Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	918 175 334
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	PANDION ENERGY AS
Forretningsadresse:	Lilleakerveien 8 0283 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Jan Christian Ellefsen
Dato for fastsettelse av årsregnskapet:	22.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 11.05.2022

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekter		76 675 000	103 489 000
Gains from sale of assets		35 341 000	29 909 000
Annen inntekt		4 554 000	-8 327 000
Sum inntekter	6	**116 570 000**	**125 071 000**
Kostnader			
Driftskostnader	7	27 436 000	34 576 000
Letekostnader	7	20 878 000	24 078 000
Avskrivning på varige driftsmidler	14	90 941 000	21 936 000
Sum kostnader		**139 255 000**	**80 590 000**
Driftsresultat		**-22 685 000**	**44 481 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	11	314 000	192 000
Annen finansinntekt	11	266 000	-101 000
Gains on derivative financial instruments	11	2 451 000	0
Sum finansinntekter		**3 031 000**	**91 000**
Nedskrivning av finansielle eindeler	11	988 000	678 000
Accretion expense asset retirement	11	6 176 000	5 987 000
Annen rentekostnad	11	11 057 000	11 948 000
Annen finanskostnad	11	969 000	259 000
Sum finanskostnader		**19 190 000**	**18 872 000**
Netto finans		**-16 159 000**	**-18 781 000**
Ordinært resultat før skattekostnad		**-38 844 000**	**25 700 000**
Skattekostnad på ordinært resultat	12	-29 411 000	-329 000
Ordinært resultat etter skattekostnad		**-9 433 000**	**26 029 000**
Årsresultat		**-9 433 000**	**26 029 000**
Overføringer og disponeringer			

Resultatregnskap

Beløp i: USD	Note	2020	2019
Overføringer til/fra annen egenkapital		-9 433 000	
Sum overføringer og disponeringer		**-9 433 000**	

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Immaterielle eiendeler	14	121 122 000	177 368 000
Sum immaterielle eiendeler		**121 122 000**	**177 368 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	13	345 298 000	285 593 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	24	731 000	1 212 000
Sum varige driftsmidler		**346 029 000**	**286 805 000**
Finansielle anleggsmidler			
Andre fordringer		140 000	136 000
Sum finansielle anleggsmidler		**140 000**	**136 000**
Sum anleggsmidler		**467 291 000**	**464 309 000**
Omløpsmidler			
Varer			
Varer		9 376 000	3 864 000
Sum varer		**9 376 000**	**3 864 000**
Fordringer			
Kundefordringer	18	13 805 000	14 889 000
Assets classified as held for sale	15	0	17 563 000
Tax receivable from exploration refund	12	56 891 000	20 296 000
Sum fordringer		**70 696 000**	**52 748 000**
Investeringer			
Andre markedsbaserte finansielle instrumenter	21	2 451 000	0
Sum investeringer		**2 451 000**	**0**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	16 846 000	46 557 000
Sum bankinnskudd, kontanter og lignende		**16 846 000**	**46 557 000**

Balanse

Beløp i: USD	Note	2020	2019
Sum omløpsmidler		**99 369 000**	**103 169 000**
SUM EIENDELER		**566 660 000**	**567 478 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		114 230 000	113 492 000
Sum innskutt egenkapital	19	**114 230 000**	**113 492 000**
Opptjent egenkapital			
Fond		15 542 000	24 975 000
Annen egenkapital		-3 478 000	-3 446 000
Sum opptjent egenkapital		**12 064 000**	**21 529 000**
Sum egenkapital		**126 294 000**	**135 021 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	12	73 783 000	14 455 000
Andre avsetninger for forpliktelser	20	160 936 000	156 875 000
Sum avsetninger for forpliktelser		**234 719 000**	**171 330 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	17	127 501 000	176 027 000
Øvrig langsiktig gjeld	23.24	9 349 000	10 842 000
Sum annen langsiktig gjeld		**136 850 000**	**186 869 000**
Sum langsiktig gjeld		**371 569 000**	**358 199 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	17	24 168 000	23 071 000
Leverandørgjeld	22	31 024 000	33 849 000
Annen kortsiktig gjeld	20.21.24	13 605 000	17 338 000
Sum kortsiktig gjeld		**68 797 000**	**74 258 000**

Balanse

Beløp i: USD	Note	2020	2019
Sum gjeld		**440 366 000**	**432 457 000**
SUM EGENKAPITAL OG GJELD		**566 660 000**	**567 478 000**

Deloitte.

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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pandion Energy AS, which comprise the statement of financial position as at 31 December 2020, the statement of income, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
Opinion on the Board of Directors' report
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 22 April 2021
Deloitte AS

Mette Herdlevær
State Authorised Public Accountant (Norway)

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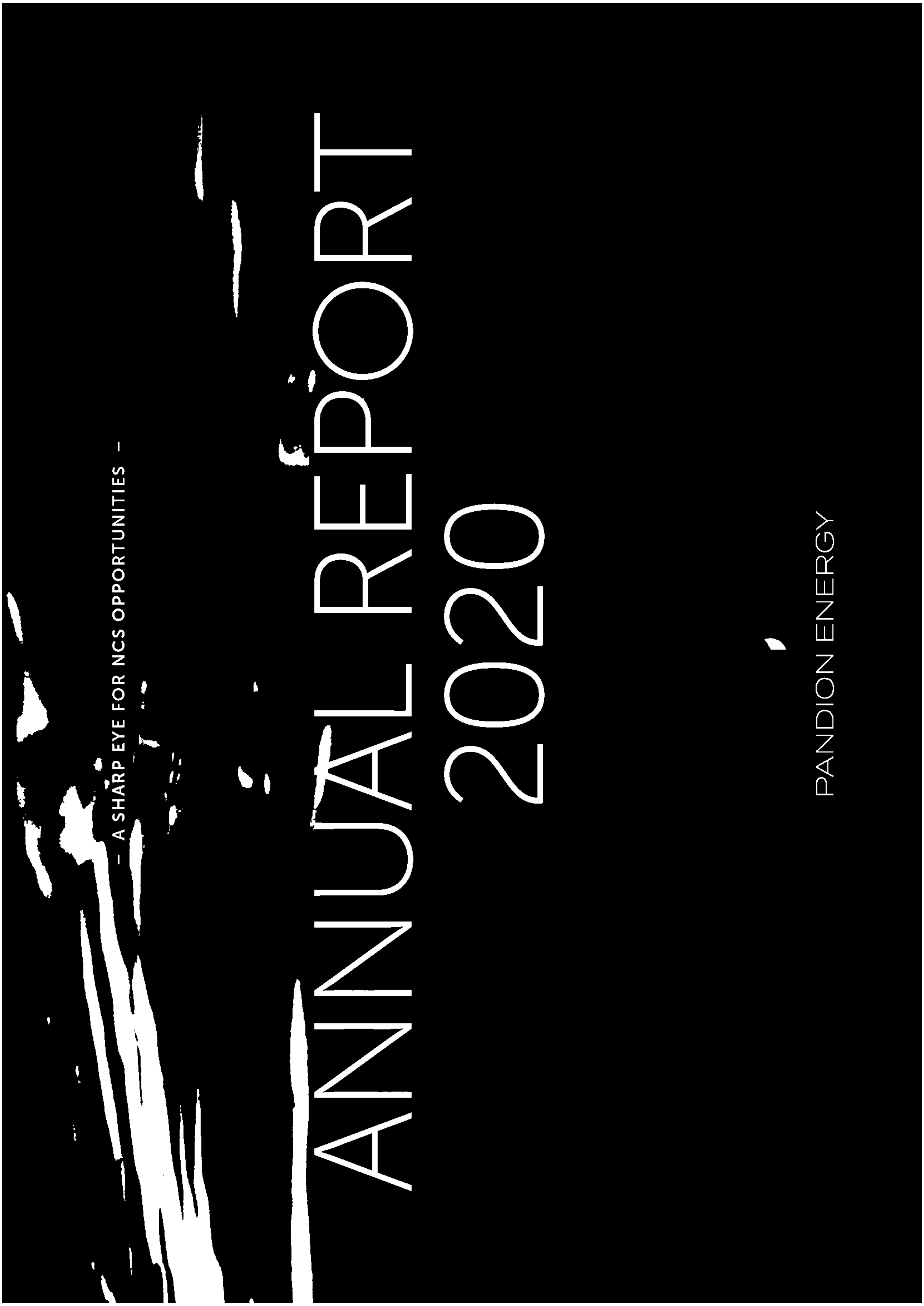
The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Mette Herdlevær
State Authorised Public Accountant (Norway)
Serial number: 9578-5998-4-4703159
IP: 77.16.xxx.xxx
2021-04-22 11:24:01Z

bank ID

Penneo document key: ZZ8HU-8WY1X-82543-1ZMKZ-TXJ4Q-YLEW4


ANNUAL REPORT
2020
– A SHARP EYE FOR NCS OPPORTUNITIES –
PANDION ENERGY

2020

Design
NXT Oslo rekla

Photos
Bård Gudim
Marte Garman
Woldcam / Ak
Unsplash

Pandion Energy is an independent, full-cycle oil and gas company
driving value by maturing resources to reserves
in high quality assets on the Norwegian continental shelf.

About Pandion Energy

Professional

Agile

Commercial

Team player

Pandion Energy is an independent, full-cycle oil and gas company, participating in the discovery, appraisal, development and production of oil and gas resources on the Norwegian continental shelf (NCS).

Pandion Energy was established in November 2016 on the basis of the operational platform and licences acquired from Tullow Oil Norge AS.

Pandion Energy's strategy is to be an active and responsible non-operator partner driving value in high-quality assets, based on a full-cycle investment mandate. Its business model includes participating in the discovery, appraisal, development and production of oil and gas resources on the NCS, targeting upsides in and around proven assets with access to existing infrastructure.

The current portfolio comprises a 10 per cent interest in the Valhall and Hod producing fields, as well as interests in 11 exploration and appraisal licences.

Pandion Energy seeks attractive growth opportunities through mergers and acquisitions, farm-ins and participation in licensing rounds, and devotes continuous attention to the development of the opportunities in its existing portfolio.

The company has a team of highly experienced oil and gas professionals with strong and proven subsurface, financial, and commercial competence, as well as extensive project execution experience on the NCS. Pandion Energy is headquartered in Oslo, Norway.

The company is backed by Kerogen Capital, an independent private equity fund manager specialising in the international energy sector. Established in 2007, Kerogen manages more than USD 2 billion of capital commitments from a blue-chip institutional investor base.

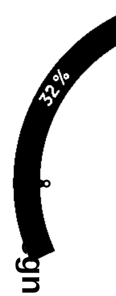
In 2020, Pandion Energy was one of the first exploration and production (E&P) companies in Norway to become carbon neutral for Scopes 1 and 2 greenhouse gas (GHG) emissions, and presented a strategy for maintaining its position with a low carbon impact and net zero status.

