (16 751)        | 8 266         |
| -             | -              | Net gain/losses arising from hedges recognised in OCI |              | -              | 14 126          | 14 126        |
| -             | -              | Net amount reclassified to profit and loss            |              | -              | (11 728)        | (11 728)      |
| -             | -              | Tax on items recognised over OCI                      |              | -              | (527)           | (527)         |
| -             | -              | Other comprehensive income                            |              | -              | 1 871           | 1 871         |
| <b>17 314</b> | <b>(6 693)</b> | <b>Total comprehensive income</b>                     |              | <b>(1 008)</b> | <b>(14 880)</b> | <b>10 137</b> |



# Statement of financial position

30 September 2023

## Assets

| (USD`000)   | Note | 30.09.2023     | 30.09.2022     | 31.12.2022     |
|---|------|----------------|----------------|----------------|
| Tax receivable  |      | -              | 63 456         | -              |
| Goodwill  | 4,5  | 63 138         | 63 138         | 63 138         |
| Intangible assets                                     | 4,5  | 71 362         | 67 928         | 63 339         |
| Property, plant and equipment                         | 3,5  | 539 061        | 576 908        | 552 770        |
| Prepayments and financial receivables                 |      | 113            | 110            | 122            |
| Right-of-use assets                                   |      | 838            | 1 043          | 982            |
| <b>Total non-current assets</b>                       |      | <b>674 513</b> | <b>772 583</b> | <b>680 351</b> |
| Inventories   |      | 7 976          | 8 732          | 9 914          |
| Trade and other receivables                           |      | 57 007         | 28 372         | 19 005         |
| Financial assets at fair value through profit or loss |      | 271            | -              | 951            |
| Tax receivable - short term                           | 7    | 26 986         | 13 841         | 51 433         |
| Cash and cash equivalents                             |      | 18 325         | 16 203         | 21 197         |
| <b>Total current assets</b>                           |      | <b>110 565</b> | <b>67 149</b>  | <b>102 499</b> |
| <b>Total assets</b>                                   |      | <b>785 078</b> | <b>839 732</b> | <b>782 850</b> |



# Statement of financial position

30 September 2023

## Equity and liabilities

| (USD`000)  | Note     | 30.09.2023     | 30.09.2022     | 31.12.2022     |
|--|----------|----------------|----------------|----------------|
| Share capital  |          | 13 591         | 13 591         | 13 591         |
| Other paid-in capital                                      |          | 100 640        | 100 640        | 100 640        |
| Other equity   |          | 28 093         | 4 086          | 29 104         |
| <b>Total equity</b>  | <b>8</b> | <b>142 323</b> | <b>118 317</b> | <b>143 334</b> |
| Deferred tax liability                                     |          | 260 982        | 218 497        | 225 903        |
| Asset retirement obligations                               | 9        | 141 837        | 193 131        | 154 751        |
| Borrowings   | 10       | 164 753        | 228 764        | 188 324        |
| Long term lease debt                                       |          | 545            | 726            | 729            |
| Long term provision  | 11       | 958            | 6 294          | 3 512          |
| <b>Total non-current liabilities</b>                       |          | <b>569 075</b> | <b>647 413</b> | <b>573 218</b> |
| Asset retirement obligations - short term                  | 9        | 13 776         | 7 628          | 7 840          |
| Trade, other payables and provisions                       | 11       | 58 958         | 48 244         | 57 477         |
| Borrowings - short term                                    | 10       | -              | 15 557         | -              |
| Financial liabilities at fair value through profit or loss |          | 753            | 2 416          | 786            |
| Short term lease debt                                      |          | 194            | 159            | 197            |
| <b>Total current liabilities</b>                           |          | <b>73 680</b>  | <b>74 004</b>  | <b>66 300</b>  |
| <b>Total liabilities</b>                                   |          | <b>642 755</b> | <b>721 417</b> | <b>639 518</b> |
| <b>Total equity and liabilities</b>                        |          | <b>785 078</b> | <b>839 732</b> | <b>782 850</b> |