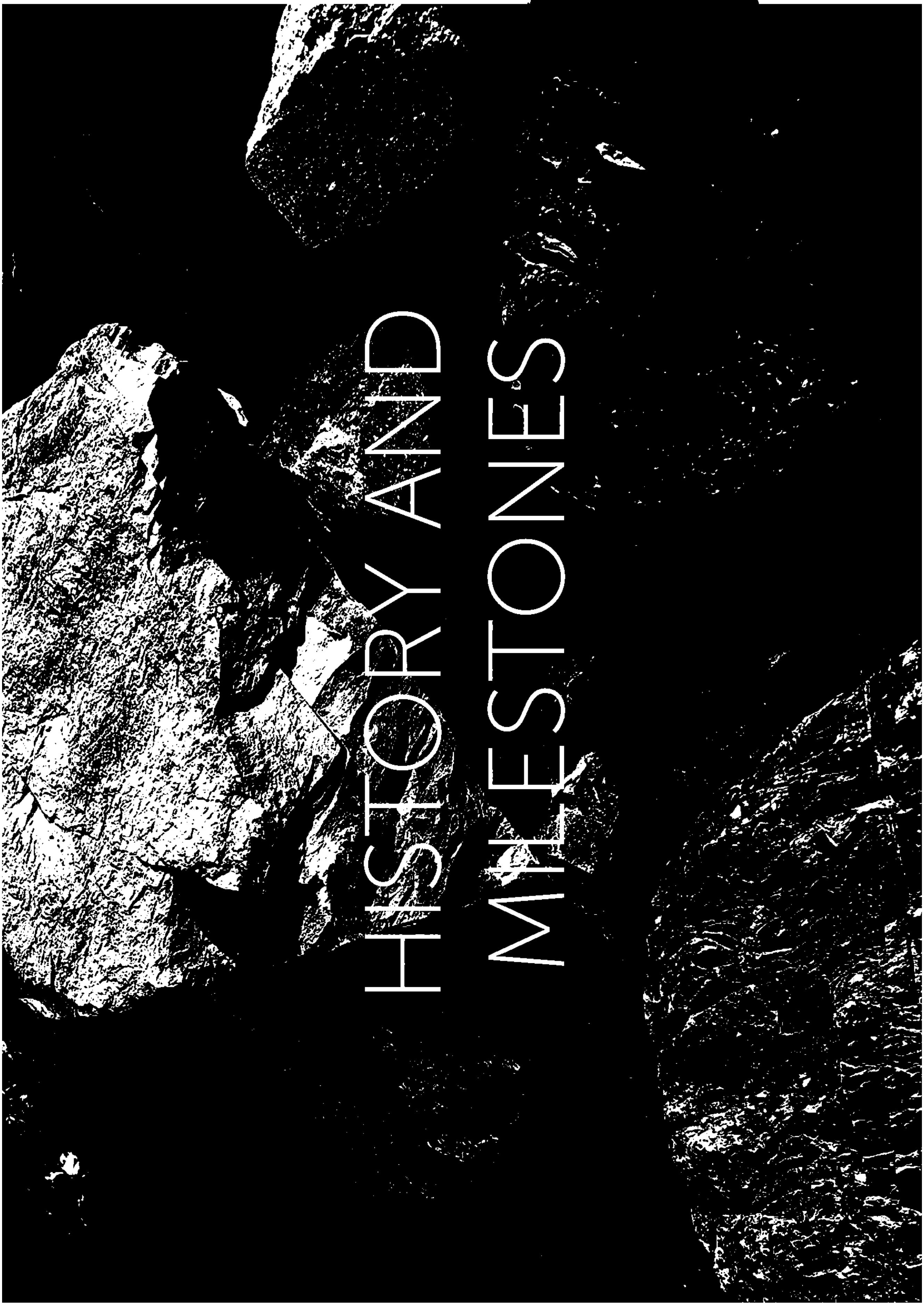
The strategy rests on four key pillars:
- working with industry to meet the GHG emission targets set by national regulators
- committing to net zero carbon operations by offsetting absolute CO_2 equivalent emissions
- promoting transparency and accountability
- aligning investment criteria to maintain a low carbon footprint in its portfolio.

From the energy used to power our assets down to the investment criteria for prospective opportunities, sustainability is at the core of our business strategy.

RESERVES &
TOTAL

Valhall &
Valhall &




HISTORY AND
MILESTONES

Letter from our CEO

During the first three months of 2020, the world changed dramatically. The Covid-19 pandemic spread throughout the world, threatening people's health and causing severe consequences for the global economy. The ongoing pandemic affected both operational priorities and financial progress in 2020. During these challenging times, our key priorities have revolved around ensuring the safety and well-being of our employees, protecting operations and, finally, ensuring that Pandion Energy maintains a solid financial platform.

The Covid-19 outbreak in 2020 had dramatic consequences for all of us as individuals and for the global economy, including a massive drop in oil prices and great uncertainty over the duration and magnitude of the pandemic.

My key priorities during these challenging times have revolved around ensuring the safety and well-being of our employees, protecting our operations and, finally, ensuring that we maintain liquidity and remain financially secure.

Safe operations
We closely monitored the Covid-19 situation throughout the year with the objective of protecting staff and operations. As a partner in the Valhall and Hod fields, we stayed in close dialogue with operator Aker BP to ensure that all necessary steps were taken to protect offshore personnel against the pandemic. Extensive measures were implemented to ensure safe and reliable operations.

I would like to extend my thanks to the Pandion Energy team for the way you have taken on these challenging times demonstrating professionalism, dedication and flexibility. I would also like to extend my gratitude to our partners and operators of our assets for their efforts directed at keeping people safe and operations running during these times.

The dramatic oil price drop led to a significant reduction in revenues for our industry, and measures were taken to maintain a robust financial platform. In an initial phase, costs were reduced by scaling down activities and postponing projects.

During the spring of 2020, investment activity was resumed as a direct consequence of the temporary amendments to the Petroleum Tax Act enacted by the Norwegian Storting (parliament). We worked proactively to emphasise the importance of ensuring equal conditions for companies whether they had taxable income or not, which was successfully accomplished by permitting negative tax instalments.

This made it possible for the Hod field redevelopment to become the first project realised under the temporary tax changes.

A plan for development and operation (PDO) of the Hod field, where we hold a 10 per cent equity interest, was submitted in June 2020.

Increasing our resource base with new discoveries
We proudly announced three oil and gas discoveries on the Norwegian continental shelf (NCS) in 2020, demonstrating the potential of our exploration strategy.

Preliminary estimates indicate that the Slagugle discovery was the largest announced on the NCS in 2020. We have a 20 per cent interest in production license 891. This was acquired in July 2019 from operator ConocoPhillips, which holds the remaining 80 per cent.

The two remaining discoveries include an oil and gas discovery in production license 820 S, near the Balder field, known as Iving, and a minor gas discovery in production license 263 D in the Norwegian Sea.

In January 2021, we were happy to announce the award of five licences in the awards in predefined areas (APA) round for 2020. In addition to expanding our exploration portfolio, we have secured strategically important acreage adjacent to our recent discoveries which strengthens our position in areas where we see further potential. In this year's APA round, 30 different oil companies were awarded a total of 61 licences. This demonstrates the industry's confidence in the continued profitability of exploration on the NCS. I have been impressed by the industry's ability to coordinate and execute these applications in a challenging period with many working from home.

Acquisition and divestment of assets
In February 2020, we completed the sale of our 20 per cent non-operated interests in the Duva oil and gas field and associated licences.

Asset overview

PL 006 B, 033 B, 033
Valhall & Hod

Location	North Sea
Block(s)	2/8, 2/11
Pandion Energy interest	10%
Operator	Aker BP ASA (90%)
Other partners	-
Production start	Valhall: 1982 Hod: 1990 Valhall Flank West: 2019
Area	231.5 km²

PL 263 D/E/F*
Appolonia Discovery

Location	Norwegian Sea
Block(s)	6407/1, 6507/10
Pandion Energy Interest	20%
Operator	Equinor Energy AS (51%)
Other partners	Lime Petroleum AS (20%) ONE-Dyas Norge AS (9%)
Awarded	02.03.2018 (D), 01.11. 2019 (E), 19.02.2021 (F)
Area	105.1 km²

* Extension awarded in 2021

PL 617*

Location	North Sea
Block(s)	2/9
Pandion Energy Interest	15%
Operator	MOL Norge AS (40%)
Other Partners	OMV (Norge) AS (30%) Wintershall Dea Norge AS (15%)
Awarded	03.02.2012
Area	111.7 km²

* Post transaction completion in February 2021

PL 929

Location	North Sea
Block(s)	35/6, 36/4
Pandion Energy interest	20%
Operator	Neptune Energy Norge AS (40%)
Other partners	Wintershall Dea Norge AS (20%) DNO Norge AS med (10%) Lundin Norway AS (10%)
Awarded	02.03.2018
Area	285.7 km²

PL 820 S/SB*
Iving Discovery

Location	North Sea
Block(s)	25/7, 25/8
Pandion Energy interest**	12.5%
Operator	MOL Norge AS (40%)
Other partners	Lundin Norway AS (41%) Wintershall Dea Norge AS (6.5%)
Awarded	06.02.2015
Area	58.1 km²

* Extension awarded in 2021
** Post completion of 2.5% increase in Feb. 2021

PL 891/B*
Slagugle Discovery

Location	Norwegian Sea
Block(s)	6507/5, 6507/6, 6507/8
Pandion Energy interest	20%
Operator	ConocoPhillips Skandinavia AS (80%)
Other partners	-
Awarded	10.02.2017, 19.02.2021 (B)
Area	224.9 km²

* Extension awarded in 2021

PL 938

Location	Norwegian Sea
Block(s)	6407/8
Pandion Energy Interest	20%
Operator	Neptune Energy AS (30%)
Other Partners	OKEA ASA (30%) Vår Energi AS (20%)
Awarded	02.03.2018
Area	56.7 km²

PL 985

Location	North Sea
Block(s)	25/5, 25/6, 25/8, 25/9
Pandion Energy Interest	20%
Operator	Vår Energi AS (40%)
Other partners	Petoro AS (20%) Aker BP ASA (20%)
Awarded	01.03.2019
Area	502.5 km²

VALHALL & HOD FIELDS
Key facts

Licences
PL 006 B, PL 033, PL 033 B

Pandion working interest
10 %

Partner
Aker BP (operator, 90 %)

Discovered
Valhall 1975, Hod 1974

Production start
Valhall 1982, Hod 1990,
Valhall Flank West 2019

Production 2020 (net)
5,639 boepd

End 2020 2P reserves (net)
33 mmboe

End 2020 2C resources (net)
22 mmboe

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Exploration wells

Three exploration wells were completed in 2020. All three yielded oil and gas discoveries, with net resources for Pandion Energy estimated to be 17-49 million barrels of oil (mmboe).

Strategically important acreage adjacent to discoveries has been secured through the 2020 Norwegian awards in predefined areas (APA) licensing round, further strengthening access to additional upside potential in these areas.

PL 820 S Iving
In March 2020, the company announced oil and gas discoveries near the Balder field in the dual-target Evra and Iving prospects in PL 820 S located in the North Sea. The well included two sidetracks to allow for extensive data acquisition, including coring, logging and oil sampling. Hydrocarbons were proven at five different intervals. The well was production tested in the Skagerrak formation. Permanent pressure gauges were installed in the well to assist in determining areal reservoir connectivity from further appraisal. Based on a preliminary evaluation the Iving recoverable gross resources are estimated to 12-71 mmboe in the Skagerrak Formation (with light oil accounting for about 85 per cent).

Recoverable volumes associated with the Evra discovery in the Eocene/Paleocene injectite reservoir sands, oil in weathered/fractured basement and other oil and gas carrying layers will be considered during the appraisal phase of the license. The discoveries are being evaluated for further appraisal drilling during 2021 with the aim of developing the discovery as a tie-back to existing infrastructure nearby. Follow-up prospectivity exists in the licence and will be evaluated in light of this discovery.

In December 2020, Pandion Energy entered into an agreement with Wintershall DEA to acquire a 2.5 per cent stake in the Iving discovery in PL 820 S with effect from 1 January 2021. Following the transaction, the company holds a 12.5 per cent equity interest in the Iving discovery.

In January 2021, Pandion Energy was also awarded adjacent acreage in PL 820 SB through the Norwegian awards in predefined areas (APA) licensing round.

PL 263 D/E Appolonia
A minor gas discovery was announced November 2020 in the Apollonia prospect in PL 263 D/E in the Norwegian Sea. Preliminary estimates indicate that the gross size of the discovery is 3-10 mmboe. The partnership will assess this discovery in conjunction with other discoveries and prospects nearby.

In January 2021, Pandion Energy was awarded adjacent acreage in PL 263 F through the Norwegian awards in predefined areas (APA) licensing round.

PL 891 Slagugle
In December 2020, a significant oil discovery was announced in the Slagugle prospect in PL 891, about 23 kilometres north of the Heidrun field in the Halten Bank area of the central Norwegian Sea. Preliminary estimates put its gross size at 75-200 mmboe, making it the largest discovery on the NCS in 2020. The well encountered a total oil column of 270 metre in the Åre Formation and Grey Beds. Sandstone layers of 90 meters were encountered within the oil column with generally very good reservoir properties.

The licensees are in the process of assessing the discovery together with nearby prospects to determine future appraisal and potential development solutions.

In January 2021, Pandion Energy was awarded adjacent acreage in PL 891 B through the Norwegian awards in predefined areas (APA) licensing round.

The Slagugle discovery is a prime example of Pandion Energy's exploration strategy targeting opportunities close to existing infrastructure with focus on prospects with material upsides.

[redacted]

Environmental, Social & Corporate Governance

Pandion Energy believes that its ability to create long-term, lasting value rests on maintaining high standards of governance, safe operations, and sustainable business practices. Sustainable corporate governance practices include sound ethical business practices, reliable financial reporting and strong core values. During 2020, Pandion Energy incorporated climate risk into its investment criteria with the objective of creating value on the basis of being a carbon neutral producer, and became one of the first exploration and production (E&P) companies on the Norwegian continental shelf (NCS) to achieve carbon neutrality for Scopes 1 and 2 CO_2 emissions.

We believe that our ability to create long-term, lasting value rests on maintaining high standards of governance, sustainable business practices and operations

Corporate governance
The board believes that good governance is rooted in compliance with regulations and legislation and in ensuring a culture of integrity, accountability, and transparency. A detailed model of governance, risk management and control has been developed and implemented in Pandion Energy through the company's management system. This incorporates activities at shareholder and market level as well as by the board and management.

Values and code of conduct
Pandion Energy aims to be an active and responsible business partner and believes that sound business decisions are a product of a strong team, an active board and competent owners. Its core values of professional, agile, commercial and a team player are an integral part of its culture.

The board of Pandion Energy has, in close cooperation with the management team, established a code of conduct setting out the expectations, commitments and requirements for ethical conduct by everyone working on behalf of the company, including employees, consultants and directors. The company also expects its business partners and suppliers to behave in ways which are consistent with the principles in this code.

The code of conduct covers the following areas: health, safety and environmental (HSE) policy and commitment, equality and anti-harassment, working conditions – including modern slavery and child labour – anti-corruption, confidentiality, conflicts of interests, business practices towards suppliers and partners, and guidelines on gifts, hospitality and expenses. Pandion Energy has zero tolerance of bribery and corruption, and works with its partners and contractors on the basis of the same principles.

Pandion Energy encourages its employees, contractors and any of its affiliates who have concerns about any aspects of its business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace. The company has set up an independent disclosure service for whistleblowing.

HSE management
HSE management is critical in the oil and gas industry, where operations can affect the environment, communities, and the workforce. Considerations related to HSE are therefore of strategic importance for Pandion Energy. The company integrates technical, economic and HSE considerations into its decision-making and operational processes to reduce risk and achieve long-term sustainability in its business. Pandion Energy has a non-operator strategy, and therefore places great emphasis on ensuring that operations which it takes part in are safe for the people involved and aim to minimise their impact on the environment.

Pandion Energy constantly strives to manage HSE risk by understanding what can go wrong, minimising the possibility of it occurring, and reducing and mitigating potential consequences. Effective management of HSE risk is about embedding HSE practices in the company's culture and operating procedures.

SPOTLIGHT ON DIGITALISATION

Our team

Pandion Energy devotes great attention to maximising value from high-quality assets and to targeting upsides in and around proven assets. It has a team of highly experienced professionals to support successful growth. The company's core values of professional, agile, commercial and a team player are an integral part of its culture.

At 31 December 2020, Pandion Energy had 26 employees. In addition, six consultants worked for the company on various assignments.

This lean organisation is tailored to Pandion Energy's strategy as a non-operator company with an ambition to follow up its operators proactively in order to maximise value from proven assets. The team has strong geological, geophysical and reservoir expertise and extensive experience from project execution on the Norwegian continental shelf (NCS).

Pandion Energy is led by an experienced management team with an average of more than 20 years of petroleum industry experience.

Both management and employees are committed to Pandion Energy as shareholders through significant investments in the company.

The outbreak of Covid-19 has affected people's daily lives and ways of working. The daily operations of Pandion Energy have predominantly been managed from home during the Covid-19 outbreak and all business travel has naturally been replaced by digital meetings.

Pandion Energy acknowledges that this has been a challenging situation in many aspects for the team, and the company is proud of the way employees and contractors have handled the situation professionally and with great care for one another. The organisation has gained valuable competence during these special times which it will benefit from also going forward.

The management team

Jan Christian Ellefsen
CEO
MSc Mechanical Offshore Engineering

Jan Christian Ellefsen leads the Pandion Energy team with more than 30 years of managerial, commercial and technical experience with the oil and gas industry. He has held a broad range of managerial positions in both oil service and exploration and production companies.

Helge L. Nordtorp
Deputy CEO & VP Business Development
MSc Economics

Helge L Nordtorp has more than 20 years of experience with the exploration and production industry from managing regulatory processes as a civil servant in the Ministry of Petroleum and Energy, and from strategy and business development projects as a management consultant. He also has vast experience with mergers and acquisitions and capital market transactions.

Hege Peters
VP Finance & Business Support
MSc Accounting and Auditing

Hege Peters has more than 25 years of diversified experience with managing finance functions, accounting, budgeting, liquidity, tax and compliance processes, in both exploration and production and other industries. She initially qualified as a senior auditor at Arthur Andersen.

The board of directors

Alan Parsley
Chairman

Dr Alan Parsley is an advisory board member and chair of the technical committee at Kerogen. He has more than 40 years of industry experience, predominantly at Shell, where he held senior positions including global head of exploration, head of new business ventures, and chair of Shell Australia. He formerly served as a member of the board at Woodside Petroleum Ltd.

Jan Christian Ellefsen
CEO/Executive director

Jan Christian Ellefsen leads the Pandion Energy team with more than 30 years of managerial, commercial and technical experience from the oil and gas industry. His background includes a broad range of managerial positions in both oil services and exploration and production companies, mainly in development and operations.

Helge L. Nordtorp
Deputy CEO and VP BD / Executive director

Helge Nordtorp has more than 20 years of experience in the exploration and production industry from managing regulatory processes as a civil servant at the Ministry of Petroleum and Energy, and from strategy and business development projects as a management consultant. He also has experience with M&A and capital market transactions as a director at DNB Markets, a leading Norwegian investment bank.

Directors' report 2020

The ongoing Covid-19 pandemic affected both operational priorities and financial progress in 2020. During these challenging times, the board's priorities have revolved around ensuring the safety and wellbeing of employees, protecting operations and, finally, ensuring that Pandion Energy maintains a solid financial platform. The company also formalised its net zero carbon strategy during 2020 and was one of the first E&P companies on the Norwegian continental shelf (NCS) to become carbon neutral for Scope 1 and Scope 2 emissions.

HIGHLIGHTS 2020

- Operational priorities shifted to address Covid-19 impacts
- The subsequent oil price fall led to a significant reduction in revenues for the company, and activities were scaled back in an initial phase to secure a financial platform which remained robust
- The Hod development project, where Pandion Energy holds a 10 per cent equity interest, was sanctioned in June, enabled by the temporary amendments to the Petroleum Tax Act by the Norwegian Storting (parliament). The plan for development and operation (PDO) of the Hod field was approved by the Ministry of Petroleum and Energy (MPE) in December
- Exploration activities were maintained as planned during the Covid-19 response
- Three oil and gas discoveries were made in the prolific areas of the Norwegian North and the Norwegian Sea, two of which have commercial potential; the Slagugle discovery in production license (PL) 891, the largest discovery announced on the NCS in 2020; the Iving oil and gas discovery in PL 820 S, near the Balder field; and a minor gas discovery in PL 263 D/E
- Strategically important acreage adjacent to discoveries has been secured through the Norwegian awards in predefined areas (APA) licensing round, further strengthening access to additional upside potential in these areas

ABOUT PANDION ENERGY AS

Business and location

Pandion Energy AS (Pandion Energy or the company) is a Norwegian company with its head office at Lysaker, Oslo. It was established in November 2016 on the basis of the operational platform and six licences acquired from Tullow Oil Norge AS.