# Statement of cash flows

30 September 2023

| (USD`000)   | Note | YEAR TO DATE    |                  | FULL YEAR        |
|---|------|-----------------|------------------|------------------|
|   |      | Q3 2023         | Q3 2022          | 2022             |
| Income before tax   |      | 54 813          | 46 408           | 90 854           |
| Depreciation, amortisation and net impairment losses        | 3    | 42 277          | 23 068           | 35 327           |
| Expensed capitalised exploration expenses                   | 4    | 1 626           | 159              | 3 472            |
| Accretion of asset removal liability                        | 6,9  | 5 425           | 5 452            | 7 484            |
| (Increase) decrease in value of operational financial asset |      | 82              | (12 433)         | (15 534)         |
| Net financial expenses                                      | 6    | 18 332          | 17 642           | 19 352           |
| Interest and fees paid                                      |      | (11 731)        | (12 876)         | (19 583)         |
| (Increase) decrease in working capital                      |      | (25 075)        | (17 356)         | 5 776            |
| Net income tax received                                     |      | -               | 10 917           | 26 553           |
| <b>Net cash flow from operating activities</b>              |      | <b>85 750</b>   | <b>60 981</b>    | <b>153 701</b>   |
| Payment for removal and decommissioning of oil fields       | 9    | (12 403)        | (5 580)          | (7 284)          |
| Investments in furniture, fixtures and office machines      | 3    | (138)           | (87)             | (87)             |
| Investments in oil and gas assets                           | 3    | (41 430)        | (51 875)         | (66 469)         |
| Investments in exploration and evaluation assets            | 4    | (9 650)         | (25 204)         | (36 155)         |
| Acquisition of oil and gas assets                           |      | -               | (109 956)        | (109 956)        |
| <b>Net cash flow from investing activities</b>              |      | <b>(63 621)</b> | <b>(192 703)</b> | <b>(219 951)</b> |
| Proceeds from borrowings                                    |      | -               | 241 080          | 241 080          |
| Repayments of borrowings                                    |      | (25 000)        | (114 994)        | (175 472)        |
| <b>Net cash flow from financing activities</b>              |      | <b>(25 000)</b> | <b>126 086</b>   | <b>65 608</b>    |
| <b>Net change in cash and cash equivalents</b>              |      | <b>(2 871)</b>  | <b>(5 636)</b>   | <b>(642)</b>     |
| Cash and cash equivalents at the beginning of the period    |      | 21 197          | 21 839           | 21 839           |
| Cash and cash equivalents at the end of the period          |      | 18 325          | 16 204           | 21 197           |





# Note 1

## Segment information and disaggregation of revenue

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

The company's revenue is disaggregated as follows:

| Revenues                                | QUARTERLY      |                | YEAR TO DATE   |                | FULL YEAR      |
|---|----------------|----------------|----------------|----------------|----------------|
|   | Q3 2023        | Q3 2022        | 2023           | 2022           | 2022           |
| (USD`000)                               |                |                |                |                |                |
| Oil                                     | 75 297         | 41 141         | 139 828        | 107 701        | 171 036        |
| Gas                                     | 3 550          | 13 299         | 16 194         | 24 670         | 37 098         |
| NGL                                     | 1 483          | 87             | 4 195          | 4 072          | 5 004          |
| <b>Total revenues</b>                   | <b>80 330</b>  | <b>54 527</b>  | <b>160 217</b> | <b>136 443</b> | <b>213 137</b> |
| <b>Other income</b>                     | <b>Q3 2023</b> | <b>Q3 2022</b> | <b>2023</b>    | <b>2022</b>    | <b>2022</b>    |
| (USD`000)                               |                |                |                |                |                |
| Realised gain/(loss) on oil derivates   | (295)          | (222)          | (729)          | (625)          | (853)          |
| Unrealised gain/(loss) on oil derivates | (241)          | 233            | 34             | 118            | (318)          |
| Other*                                  | 198            | -              | 2 309          | -              | 3 539          |
| <b>Total other income</b>               | <b>(338)</b>   | <b>11</b>      | <b>1 614</b>   | <b>(507)</b>   | <b>2 368</b>   |

\*Other comprises change in estimate of the contingent additional consideration in relation to acquisition of ONE-Dyas Norge AS and change in values of compensation volumes due from Nova



# Note 2

## Exploration and operating expenses

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

|  | QUARTERLY       |                 | YEAR TO DATE    |                 | FULL YEAR       |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Q3 2023         | Q3 2022         | 2023            | 2022            | 2022            |
| <b>Operating Expenses</b>                                |                 |                 |                 |                 |                 |
| (USD`000)  |                 |                 |                 |                 |                 |
| Production cost  | (7 305)         | (10 997)        | (22 680)        | (28 433)        | (37 402)        |
| Change in inventories                                    | (10 480)        | 2 268           | (1 592)         | 1 603           | (65)            |
| Tariff and transportation cost                           | (1 937)         | (2 385)         | (8 402)         | (5 419)         | (9 201)         |
| Other cost   | (1 498)         | (801)           | (3 483)         | (2 212)         | (762)           |
| <b>Total operating expenses</b>                          | <b>(21 220)</b> | <b>(11 915)</b> | <b>(36 157)</b> | <b>(34 462)</b> | <b>(47 430)</b> |
| <b>Exploration expenses</b>                              |                 |                 |                 |                 |                 |
| (USD`000)  |                 |                 |                 |                 |                 |
| Expensed cost, seismic and studies                       | -               | (2 525)         | (140)           | (2 729)         | (2 729)         |
| Expensed cost, general and administrative                | (1 207)         | (3 110)         | (3 111)         | (6 054)         | (8 909)         |
| Expensed exploration expenditures previously capitalised | (1 468)         | (148)           | (1 626)         | (159)           | (3 472)         |
| <b>Total exploration expenses</b>                        | <b>(2 675)</b>  | <b>(5 783)</b>  | <b>(4 877)</b>  | <b>(8 942)</b>  | <b>(15 111)</b> |