The company is owned by Pandion Energy Holding AS, a holding company owned by the management team and Kerogen Capital, an independent private equity fund manager specialising in the international energy sector.

At 31 December, the company had an asset portfolio comprising a 10 per cent interest in the producing Valhall and Hod fields (PLs 006B, 033B and 033), as well as interests in nine exploration licences, including acquisition of PL 617, completed in February 2021. In January 2021, the company was awarded two new exploration licences and three extension licences in the 2020 APA round. Following the awards and acquisition of PL 617, the company holds a total of 14 licences.

The portfolio includes some 33 million barrels of oil equivalent (mmboe) of net proven and probable (2P) reserves and 55 mmboe of net contingent resources (2C), including the best estimates for the 2020 discoveries in PL 820 S Iving and PL 891 Slagugle.

Business model and strategy

Pandion Energy's business model is to be a full-cycle exploration and production company, participating in the discovery, appraisal, development and production of oil and gas resources on the NCS. Its strategy is to be an active and responsible non-operator partner across all the assets in its portfolio.

The company targets upsides in and around proven assets with access to processing and transport capacity. Pandion Energy has an ambitious growth strategy, supported by a solid capital structure. It will pursue attractive growth opportunities, including exploration and appraisal, further development of the producing Valhall and Hod fields, mergers and acquisitions, farm-ins, and participation in future licensing rounds.

In 2020, Pandion Energy became carbon neutral by offsetting its net Scope 1 and 2 greenhouse (GHG) emissions from production and exploration drilling activities, approx. 7,300 tonnes CO_2 equivalents from 2019. Early 2021, the company announced the strategy for maintaining its position with a low carbon impact and net zero status. The strategy rests on four key pillars:

- working with industry to meet the GHG emission targets set by the national regulators
- committing to net zero carbon operations by offsetting absolute CO_2 equivalent (CO_2e) emissions
- promoting transparency and accountability
- aligning investment criteria to maintain a low carbon footprint in its portfolio.

STRATEGIC ACHIEVEMENTS IN 2020

Valhall and Hod

The dramatic oil price drop led to a significant reduction in revenues for the company, and measures were taken to maintain a robust financial platform. In an initial phase, costs were reduced by scaling down activities and postponing projects.

The financial statements of the company are prepared in accordance with the simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act and regulations regarding the simplified application of the IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

Statement of income

Revenue and other income

Total revenues and other income for 2020 amounted to USD 116.6 million (2019: USD 125.1 million) and comprised net sales of oil and gas, gains from the sale of interests in licences and gain/loss from hedging positions.

The reduction in revenue mainly reflected lower commodity prices, offset to some extent by an increase in sold volumes during the financial year. Net sales of oil and gas for the year amounted to USD 76.7 million (USD 103.5 million).

The average price achieved by Pandion Energy in 2020 for its net sales of oil and gas before hedging was USD 39.4 (USD 62.1) per boe, which was consistent with Brent benchmark movements.

Average net production for Pandion Energy was 5,639 boe per day (boepd), compared with an average of 4,334 boepd in 2019, driven by new Valhall infill wells and Valhall Flank West coming on stream during the year. Average net sales for Pandion Energy amounted to 5,313 boepd (4,566 boepd). Sales quantities in a period can differ from production quantities, mainly as a result of differences in the timing of cargo liftings compared with production (inventory movements).

Other income for the year amounted to USD 4.6 million (loss of USD 8.3 million), which related to the lower oil price in 2020 being partly offset by realised gains from hedging positions.

Non-recurring revenues related to after-tax accounting gains from the sale of Pandion Energy's interests in the Duva oil and gas field amounted to USD 35.3 million in 2020, compared with USD 29.9 million in 2019.

In 2019 Pandion Energy agreed to divest its 20 per cent share in the Duva field through two transactions, one with PGNiG Upstream Norway AS and one with Sval Energi AS, each acquiring a 10 per cent share in PL 636 and PL 636B. The transaction with Sval Energi AS was completed in 2019 while the remaining 10 per cent share, divested to PGNiG Upstream Norway AS, was completed in 2020.

Expenses

Operating expenses including inventory movements amounted to USD 27.4 million for 2020, significantly below the 2019 level of USD 34.6 million. The reduction is mainly attributable to inventory movements and a lower level of activity (reduced maintenance) following the Covid-19 restrictions. The change in inventory is valued at production costs including tariffs and depreciation costs, and amounted to a negative USD 2.9 million (positive at USD 2.1 million) over the year owing to timing differences between cargo liftings and production.

The per-barrel cost of operations for the year amounted to USD 10 (USD 15), with the reduction from 2019 caused mainly by increased production from the Valhall and Hod oil fields.

Exploration expenses in the income statement for 2020 amounted to USD 20.9 million (USD 24.1 million). Exploration and appraisal costs are capitalised as incurred. When exploration and appraisal drilling is unsuccessful or licences are relinquished owing to lack of prospectivity, the capitalised costs are expensed. In addition to previously capitalised exploration costs, exploration expenses in the income statement comprised costs related to new venture activities (licensing rounds, farm-in activities and digitalisation) and are detailed in Note 7.

The company recorded net financial expenses of USD 16.2 million for 2020, compared with USD 18.8 million for 2019, and are detailed in Note 11. The reduction from the comparative period related mainly to gains from derivative financial instruments entered into in 2020 to address exposure to exchange rate fluctuations between USD and NOK, which amounted to USD 2.5 million in 2020. No such instruments were entered into during 2019.

Net financial expenses mainly comprised interest expenses of USD 11.1 (USD 12 million), which related to the company's unsecured bond, the reserve-based lending (RBL) facility and the exploration finance facility (EFF), as well as accretion expenses of USD 6.2 million (USD 6 million) related to asset retirement obligations.

Results

The company generated a loss on operating activities of USD 22.7 million and an EBITDAX* of USD 89.8 million in 2020, down from the 2019 figures of USD 44.5 million and USD 90.5 million respectively. The decrease from the comparative period mainly reflected lower oil prices as well as impairment charges during the year. An impairment of technical goodwill amounting to USD 61.6 million has been charged in 2020.

*For definitions of Alternative Performance Measures (APM), please refer to page 73.

USD 1.2 million the company's own bond debt and (iv) an equity injection of USD 0.7 million related to buyback of the company's own bond debt.

Cash and cash equivalents decreased to USD 16.8 million at 31 December 2020 from USD 46.6 million a year earlier. The high cash balance at 31 December 2019 related to the divestment of the 10 per cent share in the Duva field, which was completed on 30 December 2019.

Subsequent events

In January 2021, Pandion Energy was awarded five licences under the 2020 APA licensing round on the NCS. That includes two new licences and three additional holdings adjacent to existing licences in the portfolio. In addition to expanding the exploration portfolio with two new licences, the additions to existing licences have secured strategically important acreage surrounding the discoveries which Pandion Energy participated in during 2020. It has also strengthened the company's position in areas where it sees additional upside potential.

The transaction with Wintershall Dea Norge AS to acquire a 2.5 per cent interest in PL 820 S and a 15 per cent interest in PL 617 was approved in January 2021 by the MPE and completed in February 2021. The effective date for the transaction is 1 January 2021. Early 2021, the partnership in PL 617 drilled an exploration well on the Eidsvoll prospect. The well was reported dry.

ALLOCATION OF NET PROFIT/LOSS

Pandion Energy AS recorded a net loss of USD 9.4 million for fiscal year 2020. The board proposes to cover the net loss from other equity.

RISKS AND RISK MANAGEMENT

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

The board of Pandion Energy works with the company to develop a risk management strategy and processes which enable the management to prevent potential events and handle them effectively. The board is also responsible for overseeing the implementation of this strategy by making sure that the framework for identification, control and monitoring in all risk areas accords with industry standards, and that adequate systems and procedures are in place to address these risks. Pandion Energy's approach to risk management includes assessing and managing risk with the focus on achieving the highest risk-adjusted returns for the shareholders.

Covid-19 measures and consequences

Pandion Energy has closely monitored, and continues to closely monitor, the Covid-19 situation with the objective of making sure that the necessary measures are taken to protect staff and operations.

The company is not an operator and not directly involved in the execution of offshore operations on a day-to day basis. However, as the sole partner of the operator for the Valhall and Hod fields, it pursues an active dialogue with the operator to ensure that all necessary steps are taken to protect offshore personnel against the pandemic. Extensive measures have been implemented by the operator to ensure safe and reliable operations.

In addition to operations on the Valhall and Hod fields, the company has been involved in drilling three exploration wells – Iving in PL 820 S, Appollonia in PL 263 D/E and Slagugle in PL 891. To date, no Covid-related disruption to the Valhall and Hod operations or to exploration drilling has been reported.

Apart from its operational impact, the global pandemic created a challenging backdrop during 2020 and increased uncertainty about the recovery phase. The company took and continues to take the necessary steps to ensure that it remains financially sound even in a scenario where low oil prices persist for an extended period.

Operational risks

The board recognises the risks associated with the company's operational assets. Regulation of activities on the NCS provides a sound framework for handling these risks, and the company takes an active and responsible approach as a partner.

Future production of oil and gas is dependent on the company's ability to find or acquire reserve and to develop them.

A risk always exists that a major operational incident could occur, since drilling, production and decommissioning activities will never be completely risk-free. In addition come risks related to the integrity of the company's assets, associated with the reported reserves and resources, and associated with third-party contractors or operators since the company is not the operator of its assets. Development and exploration costs are also uncertain.

As a result of these risks, the company may incur costs which could adversely affect its financial position or its reputation as a player are addressed under financial risks, but the company also faces other external risks which could affect its financial position over time. For instance, there can be no assurance that legislation, including tax regulations, will not be changed in a manner which could adversely affect the company.

Climate change risk
A potential exposure also exists from the response to climate change. The company is likely to become exposed to transition risks related to the anticipated shift to a lower-carbon economy, affecting market fluctuations and behaviour and associated financial risks, as well as external risks such as regulatory changes.

The company aims to develop a portfolio of assets which remains resilient as the government's response to climate change evolves. During 2020, the company has outlined a net zero carbon strategy and aligned its investment criteria with its ambition of maintaining a low carbon footprint. This will ensure that investment decisions and future business planning take account of future carbon-reduction initiatives and carbon-cost projections.

An environmental, social and corporate governance (ESG) committee at board level will be introduced during 2021 to ensure that climate-related risks and opportunities are proactively identified and addressed at appropriate levels in the company's risk management activities.

In the long term, the company's assets may become exposed to physical climate risk. These include an increased frequency or strength of severe weather, potentially resulting in more frequent operational disturbances/disruptions or posing a physical threat to the technical integrity of offshore installations. These risks are currently managed through applicable design and regulatory requirements.

CORPORATE GOVERNANCE AND SUSTAINABILITY

Pandion Energy is committed to rigorous corporate governance practices which create confidence in the company and thereby contribute to good long-term value creation for shareholders and other stakeholders. The objective of corporate governance is to regulate the division of roles between shareholders, the board and the executive management more comprehensively than is required by legislation.

Pandion Energy is currently owned by funds managed by Kerogen Capital and by the management team. The company has a bond listed on the Nordic ABM, a list of registered bonds for which Oslo Børs determines the rules in consultation with market participants. The company encourages transparency and aims for fair and equal treatment of all existing and future shareholders. It will seek to provide all existing and future investors with the necessary details to assess the fair value of the company and the risks it faces. A separate section on corporate governance is included in the annual report.

RESEARCH AND DEVELOPMENT

The company invested USD 4.6 million (USD 5.7 million) in research and development in 2020.

In addition to contributions to general and specific R&D activities undertaken by the operators of the fields in which it has an interest, Pandion Energy has been working on the digitalisation of its subsurface capabilities through the application of new digital solutions to geological and geophysical data. Digital solutions such as machine learning and data science will provide increased understanding of subsurface data and make analysis of geological and geophysical information more efficient.

HEALTH, SAFETY AND THE ENVIRONMENT

Health, safety and the environment (HSE) are of paramount importance to Pandion Energy. The company operates in the oil and gas industry, where operations can have a profound impact on the environment and on communities, and where the workforce is exposed to safety risks. Taking account of HSE considerations is therefore strategically important and a prerequisite for the company.

The board of Pandion Energy has adopted an HSE policy for all the company's employees and contractors. Its objective is to ensure that all activities are carried out in a responsible manner, without harm to the people involved and in accordance with the principles of sustainable development aiming to minimise the impact on the environment.

A comprehensive HSE management system has been established by the company. This requires competent employees and contractors to deliver compliant operations through rigorous planning and execution, as well as being a system for effective risk management. Technical, economic and HSE considerations are an integrated part of Pandion Energy's decision-making and operational processes in order to achieve long-term sustainability of the business and to reduce risk. The company constantly strives to manage HSE risk by understanding what can go wrong, minimising the possibility of this occurring and reducing the potential consequences. Effective management of HSE risk is about embedding HSE practices in the

OUTLOOK

Priorities for the future continue to revolve around ensuring the safety and wellbeing of employees, protecting operations and continuously improving HSE through actively engaging with our partners and the Operators of our assets, and securing a solid financial position until the Covid-19 situation is normalised.

Operationally, the strongest priority is to deliver production targets and continue driving value creation within the Valhall and Hod fields, progress the appraisal process of the recent discoveries and maturing related upside potential as well as continuing to grow and develop the exploration portfolio.

In early 2021, Pandion Energy announced its strategy for maintaining a low carbon footprint from the production portfolio and for achieving net zero status. The company's ambitions are aligned with the carbon-reduction strategy adopted by the Norwegian government and the net zero carbon strategy of its main shareholder, Kerogen Capital.

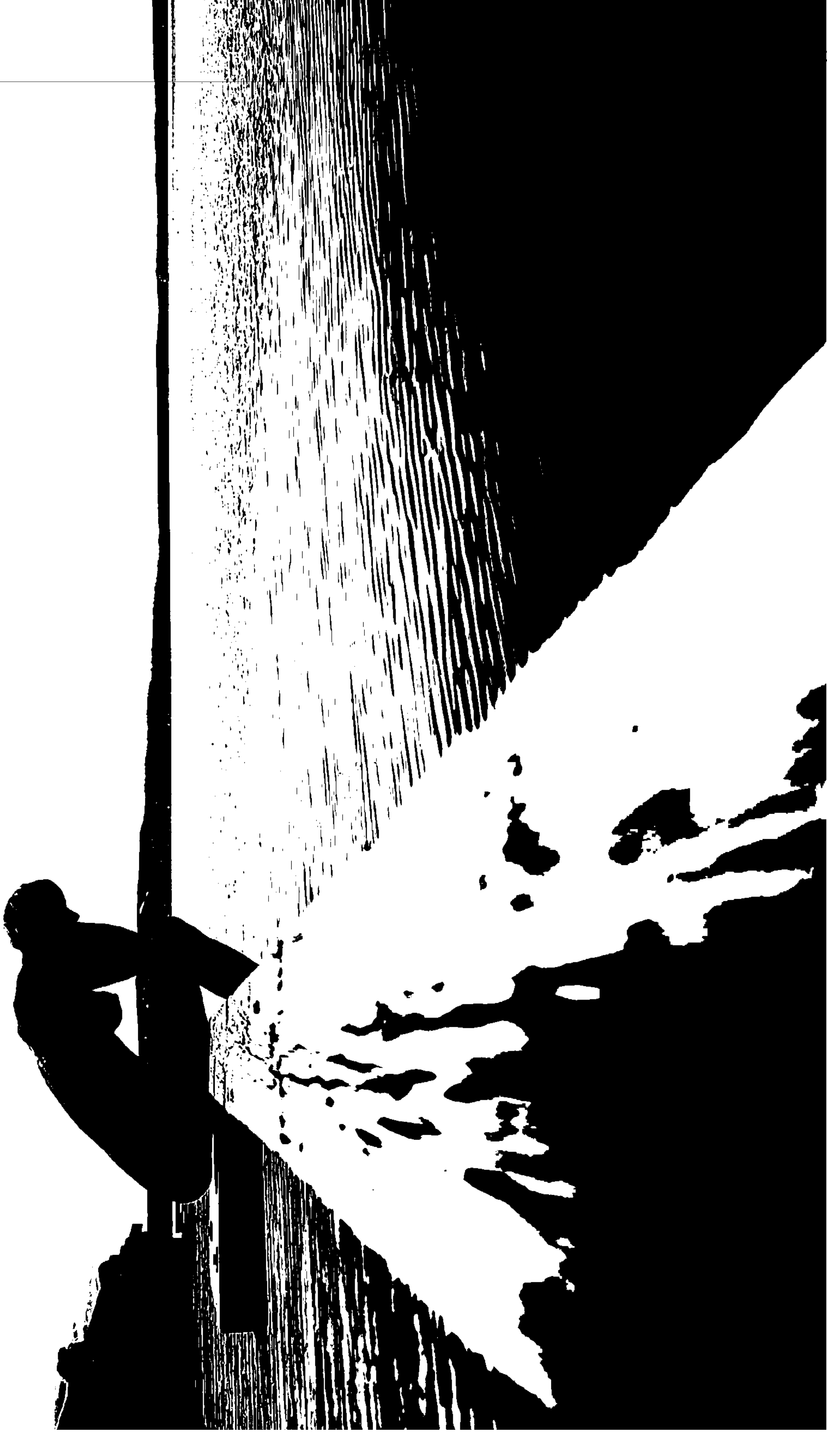
A carbon-light strategy has always been an imperative for Pandion Energy, and the ongoing commitment to carbon neutrality alongside the company's new investment criteria represents a further positive step towards net zero carbon emissions.

Pandion Energy will continue to invest in proven high-quality assets with access to existing infrastructure while aiming to maintain a low carbon footprint, and to focus on further development of the producing Valhall and Hod area.

The board considers Pandion Energy to be well positioned for further growth. The company remains committed to its strategy of being an active and responsible partner, participating in all phases from exploration through to the development of oil and gas resources on the NCS. As part of this, it actively searches for and evaluates opportunities to make value-accretive investments, such as acquisitions, farm-ins, licence awards, swaps or the like, and to divest assets in order to realise value created in its existing portfolio.

Oslo, Norway, 22 April 2021
The Board of Directors and CEO of Pandion Energy AS

Alan John Parsley Chairman of the Board	**Jason Aun Minn Cheng** Board Member	**Jan Christian Ellesen** CEO/Board Member
Roberta Wong Board Member	**Tushar Kumar** Board Memeber	**Helge Larssen Nordtorp** Board Member



Content

Statement of financial position

Assets

(USD`000)	Note	2020	2019
Goodwill	14	63,138	124,785
Intangible assets	14	57,984	52,583
Property, plant and equipment	13	345,298	285,593
Prepayments and financial receivables		140	135
Right-of-use assets	24	731	1,212
Total non-current assets		**467,291**	**464,308**
Inventories		9,376	3,864
Trade and other receivables	18	13,805	14,889
Assets classified as held for sale	15	-	17,563
Financial assets at fair value through profit or loss	21	2,451	-
Tax receivables	12	56,891	20,296
Cash and cash equivalents	9	16,846	46,557
Total current assets		**99,369**	**103,170**
Total assets		**566,660**	**567,478**

Equity and liabilities

(USD`000)	Note	2020	2019
Share capital		114,230	113,492
Other equity		12,064	21,529
Total equity	19	**126,294**	**135,021**
Deferred tax liabilities	12	73,783	14,455
Asset retirement obligations	20	160,936	156,875
Borrowings	17	127,501	176,027
Hedging derivatives	23	8,793	9,941
Long term lease debt	24	555	901
Total non-current liabilities		**371,569**	**358,199**
Asset retirement obligations - short term	20	12,737	16,734
Trade, other payables and provisions	22	31,024	33,849
Borrowings	17	24,168	23,071
Financial liabilities at fair value through profit or loss	21	653	252
Short term lease debt	24	215	352
Total current liabilities		**68,798**	**74,258**
Total liabilities		**440,367**	**432,457**
Total equity and liabilities		**566,660**	**567,478**

Statement of cash flows

(USD`000)	Note	2020	2019
Income before tax		(38,844)	25,700
Depreciation, amortisation and net impairment losses	13, 14	91,018	22,021
Expensed capitalised exploration expenses	7	9,574	14,831
Accretion of asset removal liability	11, 20	6,176	5,987
(Gains) losses on sales of assets	6	(35,341)	(29,909)
Deferred tax liability on sale of assets	12	6,899	3,343
(Increase) decrease in value of financial asset at fair value through profit or loss	6	(4,554)	8,327
(Increase) decrease operational financial asset	21	5,460	-
Net financial expenses	11	9,983	12,793
Interest and fees paid		(11,420)	(14,050)
(Increase) decrease in working capital		(17,612)	11,277
Income tax received		50,158	8,513
Net cash flow from operating activities		**71,498**	**68,732**

(USD`000)	Note	2020	2019
Payment for removal and decommissioning of oil fields	20	(16,737)	(7,279)
Capital expenditures and investments in furniture, fixtures and office machines	13	(18)	(169)
Capital expenditures and investments in oil and gas assets	13	(62,995)	(126,060)
Capital expenditures and investments in exploration and evaluation assets	14	(30,482)	(36,388)
Cash flow from divestments	6	59,428	51,324
Net cash flow from investing activities		**(50,805)**	**(118,571)**
Increase interest bearing obligations, loans and borrowing		42,676	94,443
Decrease interest bearing obligations, loans and borrowing		(93,818)	(17,179)
Proceeds from capital distribution		738	-
Net cash flow from financing activities		**(50,404)**	**77,264**
Net change in cash and cash equivalents		**(29,711)**	**27,424**
Cash and cash equivalents at the beginning of the period		**46,557**	**19,133**
Cash and cash equivalents at the end of the period		**16,846**	**46,557**

Notes to the financial statements

NOTE 1 Organisation

Pandion Energy AS ("Pandion Energy" or "the company") was founded in November 2016 through a management buyout of the operational platform and licences of Tullow Oil Norge AS and is incorporated and domiciled in Norway. The address of its registered office is Lilleakerveien 8, 0283 Oslo, Norway. Pandion Energy AS is a private oil and gas company focusing on exploration, appraisal, development and production opportunities on the Norwegian continental shelf (NCS).