# Note 3

## Property, plant and equipment

(USD`000)

|  | Oil and gas assets | Tools and equipment* | Total          |
|--|--------------------|----------------------|----------------|
| <b>Carrying amount at 1 January 2022</b>               | <b>428 471</b>     | <b>55</b>            | <b>428 527</b> |
| Additions  | 66 469             | 87                   | 66 556         |
| Addition through asset acquisition**                   | 119 233            | -                    | 119 233        |
| Asset removal obligation - new or increased provisions | 4 524              | -                    | 4 524          |
| Asset removal obligation - change of estimate          | (43 020)           | -                    | (43 020)       |
| Transfers from intangible assets                       | 12 277             | -                    | 12 277         |
| Depreciation   | (35 275)           | (52)                 | (35 327)       |
| <b>Carrying amount at 31 December 2022</b>             | <b>552 680</b>     | <b>91</b>            | <b>552 770</b> |
| Additions  | 28 430             | 138                  | 28 568         |
| Depreciation   | (42 226)           | (51)                 | (42 277)       |
| <b>Carrying amount at 30 September 2023</b>            | <b>538 884</b>     | <b>178</b>           | <b>539 062</b> |
| Estimated useful lives (years)                         | UoP                | 3-10                 |                |

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

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



# Note 4

## Intangible assets

| (USD`000)  | Technical<br>Goodwill | Exploration and<br>evaluation assets | Total          |
|--|-----------------------|--------------------------------------|----------------|
| <b>Carrying amount at 1 January 2022</b>                 | <b>63 138</b>         | <b>42 933</b>                        | <b>106 071</b> |
| Capitalised licence costs                                | -                     | 36 155                               | 36 155         |
| Expensed exploration expenditures previously capitalised | -                     | (3 472)                              | (3 472)        |
| Transfers to tangible assets                             | -                     | (12 277)                             | (12 277)       |
| <b>Carrying amount at 31 December 2022</b>               | <b>63 138</b>         | <b>63 339</b>                        | <b>126 477</b> |
| Capitalised license costs                                | -                     | 9 650                                | 9 650          |
| Expensed exploration expenditures previously capitalised | -                     | (1 626)                              | (1 626)        |
| <b>Carrying amount at 30 September 2023</b>              | <b>63 138</b>         | <b>71 362</b>                        | <b>134 500</b> |



# Note 5

## Impairments

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

In Q3 2023, two categories of impairment tests have been performed:

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

Following the increased oil price environment during 2023, no impairment has been recognised in Q3 2023.



# Note 6

## Financial items

| (USD`000)   | QUARTERLY      |                | YEAR TO DATE    |                 | FULL YEAR       |
|---|----------------|----------------|-----------------|-----------------|-----------------|
|   | Q3 2023        | Q3 2022        | 2023            | 2022            | 2022            |
| Net foreign exchange gains (losses)                               | 982            | (375)          | (2 974)         | (2 217)         | (1 989)         |
| Foreign exchange gains/losses on derivative financial instruments | 500            | (1 777)        | (874)           | (3 300)         | (954)           |
| Interest income   | 215            | 56             | 475             | 139             | 381             |
| Amortised loan costs  | (131)          | (511)          | (1 429)         | (2 364)         | (2 938)         |
| Accretion expenses  | (1 751)        | (1 828)        | (5 425)         | (5 452)         | (7 484)         |
| Interest expenses   | (4 450)        | (4 111)        | (13 339)        | (9 099)         | (13 080)        |
| Other financial items   | 143            | (282)          | (190)           | (801)           | (771)           |
| <b>Net financial items</b>  | <b>(4 492)</b> | <b>(8 827)</b> | <b>(23 758)</b> | <b>(23 093)</b> | <b>(26 836)</b> |





# Note 7

## Taxes

Income tax for Q3 2023 is estimated at USD 21.6 million, compared to USD 25.3 million in Q3 2022. The effective tax rate year to date 2023 was 102%, with the weakening of NOK during the period as the main driver for the higher rate.