The financial statements of the company for the period ending 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors ("the Board") on 22 April 2021.

NOTE 2 Significant accounting policies

Statement of compliance
The financial statements of the company are prepared in accordance with 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.

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

Expenses related to operating activities in the statement of income are presented as a combination of function and nature in conformity with industry practice. Depreciation, amortisation and net impairment losses are presented in separate lines based on their nature while operating expenses and exploration expenses are presented on a functional basis. Operating expenses and exploration expenses as presented in the statement of income include a share of salaries and related expenses reclassified using allocation keys based on time writing. Remuneration costs (salaries, pensions etc.) are presented by the nature in the notes to the financial statements.

The statement of cash flows has been prepared in accordance with the indirect method.

Interest in joint operations (arrangements in which Pandion Energy and other participants have joint control and each of the parties have rights to the assets and obligations for the liabilities, rating to their respective share of the arrangement) and similar arrangements (licences) outside the scope of IFRS 11 are recognised on a line-by-line basis, reflecting the company`s share off assets, liabilities, income and expenses.

There have been no significant changes to the accounting policies adopted for financial year 2020 compared to those followed in the financial statements for 2019.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

Functional and presentation currency and foreign currency translations
The functional and presentation currency of the company is USD, based on an evaluation of the company's primary economic environment and related cash flows. The cash flows from ordinary sales and financing activities are mainly generated in USD. The currency that influences costs is a mix of NOK and USD, where NOK is the main currency.

Transactions in foreign currencies are translated to USD, at the foreign exchange rate at the dates of the transactions. Foreign exchange differences arising on translation are recognised in the statement of income as net financial items. Non-monetary assets that are measured at historical cost are translated using the exchange rate at the dates of the transactions. Equity transactions are translated at the exchange rate on the transaction date. All resulting exchange differences are recognised in other comprehensive income.

Business combination versus asset acquisition
Determining whether an acquisition meets the definition of a business combination requires judgment to be applied on a case-by-case basis.

The most important consequence of an acquisition being deemed to be asset acquisition rather than a business combination, is that no deferred tax related to excess fair values is recognised, as the initial recognition exemption for deferred tax under IAS 12 applies. No goodwill is recognised in an asset purchase transaction.

In June 2020, in an effort to stimulate petroleum industry activity in light of the oil price development and the covid-19 situation, the Norwegian Storting (Parliament) agreed on temporary changes to the petroleum tax regime. The temporary tax changes imply that:

1) Offshore investments in 2020 and 2021 are depreciated in 1 year instead of over 6 years in the special petroleum tax regime,
2) Offshore investments in 2020 and 2021 are given an uplift of 24 % in 1 year instead of a total of 20.8 % over 4 years, also in the special petroleum tax regime,
3) Investments following a PDO delivered by 2022 and approved by 2023 will have these same favourable depreciation and uplift rules until the start of production, and
4) Any tax losses incurred in the offshore tax regime for 2020 and 2021 will be refunded from the tax authorities, both for corporate tax and special tax regime, including uplift.

The tax effect of the temporary changes is included as of 31.12.2020 and contributes to increase in deferred tax liabilities and increase in tax receivables – short term.

Employee benefits

Pensions

The company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The company's pension scheme meets the requirements of that law. Contributions are paid according to pension insurance plans.

Management incentive plan

Management long term incentive plan offers rewards by an eventual exit event in the company. A liability related to Management long term incentive plan is calculated at end of reporting period and is recognised over estimated vesting period. The fair value is dependent on several assumptions related to among others exit value, discount rate and estimated probability of each employee to stay employed at the eventual exit event.

Phantom shares

As part of the company's bonus scheme, employees may receive phantom shares which follow the pricing of the company's real shares. Phantom shares are accounted for as cash-settled share-based payment. The fair value of phantom shares at the exit date is calculated based on fair value of mandatory shares at grant date, estimated probability of each employee to stay employed at the exit event and recognised over estimated vesting period. The fair value of the liability for phantom shares including social security tax and holiday pay is remeasured at each end of financial year and at the date of settlement based on valuation prepared by Kerogen (the majority shareholder). Any changes in fair value are recognised in profit or loss for the period. When an exit event occurs, the value of the phantom shares will be paid as a cash settlement to the employees (as salary).

Oil and gas exploration, evaluation and development expenditures

The company uses the 'modified successful efforts' method to account for exploration and evaluation cost. Pre - licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate.

Capitalised exploration costs and evaluation expenditures, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves are transferred from intangible assets to property, plant and equipment when the plan for development and operation (PDO) is approved by the Norwegian authorities or licence partners if no government approval is required. All field development costs are capitalised as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, exploration cost transferred from intangible assets and, for qualifying assets, borrowing costs.

Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programmes planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Goodwill is also recognised as the offsetting accounting entry to the deferred tax liability booked on the differences between the assigned fair value of an asset and the related tax base acquired in a business combination.

Goodwill acquired is allocated to each cash generating unit, or group of units, expected to benefit from the combination`s synergies. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Financial assets
Trade and other receivables are carried at the original invoice amount, less a provision for doubtful receivables, which is made when there is objective evidence that the company will be unable to recover the balances in full.

Financial assets are presented as current if these contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if these are held for the purpose of being traded. Financial assets and financial liabilities are shown separately in the Balance sheet, unless Pandion Energy has both a legal right and a demonstrable intention to net settle certain balances payable to and receivable from the same counterparty, in which case they are shown net in the balance sheet.

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Carrying amount of trade and other receivables and cash and cash equivalents is approximately equal to fair value since these instruments have a short term to maturity.

Inventories
The inventory consists of raw materials (hydrocarbons) and the company's share of equipment for the drilling of exploration and production wells and are valued at the lower of cost price (based on weighted average cost) and net realisable value.

Impairment of property, plant and equipment and intangible assets other than goodwill
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on lowest levels with separately identifiable and largely independent cash inflows. Normally, separate cash generating units (CGUs) are individual oil and gas fields or plants. For capitalised exploration expenditures, the CGUs are individual wells. In Pandion Energy AS's line of business, judgement is involved in determining what constitutes a CGU. Development in production, infrastructure solutions, markets, product pricing, management actions and other factors may over time lead to changes in CGUs such as the division of one original CGU into several.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost of disposal and its value in use. Fair value less cost of disposal is determined based on comparable recent arm's length market transactions or based on Pandion Energy's estimate of the price that would be received for the asset in an orderly transaction between market participants. Value in use is determined using a discounted cash flow model. The estimated future cash flows applied are based on reasonable and supportable assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the assets. Pandion Energy uses an approach of regular updates of assumptions and economic conditions in establishing the long-term forecasts which are reviewed by corporate management and updated at least annually. For assets and CGUs with an expected useful life or timeline for production of expected reserves extending beyond 5 years, the forecasts reflect expected production volumes for oil and natural gas, and the related cash flows include project or asset specific estimates reflecting the relevant period.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, but where classification of those reserves as proved depends on whether major capital expenditure can be justified or where the economic viability of that major capital expenditure depends on the successful completion of further exploration work, will remain capitalised during the evaluation phase for the exploratory finds. Thereafter it will be considered a trigger for impairment evaluation of the well if no development decision is planned for the near future and there are no firm plans for future drilling in the licence.

Operating cost
The company allocates its payroll and administrative expenses to development, operational and exploration activities based on registered time-writing.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest and other financial expenses in Net financial items.

Asset retirement obligations (ARO)
Provisions for ARO costs are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. Cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is determined using an estimated risk-free interest-rate, adjusted for risk specific to the liability. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. An obligation may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations, or be based on commitments associated with the company's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions for ARO are classified on a separate line in the statement of financial position.

When a provision for ARO cost is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditures is reflected as an adjustment to the provision and the corresponding property, plant and equipment. When a decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of depreciation, amortisation and net impairment losses in the statement of income. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in operating expenses in the statement of income.

Critical accounting estimates and judgements
Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used. The estimates and the underlying assumptions are reviewed on an ongoing basis. Changes in estimates will be recognised when new estimates can be determined with certainty.

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing the financial statements and the uncertainty that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

Covid-19 measures and consequences
The global pandemic led to a challenging backdrop during 2020 and increased uncertainty with regards to the phase of recovery. The company took and continues to take necessary steps to ensure that the company remains financially sound also in a scenario with low oil prices for an extended period. Key financial assumptions have been updated reflecting decline in the expected future commodity price estimates and has impacting the financial statements.

Proven and probable oil and gas reserves
Proven and probable oil and gas reserves have been estimated based on industry standards. The estimates are based on internal information and information received from the operators. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, i.e. on the date that the estimates are prepared. Current market prices are used in the estimates, except for existing contractual future price changes. Proven and probable reserves and production volumes are used to calculate the depreciation of oil and gas fields by applying the unit-of production methodology.

Currency risk
Currency risks arise from multi-currency cash flows within Pandion Energy. The company is exposed to foreign exchange risk on its purchase and sales, including financing costs denominated in currencies other than USD. Although the company will preferably raise funding in USD, market considerations meant that the senior unsecured bond raised in 2018 was in NOK. To mitigate the currency risk arising from debt issuance, the company has entered into cross-currency interest-rate swaps. The NOK-denominated bond is hedged with three USD/NOK floating cross-currency swaps.

The functional and presentation currency of the company is USD, based on an evaluation of the company's primary economic environment and related cash flows. Cash flows from ordinary sales and financing activities are mainly generated in USD. The currencies which influence costs are a mix of NOK and USD, where NOK is the main currency. In order to reduce the risk related to its exposure to USD/NOK fluctuations, the company has purchased forward contracts where the underlying transaction is to sell USD and buy NOK.

Interest-rate risk
The company`s interest-rate risk arises from its interest-bearing borrowings. See note 17 for information about the floating interest-rate conditions on the revolving exploration finance facility. Borrowings issued with floating interest-rate conditions expose the company to interest-rate risk. To mitigate the risk arising from variable interest-rates payable on the unsecured bond, the company has entered into interest-rate swaps.