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

(USD`000)

|  |               |
|--|---------------|
| Tax payable from current year profit                   | (20 742)      |
| Tax receivable from prior years' tax losses and uplift | 47 728        |
| <b>Total tax receivable at 30.09.2023</b>              | <b>26 986</b> |



# Note 8

## Equity and Shareholders

| (USD`000)  | Share Capital | Other paid-in capital | Other reserves | Retained earnings | Total equity   |
|--|---------------|-----------------------|----------------|-------------------|----------------|
| <b>Shareholders' equity at 1 January 2022</b>    | <b>11 110</b> | <b>103 120</b>        | <b>(1 871)</b> | <b>20 837</b>     | <b>133 196</b> |
| Share capital decrease – unregistered            | 2 481         | (2 481)               | -              | -                 | -              |
| Net profit for the period                        | -             | -                     | -              | 8 266             | <b>8 266</b>   |
| Other comprehensive income (loss) for the period | -             | -                     | 1 871          | -                 | <b>1 871</b>   |
| <b>Shareholders' equity at 31 December 2022</b>  | <b>13 591</b> | <b>100 640</b>        | <b>-</b>       | <b>29 103</b>     | <b>143 333</b> |
| Net profit (loss) for the period                 | -             | -                     | -              | (1 008)           | <b>(1 008)</b> |
| <b>Shareholders' equity at 30 September 2023</b> | <b>13 591</b> | <b>100 640</b>        | <b>-</b>       | <b>28 095</b>     | <b>142 323</b> |

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



# Note 9

## Asset retirement obligations (ARO)

(USD`000)

|  |                |
|--|----------------|
| <b>Asset retirement obligations at 1 January 2022</b>    | <b>191 461</b> |
| New provision through asset acquisition*                 | 9 427          |
| New or increased provisions                              | 4 524          |
| Incurred removal cost                                    | (7 284)        |
| Asset removal obligation - change of estimate            | (6 138)        |
| Effects of change in the discount rate                   | (36 882)       |
| Accretion expenses                                       | 7 483          |
| <b>Asset retirement obligations at 31 December 2022</b>  | <b>162 591</b> |
| Incurred removal cost                                    | (12 403)       |
| Accretion expenses                                       | 5 425          |
| <b>Asset retirement obligations at 30 September 2023</b> | <b>155 613</b> |
| Non-current portion 31 September 2023                    | 141 837        |
| Current portion 31 September 2023                        | 13 776         |

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

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



# Note 10

## Borrowings

### Unsecured bond

| (USD'000)            | Facility currency | Utilised amount | Interest | Maturity  | Carrying amount |
|----------------------|-------------------|-----------------|----------|-----------|-----------------|
| At 30 September 2023 | USD               | 75 000          | 9.75%    | June 2026 | 74 018          |
| At 31 December 2022  | USD               | 75 000          | 9.75%    | June 2026 | 73 680          |

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

The financial covenants are as follows:

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



# Note 10

## Borrowings cont.

### Reserve base lending facility agreement (RBL)

| (USD'000)            | Facility currency | Utilised amount | Undrawn facility <sup>*)</sup> | Interest    | Maturity   | Carrying amount |
|----------------------|-------------------|-----------------|--------------------------------|-------------|------------|-----------------|
| At 30 September 2023 | USD               | 91 500          | 108 500                        | SOFR + 3.5% | April 2029 | 89 734          |
| At 31 December 2022  | USD               | 116 500         | 83 500                         | SOFR + 3.5% | April 2029 | 113 643         |

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

The financial covenants are as follows:

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

<sup>\*)</sup>Calculated out of facility size of USD 200 million. Credit approved borrowing base as of 30 September 2023 is USD 143 million.



# Note 10

## Borrowings cont.

### Non-current liabilities to related parties

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

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

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

### Maturity profile on total borrowings based on contractual undiscounted cash flows

| (USD`000)           | 30.09.2023     | 31.12.2022     |
|---------------------|----------------|----------------|
| Less than 12 months | -              | -              |
| 1 to 5 years *)     | 167 500        | 192 500        |
| Over 5 years        | -              | -              |
| <b>Total</b>        | <b>167 500</b> | <b>192 500</b> |

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



# Note 11

## Trade, other payables and provisions

| (USD`000)   | 30.09.2023    | 31.12.2022    |
|---|---------------|---------------|
| Trade payables  | 5 712         | 8 899         |
| Share of payables in licences                             | 34 902        | 17 357        |
| Other non-trade payables, accrued expenses and provisions | 18 344        | 31 221        |
| <b>Trade, other payables and provisions</b>               | <b>58 958</b> | <b>57 477</b> |

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



## Note 12

### Other commitments and contingencies

The company has secondary obligation for removal cost of offshore installations related to 20% share in the divested Duva field. The obligation is limited to approximately USD 5.5 million.

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

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

## Note 13

### 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, amortisation, impairment and exploration expenses

**Net debt/ EBITDAX** Net debt at the balance sheet date divided by 12 months rolling EBITDAX

**Corporate sources** Cash balance, revenues, equity and external funding

**Corporate uses** Operating expenditures, capital expenditures, abandonment expenditures, general and administration costs, exploration costs, acquisition costs and financing costs