Liquidity risk
Liquidity risk is the risk that the company will not be able to meet its financial liabilities when they become due. The purpose of liquidity management is to make certain that the company always has sufficient funds available to cover its financial liabilities. To identify current and future financing needs, Pandion Energy develops short-term (12 months) and long-term forecasts to plan its liquidity. These forecasts are updated regularly for various scenarios, and form part of the decision basis for the company's management and board.

Pandion Energy's debt financing include a reserve-based lending (RBL) facility of USD 150 million with an additional uncommitted accordion of USD 150 million, a senior unsecured bond of NOK 400 million, and revolving exploration finance facility of NOK 400 million. Please refer to note 17 in the financial statements for further details.

Credit risk
Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions. There is also a minor credit risk exposure related to trade receivables and overcall in licences. The company`s licence partners are credit worthy oil companies, and cash and cash equivalents are receivables from banks.

NOTE 4 Asset acquisitions and disposals

Acquisition of exploration licences

Acquired in 2020:

Licence	*Interest aquired*
PL 938	20 %

In 2020, Pandion Energy has undertaken a transaction with ConocoPhillips Skandinavia AS to acquire 20 % working interest in PL 938 with effective date 1 January 2020.

Acquired in 2019:

Licence	*Interest aquired*
PL 842	30 %
PL 263	20 %
PL 891	20 %

In 2019, Pandion Energy undertook a transaction with Aker BP to acquire 30 per cent of working interest in PL 842 with effective date 1 January 2019. In addition, 20 per cent of working interest in PL 263 was acquired from Equinor Energy AS, and 20 per cent of working interest in PL 891 was acquired from ConocoPhillips Skandinavia AS.

Disposals an

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On 31 December 2020 Pandion Energy entered into an agreement with Wintershall DEA Norge AS to acquire a 2.5 % interest in PL 820S – Iving Discovery and a 15 per cent interest in PL 617. Pandion Energy increases its interest in PL 820S to 12.5 per cent. The transaction was approved in January 2021 by the Norwegian Ministry of Petroleum and Energy and completed in February 2021. Effective date for the transaction is 1 January 2021.

In January 2021, Pandion Energy AS was awarded five licences under the 2020 APA (Award in Pre-defined Areas) licence round on the Norwegian continental shelf. That includes two new licences and three additional acreages in the licences already existing in the portfolio. In addition to expanding the exploration portfolio with two new licenses Pandion has, with the awards of additional acreages secured strategically important acreage surrounding discoveries Pandion has taken part in during 2020 and strengthened the position in areas where the company see additional upside potential.

The company holds a total of 14 licences after the APA 2020 awards and acquisition of PL 617.

NOTE 6 Total revenues and income

Revenues	2020	2019
(USD`000)		
Oil	65,312	93,926
Gas	9,658	8,028
NGL	1,705	1,484
Other	-	50
Revenues	**76,675**	**103,489**

All revenues are generated from activities on the Norwegian continental shelf (NCS).

Other income	2020	2019
(USD`000)		
Realised gain/(loss) on oil derivaties	4,955	(3,843)
Unrealised gain/(loss) on oil derivates	(401)	(4,484)
Total other income	**4,554**	**(8,327)**

Gains from sale of assets	2020	2019
(USD`000)		
Payment received	59,377	51,324
Net assets divested	(30,935)	(24,658)
Deferred tax	6,899	3,243
Gains from sale of assets	**35,341**	**29,909**

On 31 January 2020, Pandion Energy completed the divestment of a 10 per cent working interest in the Duva field to PGNiG Upstream Norway AS with an effective date of 1 January 2020. The transaction involved a consideration of USD 59.3 million, including working capital and historical tax and uplift balances.

The transaction resulted in a net after tax accounting gain of USD 35.4 million arising from the difference between the payment received and the book value of the associated assets being divested. The after tax accounting gain is reported as gain from sale of assets as detailed in the above table.

NOTE 9 Restricted bank deposits

(USD`000)	2020	2019
Restricted bank deposits		
Pledge account exploration finance facility	-	2,134
Withheld employee taxes	355	287
Total	**355**	**2,421**

NOTE 10 Auditor's remuneration

(USD`000)	2020	2019
Audit fee	51	75
Other attestation services	4	5
Other services	35	14
Total	**91**	**94**

NOTE 11 Financial items

(USD`000)	2020	2019
Net foreign exchange gains (losses)	(970)	(101)
Foreign exchange gains/losses on derivative financial instruments	2,451	-
Interest income	314	192
Amortised loan costs	(988)	(678)
Accretion expenses	(6,176)	(5,987)
Interest expenses	(11,057)	(11,948)
Other financial items	266	(259)
Net financial items	**(16,159)**	**(18,780)**

NOTE 12 Income taxes

(USD`000)	2020	2019
Tax receivable from exploration refund	(35,164)	(20,299)
Tax receivable from current year tax losses and uplift	(55,522)	-
Change deferred tax balance sheet	52,186	16,394
Change deferred tax OCI	9	245
Deferred taxes recognised as part of gain from sale	6,899	3,243
Adjustments related to prior periods	2,181	89
Income tax	**(29,411)**	**(329)**
Income tax in OCI	(9)	(245)
Total income tax	**(29,420)**	**(573)**

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

(USD`000)	2020	2019
Deferred tax assets on		
Losses carry forward	8,636	8,897
Loss carry forward not recognised	(251)	(520)
Future uplift recognised in PPA	-	581
Uplift carry forward	9,999	9,646
Asset retirement obligations	135,465	135,415
Inventories	-	935
Other items	4,026	3,502
Total deferred tax assets	157,875	158,456
Deferred tax liabilities on		
Property, plant and equipment	(226,860)	(158,184)
Capitalised exploration expenditures and capitalised interest	(1,340)	(20,399)
Inventories	(2,201)	-
Other items	(1,257)	(1,471)
Total deferred tax liabilities	(231,658)	(180,054)
Net deferred tax liabilities	**(73,783)**	**(21,597)**
Deferred tax assets reclassified to assets held for sale	-	7,142
Net deferred tax liabilites in balance sheet	**(73,783)**	**(14,455)**

Change in net deferred tax liabilities during the year:

(USD`000)	2020	2019
Net deferred tax liabilities at 1 January	(14,455)	(5,202)
Deferred tax assets reclassified to assets held for sale	(7,142)	7,142
Charged to the statement of income	(52,195)	(16,639)
Charged to OCI	9	245
Net deferred tax liabilities at 31 December	**(73,783)**	**(14,455)**

Reconciliation of tax receivables:

(USD`000)	2020	2019
Tax receivables at 1 January	20,296	9,094
Refund from Skattetaten for prior year tax refund	(20,296)	(9,094)
Tax receivables from exploration refund	35,164	20,296
Tax receivables from current year tax losses from other than exploration and uplift	41,430	-
Tax receivables from Uplift	14,093	-
Refund from Skattetaten from current year tax losses from other than exploration and uplift	(33,795)	-
Tax receivable at 31 December	**56,891**	**20,296**

NOTE 15 Assets classified as held for sale

(USD`000)	Total
Carrying amount at 1 January 2019	-
Capitalised cost related to exploration	28,414
Prepayments & receivables	3,498
Deferred tax	(7,142)
Accruals	(7,207)
Carrying amount at 31 December 2019	**17,563**
Paid cash call	6,473
Deferred tax	7,142
Change in deferred tax	(243)
Disposals	(30,935)
Carrying amount at 31 December 2020	-

In November 2019, Pandion Energy agreed to divest its 20 per cent share in the Duva field through two transactions, one with PGNiG Upstream Norway AS and one with Sval Energi AS, each acquiring a 10 per cent share in PL 636 and PL 636 B.

The transaction with Sval Energi AS was approved by the Norwegian Ministry of Petroleum and Energy in December 2019 and completed 30 December 2019.

The remaining 10 per cent share, divested to PGNiG Upstream Norway AS, was completed in February 2020.

NOTE 16 Impairments

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

Two categories of impairment tests have been performed as at 31.12.2020:
- Impairment test of oil and gas assets and related intangible assets
- Impairment test of goodwill

An impairment of goodwill amounting to USD 61.6 million has been charged during 2020. No impairments of oil and gas assets were recognised in 2020.

The amount of goodwill recognised in the statement of financial position consists of technical and ordinary goodwill and relates entirely to the acquisition of interest in the Valhall & Hod fields.

The remaining goodwill (USD 63.1 million) is technical goodwill related to the requirement to recognise deferred tax for the difference between the assigned fair values and the related tax base. Technical goodwill was recognised as the counter entry for deferred tax on oil fields by the acquisition. Ordinary goodwill represents the excess purchase price after all the identifiable assets and liabilities were recognised and has been written off in full.

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. This may lead to future impairment charges even if other assumptions remain unchanged.

Reserve Base Lending Facility Agreement (RBL):

	Facility currency	Utilised amount	Undrawn facility	Interest	Maturity	Carrying amount
(USD'000)						
At 31 December 2020	USD	83,500	66,500	LIBOR + 3.5 %	July 2026	81,424
At 31 December 2019	USD	133,100	16,900	LIBOR + 3.5 %	April 2025	130,419

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 3.5 %. In addition, a commitment fee is paid for unused credits.

The financial covenants are as follows:
- Net debt to EBITDAX* not to exceed 3.5x
- Corporate sources** to corporate uses*** applying a ratio of 1.1 to 1 for the next 12 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 USD 10 million
- Exploration spending after tax on a yearly basis restricted to the higher of USD 10 million and 10 per cent of EBITDAX unless such spending is funded by new cash equity or subordinated shareholder loan

* EBITDAX - Earnings before interest, tax, depreciation, amortisation and exploration
** Corporate sources - Cash balance, revenues, equity and external funding
*** Corporate uses - Operating expenditures, capital expenditures, abandonment expenditures, general and administration costs, exploration costs, acquisition costs and financing costs

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

	2020	2019
(USD'000)		
Bank accounts excluding pledge account EFF	16,491	44,136
Borrowing base assets*	198,126	148,718
Trade receivables	6,043	11,343
Inventory	2,567	(332)
Hedging agreements	(653)	(252)
Total	**222,573**	**203,613**

* The carrying amount of the assets includes working capital and retirement obligations related to the asset, and does not include associated goodwill and tax values.

The company`s obligations to the lenders under the RBL Facility are secured by a first priority security over: i) shares in and any shareholder loans to the company, (ii) bank accounts (excluding pledge bank account pursuant to the EFF facility), (iii), licence interests in all borrowing base assets and Duva field, (iv) hedging agreements (v) any claims under RBL insurances as well as (vi) floating charges over trade receivables and Inventory.

Unsecured Bond

	Facility currency	Utilised amount		Interest	Maturity	Carrying amount
(USD'000)						
At 31 Desember 2020	NOK	49,566	-	10.61 %	April 2023	45,077
At 31 December 2019	NOK	50,967	-	10.61 %	April 2023	44,607

The bond is an unsecured bond of NOK 400 million 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 per cent. The bond has similar covenants as the RBL facility. For further information about the currency and interest-rate swaps see note 24.

NOTE 20 Asset retirement obligations

(USD`000)	
Asset retirement obligations at 1 January 2019	**163,561**
New or increased provisions	12,890
Asset removal obligation - Change of estimate	(1,550)
Amounts charged against asset retirement obligations	(7,279)
Accretion expenses	5,987
Asset retirement obligations at 31 December 2019	**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 Desember 2020	**173,673**
Non-current portion at 31 December 2020	160,936
Current portion at 31 December 2020	12,737

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

NOTE 21 Financial assets (liabilities) at fair value through profit or loss

(USD`000)	Oil derivatives	Currency futures
Financial assets (liabilities) at 1 January 2019	**8,075**	**-**
New contracts at cost	-	-
Expired contracts at cost	(3,843)	-
Financial assets at 31 December 2019 before value increase/decrease	**4,232**	**-**
Value increase (decrease)	(4,484)	-
Financial assets (liabilities) at 31 December 2019	**(252)**	**-**
New contracts at cost	-	-
Expired contracts at cost	(143)	-
Financial assets at 31 December 2020 before value increase/decrease	**(395)**	**-**
Value increase (decrease)	(258)	2,451
Financial assets (liabilities) at 31 December 2020	**(653)**	**2,451**

The company has focused on securing liquidity and thus entered an oil price hedging programme to reduce the risk related to oil prices. At the end of the 2020, Pandion Energy had put in place a hedging programme until 31.12.2021. Most of the existing hedging programme is based on put options, however part of the hedging is collar structures. The negative fair value of the options at 31.12.2020 is explained by the options are purchased with deferred premium.

NOTE 22 Trade, other payables and provisions

(USD`000)	2020	2019
Trade payables	2,733	6,517
Share of payables in licences	16,923	15,163
Other non-trade payables, accrued expenses and provisions	11,368	12,170
Trade, other payables and provisions	**31,024**	**33,849**

Hedging reserve	Interest rate risk	Foreign exchange risk	Sum
(USD`000)			
Opening balance hedge reserve 2019	167	(2,744)	(2,577)
Added to OCI: Change in fair value			
of hedging instrument recognised in OCI	(1,370)	(1,648)	(3,018)
Reclassified to Income statement – from OCI	1,434	470	1,904
Tax	(14)	259	245
Closing balance - hedge reserve 2019	**218**	**(3,663)**	**(3,445)**
Added to OCI: Change in fair value			
of hedging instrument recognised in OCI	(1,727)	1,083	(644)
Reclassified to Income statement – from OCI	1,977	(1,374)	603
Tax	(55)	64	9
Closing balance - hedge reserve 2020	**413**	**(3,890)**	**(3,478)**

Amount reclassified to profit and loss	
Transfers due to hedge item affecting profit or loss	
Interest rate risk	1,977
Foreign exchange risk	-1,374
Transfers due to hedge item no longer expected to occur	
Interest rate risk	-
Foreign exchange risk	-
Financial Statement lines effected	
Interest rate risk	Net financial items
Foreign exchange risk	Net financial items

NOTE 24 Leases 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. The company has entered into an additional agreement for extra office space running from June 2019. The lease has an arrangement with contingent payment if the company brings the lease to an end after three years. The contract for the additional office space was terminated may 2020. The termination fee for the terminated contract was USD 12 thousand. In June 2020 Pandion Energy entered into an additional agreement for extra storage space. The right-of-use storage asset is valued at USD 12 thousand. 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. The lease does not contain any restriction on the company's dividend policy or financing. 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 related lease contract.

NOTE 25 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. The company has future contractual obligations related to development projects in non-operated licences of approximately USD 31.7 million, mainly related to the Hod Development project.

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 2020.

NOTE 26 Reserves (unaudited)

Proved and probable reserves	million barrels of oil equivalent (mmboe)
Balance at 1 January 2020	40.5
Revision of previous estimates	0.9
Discoveries, additions and extentions	4.5
Acquisition of reserves	-
Divestment of reserves	(8.6)
Year 2020 production	(2.1)
Total reserves at 31 December 2020	**33.4**

The company`s proved and probable oil and gas reserves (2P) have been at the end of 2020 estimated to approximately 33.4 mmboe compared to approximately 40.5 mmboe in 2019.

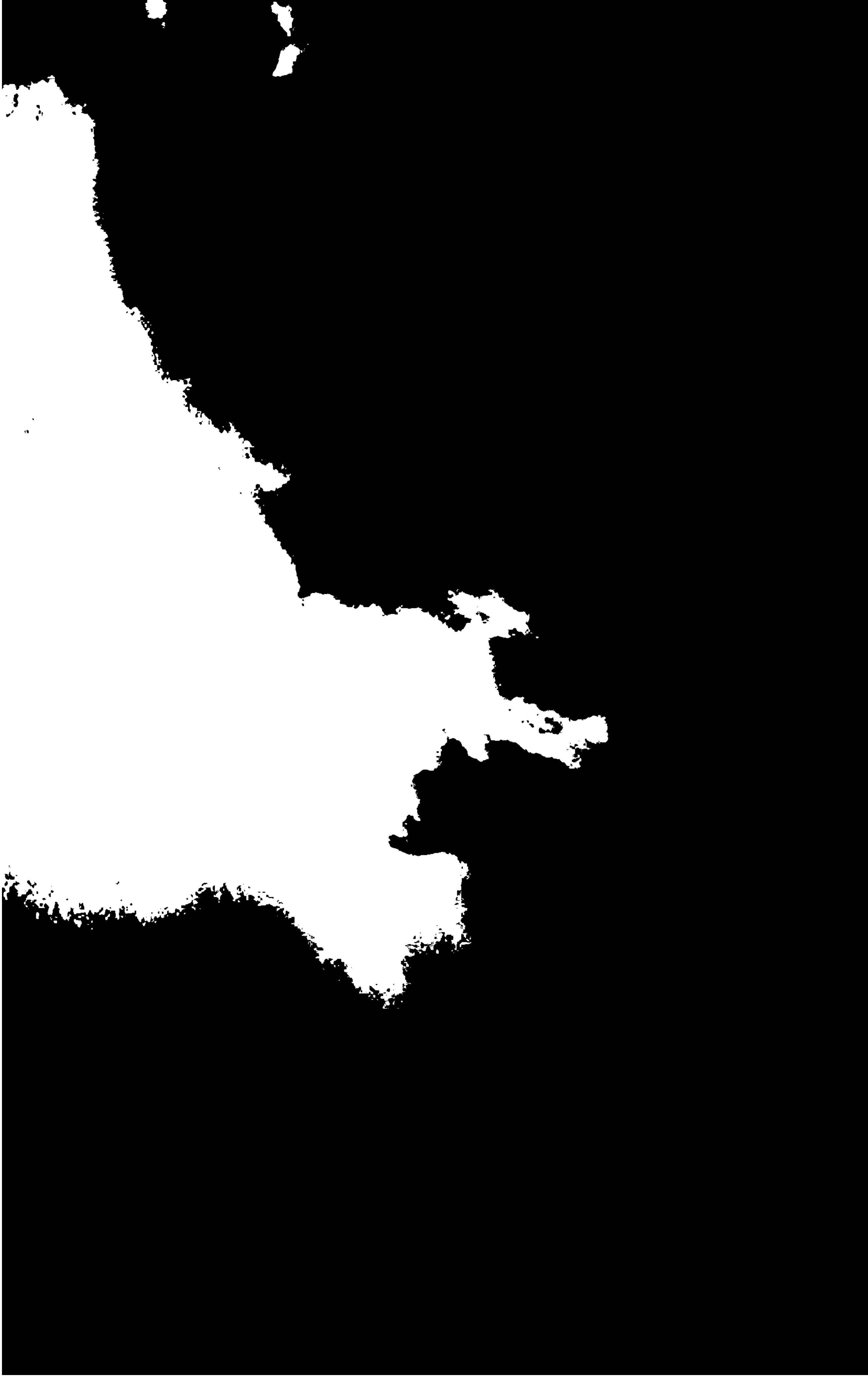
Reserves are calculated in accordance with the Norwegian Petroleum Directorate's requirements and based on revised national budget (RNB) 2021 numbers received from the operators together with internal information.

NOTE 27 Subsequent events

In January 2021, Pandion Energy was awarded five licences under the 2020 APA (Award in Pre-defined Areas) licence round on the Norwegian continental shelf. That includes two new licences and three additional acreages in the licences already existing in the portfolio.

On 31 December 2020, Pandion Energy has entered into an agreement with Wintershall DEA Norge AS to acquire a 2.5 per cent interest in PL 820 S – Iving Discovery and a 15 per cent interest in PL 617. The transaction was approved in January 2021 by the Norwegian Ministry of Petroleum and Energy and completed in February 2021. Effective date for the transaction is 1 January 2021.

Early 2021, the partnership in PL 617 drilled an exploration well on the Eidsvoll prospect. The well was reported dry.



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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pandion Energy AS, which comprise the statement of financial position as at 31 December 2020, the statement of income, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and a true and fair view of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

[redacted]

Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	08.02.2018	12.02.2018
Telefon	Deres referanse	Vår referanse
90076012	Odd Hylland	2018/308642

ADVOKATFIRMAET PRICEWATERHOUSECOOPERS AS
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Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Pandion Energy AS, org.nr. 918 175 334

Vi viser til deres brev av 8. februar 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Pandion Energy AS.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Pandion Energy AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Selskapet er heleid av det engelske selskapet Kerogen Investments No.28 Ltd, og virksomheten er innenfor olje- og gassektoren. Regnskapsbrukerne anses å være eier, styre og øvrige konsernselskaper. Selskapet er hovedsaklig finansiert ved egenkapital og lån fra aksjonær. Kundene i oljebransjen anses å være profesjonelle, hvor engelsk er et vanlig arbeidsspråk.

En norsk oversettelse vil kun ha til formål å tilfredsstille regnskapslovens språkkrav.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> *"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper*

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	E-post: skatteetaten.no/sendepost	22 17 08 60

vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er heleid av et utenlandsk selskap. Eierkretsen er begrenset. Selskapet driver virksomhet i en internasjonal bransje hvor arbeidsspråket normalt er engelsk. Videre er det vektlagt at alle sentrale brukere av regnskapet behersker og benytter engelsk språk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer